

March 2001

STUDY 11

IFAC
FINANCIAL AND
MANAGEMENT
ACCOUNTING
COMMITTEE

A Profession Transforming: From Accounting To Management

ISSUED BY THE
INTERNATIONAL
FEDERATION OF
ACCOUNTANTS



This study was edited for the Financial and Management Accounting Committee (FMAC) of the International Federation of Accountants (IFAC) by Professor William Birkett of the University of New South Wales, Sydney, Australia and Associate Professor Chris Poullaos of the University of Wollongong, Wollongong, Australia. The Committee acknowledges the cooperation of the twelve professional associations that contributed chapters in the Study, and expresses its thanks to the authors; the names of authors or authorities for publication are shown on the covering page for each chapter.

The mission of IFAC is the worldwide development and enhancement of an accountancy profession with harmonized standards, able to provide services of consistently high quality in the public interest. The mission of the FMAC is:

To support IFAC member bodies in the global development and promotion of the financial and management accounting aspect of the profession.

The FMAC welcomes any comments you may have on this Study, both in terms of feedback and in terms of its future activities. Any comments received will be reviewed by the FMAC and may influence further activities. Comments should be sent to:

Technical Director
International Federation of Accountants
535 Fifth Avenue, 26th Floor
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U.S.A.

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DEDICATION

In memory of Julian Freedman -
friend, colleague, and lifelong champion
of best practice in management accounting.

PREFACE

For the past eight years or more the Financial and Management Accounting Committee (FMAC) of the International Federation of Accountants (IFAC) has been exploring emerging trends and seeking to represent contemporary best practice in that domain of accounting work concerned with the management of organizations. It has done so primarily through a range of publications: annual Theme Booklets; annual collections of Articles of Merit; Research Studies; International Management Accounting Practice Statements (IMAPS); and Guides for practitioners. These publications are listed at the end of this Study.

One phase of these explorations culminated in 1998 with the publication of IMAPS1 *Management Accounting Concepts*, which replaced the Statement issued in 1989. The new IMAPS1 traced the evolution of the field of practice known as ‘management accounting’, and concluded that it was now to be seen as “an integral part of the management process”, which was focused on “the effective use of resources, in dynamic and competitive contexts”. Management accounting, under one label or another, referred to that part of the *management process* which “continuously probed” whether organizations’ resources were “wasted” or well used to “create value for shareholders, customers or other stakeholders”. It is noteworthy that the organizational resources referred to extended well beyond those maintained in financial form, and included: “work processes and systems, trained personnel, innovative capacities, morale, flexible cultures, and even committed customers - along with special configurations of resources that may be identified as strategic capabilities, core competences or intellectual capital”.

Having reached this watershed conceptually, the FMAC turned its attention to the practical implications for the profession of the progressive managerial orientation of accounting work – particularly as it was estimated that more than 60% of the 2.25 million professionals who were members of the 140 professional associations represented by IFAC worked in management or management related roles.

The FMAC itself is broadly representative of countries and professional associations; its present composition is listed at the end of the monograph. During the past eight years it has been able to draw on the expertise of representatives from more than 30 countries and 40 professional associations. With this diverse input, its deliberations have canvassed:

- The dramatic, but differential effects of globalization, information and communication technologies, and the dynamics of change on the environments of governmental and private sector organizations;
- commensurate shifts in the capabilities underlying organizational success, in terms of managing increasingly knowledge based and intangible resources;
- the remaking of organizations, in agile if not virtual forms;
- the transformation of the Finance function of organizations – in terms of a value adding managerial focus, its areas of organizational involvement, the capabilities expected from it and its leadership (the Chief Financial Officer), the consolidation, elimination or outsourcing of much of its work responsibilities, and the radical reduction of its headcount;
- the rapid rise of the management consulting divisions of large accounting firms in public practice, and the possibility (even likelihood) of them moving ‘out of the accounting profession’;
- the refocusing of the work of small and medium accounting practitioners (SMPs), away from compliance related services and towards value adding support for the managers of small and medium enterprises (SMEs);
- the possible radical reduction in the number of SMPs, as they are ‘consolidated’ in one way or another into larger firms that can leverage knowledge and technology;
- the removal of the label ‘accounting’ from the brand-names of both large and small firms of ‘accountants’ in public practice, and a similar trend in the renaming of professional associations of accountants;
- the creation of ‘multidisciplinary’ practices in both large accounting firms and SMPs;

- the attempts to form alliances of professional associations of ‘accountants’ around the world, centered on a new managerial agenda; and
- the attempt of a group of professional associations of accountants to construct a new, global profession for the twenty-first century – centered on knowledge management.

Collectively, these trends and movements are likely to have a profound effect on the accounting profession as it enters the twenty-first century – in terms of its structure, focus, size, capabilities, and even its continuance. Yet these trends and movements are not visible collectively, in a form where they can be considered by researchers and policy makers concerned with the future of the accounting profession in various locales and globally. How could they be made visible?

The FMAC determined to address this question by using its own resources – its members, and the professional associations which supported them as country representatives. These FMAC representatives indicated that professional associations in their home countries were aware of these trends and movements, more or less, and were seeking to address them in one way or another. The insights they had gained and the changes they were pursuing individually might be both informative and instructive, and collectively might be indicative of an underlying or imminent transformation in the profession.

The project which resulted in this Study has been underway for two years, and has spanned a change in the composition of membership of the FMAC. It has resulted in narratives from twelve professional associations from six countries, in varying stages and states of transition to the future. All involved reported that their narratives were simply parts of on-going stories; thus they are dated. As more than one author put it – ‘in another month or so the story might change, or there might be a different story to tell’. Such is the pace and profundity of change!

The FMAC recognizes that the shift from accounting to management depicted in this Study is not the only driver of change in the profession. Equally profound is the movement towards reforming corporation governance globally, implicating both financial reporting and auditing in new forms of assurance and oversight. Here, also, it has been said that “the development of the accounting profession is at a cross-roads”. This is another story that needs to be told, by those who can lift their heads above the wash in a running sea of change.

It is noteworthy, perhaps, that these parallel transformations in the accounting profession – towards management and governance – herald a greater good. They implicate the profession in the elimination of waste (of the world’s resources), the creation of value (for diverse stakeholders), and the just and equitable distribution of the outcome. Thus, they both fashion and harness what a reformed profession might contribute to civil society and environmental conservation in a conflictual and increasingly constrained world.

Finally, I would like to acknowledge my colleagues on the FMAC who have contributed to this project as sponsors, authors, reviewers, or editors; and particularly Bill Birkett from Australia who chaired the work group that put this series of articles together. Their respect for others, their interest in learning, and their commitment to a common outcome have made the FMAC much more than the sum of its parts.

We hope that this Study gives encouragement to those who are well along the journey from accounting to management, and provokes others to begin.

Bill Connell
Chair
FMAC

A PROFESSION TRANSFORMING : FROM ACCOUNTING TO MANAGEMENT

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FROM ACCOUNTING TO MANAGEMENT : A GLOBAL PERSPECTIVE

W.P. Birkett and Chris Poullaos*

Synopsis

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 - Structure and Governance
 - What's in a Name?
 - Towards a New Profession

Endnotes

* W.P. Birkett is a Professor of Accounting, the University of New South Wales, Sydney, Australia. Chris Poullaos is an Associate Professor in Accounting, the University of Wollongong, Australia. This editorial overview was submitted in February 2001.

1. A UNIQUE RESOURCE

In addressing the question ‘Whither Accounting?’ this Study provides a unique resource. It tells the stories of twelve professional associations - *from the inside*, or with the connivance of insiders. Thus, it captures a unique form of understanding, which extends beyond forms of explanation that rely on documentation alone. Not that the stories are not documented, or could not be. For some, documentation is important; for others it is less so. But for all, the *sense of change* is important. Each association is not where it was, or where it will be! Thus, the stories represent ‘a movable feast’. It is a rich feast, from different cultures, and it will take some digesting. But it should prove rewarding for those who partake.

The study offers a *global perspective* on the transformation of the accounting profession. But it omits many cultures, and many voices – and so it is unavoidably limited. In this sense, it is a prelude to more encompassing inquiries, and hopefully it will stimulate them.

The Study also was *intentionally directive*. Its contributors were asked to provide stories about their sense of movement of the profession towards management. Some of the stories embraced this theme, while others only referred or alluded to it. Nevertheless, it could be claimed that the outcome represents an unbalanced view of the changes impacting professional associations of accountants, and of the transformation of the accounting profession overall. Such claims are acknowledged freely.

Despite these limitations, the Study does illuminate a *movement* that is transforming the accounting profession, and the quandaries and opportunities it is creating for generalist and specialist professional associations alike.¹ When change is viewed in this light, it might be seen more comprehensively, and as less mysterious and more comprehensible – for policy-makers, educators and researchers. Thus, the Study should provide a useful resource, for a profession that has always shown itself to be no less than resourceful.

This Chapter describes:

- The project that culminated in this Study;
- How the movement from accounting to management is being apprehended and pursued around the world; and
- The effects that this movement is having, or might have, on the future of the profession.

In doing so, it draws from the twelve narratives that follow.

2. THE PROJECT

A World Of Change

Across the world two parallel movements seem to be driving change in the accounting profession. First, there is a movement to reform corporate governance as the underpinning of global capital markets, with consequent changes in financial reporting and auditing standards and processes of institutional oversight and assurance.² Second, there is a less visible, but no less powerful movement for accounting work to be absorbed into the management processes of organizations, not only altering the competences expected of practitioners but also making such work accessible to non-accountants.

New imperatives for corporate governance and new forms of management are having profound effects on the profession as it enters the twenty first century, prompting the following claims from expert commentators:

- “The development of the accounting profession is at a cross-roads.”³
- “The profession is in the midst of an extraordinary transition, and it is not clear where that transition is heading”⁴.

It might even be claimed that the continuance of a profession which had negotiated the twentieth century successfully is at issue.

This Study seeks to shed light on the second of these movements, by describing the experiences of a number of professional associations around the world as they seek to understand and accommodate it. The following vignettes, drawn from the narratives in this monograph, serve to highlight the scope and scale of the transformation being experienced:

- In nineteenth-century Britain, accountants benefited from the prosperity engendered by the industrial revolution. But, today twice as many people work in Indian restaurants in Britain than are employed in coal mining, ship building and steel production combined (CIMA);
- The UK's 200,000+ accountants gives it the highest ratio of accountants to population in the world. But British Airways is relocating its world-wide accounting functions to India (CIPFA);
- A survey recently conducted found that 38% of the members of the Institute of Chartered Accountants in England and Wales had experienced redundancy over a 10 year period. Moreover, its ‘members in business’ now spend only 41% of their time on accounting work (ICAEW);
- By the mid-1980s CMA Canada had become aware that the nature of management accounting was changing, as it became absorbed into the management processes of organizations and took on an entirely new focus. It conducted a survey to see how many were practicing the new management accounting. Expecting only a small ‘elite’ to be involved, they were surprised to find that more than 100,000 were doing so – and only 50% of these persons had an accounting qualification (CMA Canada);
- The strategic plan for the Institute of Chartered Accountants in Australia for 2000-2002 does not mention ‘accounting’ at all, and there are some in the Institute who consider that the label ‘accountant’ is outmoded (ICAA);
- It is noted that only 10% of CPAs in the United States are fully occupied in work permitted under their license, and many are giving up the CPA designation so they can successfully compete in markets for non-traditional services (AICPA);
- A recent survey of IMA members in the United States discovered that 79% were more involved in management decision making, and 47% spent less time on preparing standardized reports – when compared to 1995 (IMA);
- 80% of large American companies intend to move from a reliance on accounting measures, towards multi-disciplinary performance measurement systems (CGA Canada);
- The Australian Society of Certified Practicing Accountants has just removed ‘accountants’ from its name, reflecting a trend internationally – it is now known as CPA Australia (CPA Australia).

As these vignettes imply, many professional associations of accountants around the world are recognizing profound changes affecting the work of their members, and are seeking to accommodate them productively. But they are doing so differently.

Generalist professional bodies are seeking to be more responsive to, and more representative of their members working in management-related roles, in business or in public practice. *Specialist* professional bodies, of management accountants particularly, are moving towards altering themselves so that they reflect and represent the new and distinctive management roles being taken by their members. Both types of body are seeking *alliances* with others, to find common ground in change or ameliorate the effects of globalization on professional work and the mobility of professionals. Each professional body, however, is taking a distinctive path towards change – reflecting its particular history and contemporary circumstances.

Overlaying these different responses of professional associations to change is the common reality they all face – the movement from accounting to management in the work of their members, and shifts in the nature of management itself as organizations face new demands in increasingly knowledge-based economies.

AIMS

This project sought to surface and document transformations in the profession induced by the movement from accounting to management in the work of its members. It aimed to do so by describing the distinctive experiences of a number of professional associations of accountants around the world as they came to understand and tried to navigate this change. Where possible, generalizations were to be made from the separate narratives provided.

THE PARTICIPANTS

The participants in the project were drawn from professional associations represented on the Financial and Management Accounting Committee (FMAC) of the International Federation of Accountants (IFAC) in 1999, when the project was initiated. Some thought was given to a wider involvement, but the practicalities associated with the project intruded. Representatives on the FMAC were available to discuss progress regularly, and they were able to secure a commitment to the project from those they represented. A restricted involvement made the project manageable, within a circumscribed timeframe.

The eventual participants (some started, but could not finish) represent a reasonable sample – across countries, and generalist and specialist professional associations. Regrettably, only Italy and Malaysia represent perspectives from countries with non-Anglo Saxon traditions; this was an accident of both the make-up of the FMAC and circumstances.

The twelve associations represented, from six countries, are listed below:

Project Participants

	Generalist Associations	Specialist Associations*
AUSTRALIA		
CPA Australia	●	
Institute of Chartered Accountants in Australia – ICAA	●	
CANADA		
Certified General Accountants Association of Canada – CGA Canada	●	
Canadian Institute of Chartered Accountants – CICA	●	
CMA Canada		●
ITALY		
Dottori Commercialisti	●	
MALAYSIA		
Malaysian Institute of Accountants – MIA	●	
UK		
Chartered Institute of Management Accountants – CIMA		●
Chartered Institute of Public Finance and Accountancy - CIPFA		●
Institute of Chartered Accountants in England and Wales – ICAEW	●	
USA		
American Institute of Certified Public Accountants – AICPA	●	
Institute of Management Accountants – IMA		●

* CMA Canada, CIMA and IMA are specialist associations of management accountants; CIPFA is a specialist association of public sector or government accountants.

THE PROCESS

Each participating association was provided with a Project Outline, which asked them to discuss how they were addressing the “increasing managerial orientation or involvement of accountants”. They were invited to consider the following “themes” in developing their response:

- The historical background of their association;
- Factors/reasons/studies that had caused any shift in focus, towards recognizing and accommodating an increasing managerial orientation or involvement of accounting professionals;
- The process through which any shift in focus was, or is being managed;
- Consequent changes in the association’s aspirations, directions, initiatives or modes of organisation.

Each of the participants worked with the editorial team for the project to develop their own story, which either was ‘told’ from the inside or was crafted around relevant documents.⁵ Two of the participants essentially supplied excerpts from Reports they had developed, with little in the way of elaboration – reflecting their ‘stage’ in the recognition and change process.⁶ All insisted that their stories be given a submission date, as they were aware that they would quickly become out-dated; submission dates were provided on the covering page of each story.

All of the contributors had discretion, within the broad parameters outlined above, to choose which experiences or concerns they would highlight, and how they would organize their story. Each story, thus, is somewhat unique in focus and structure. CPA Australia focuses on its specialist Management Accounting Centre of Excellence and its migration into a Strategic Business Management Centre of Excellence. CGA Canada and CIPFA both move from analyses of shifts in the profession overall to implications for their own association. The ICAEW highlights actions taken on behalf of their members in business. The ICAA, CICA

and AICPA elaborate their processes of managing change. CMA Canada, CIMA and IMA provide different accounts of attempts to ride the wave of management accounting change. The MIA and Dottori Commercialisti illustrate how they have drawn international experience into their own change imperatives and processes, through involvement with the FMAC.

The resulting stories, then, do not lend themselves to detailed and systematic comparisons – even though they all address a common issue and similar themes. They offer distinctive perspectives on both the substance and process of change, and therein lies their value for professional associations grappling with the same issue in a world of difference.

Despite such difference, an attempt is made in the remainder of this chapter to *generalize* the effects of the movement from accounting to management on the future of the profession, drawing *illustrations* from the stories of the twelve professional associations where possible.

THE PRODUCT

This Study is the outcome of the project. The chapters that follow recount the experiences of the twelve participating professional associations. The present chapter draws on these accounts to make seemingly isolated developments visible, heralding a collective transformation in the nature of the accounting profession.

3. FROM ACCOUNTING TO MANAGEMENT

DISCERNING CHANGE

Prompted by a desire to monitor a rapidly changing world, or better service their members, or produce a new statement of intent as the new millenium approached, most of the professional associations participating in this project produced or sponsored relevant research in the 1990s. CMA Canada and CIMA suggested that they had been monitoring the business environment, member experiences, and employer expectations for much longer – for some decades. The methodologies, outcomes, and uses of such research are detailed in their individual stories. It is noteworthy that the research initiatives of particular associations were made available to others, through private or public release – so that progressively a number of associations began to work from similar ‘scripts’.

During the 1990’s the research produced repeatedly stresses the theme of change – *big* change. There is broad consensus that powerful, if not irresistible, macro-drivers are altering the business environment radically and irreversibly, transforming the accounting profession as a result. The adoption of management roles and perspectives by members of the profession is part of this transformation – and this calls for a rethinking of relationships between professional associations and their members, if it does not call into question the mandate of the profession at large in the world of work.

The individual stories contain a variety of views as to how the macro-drivers identified are linked to professional transformation. However, there is a high level of agreement about the nature of the macro-drivers and their effects on the business environment that will become the future workplace for the profession.

While individual pieces of research are pitched at different levels of analysis (eg; global environment, business firms, the profession overall, particular professional associations, accountants generally or cadres of

accountants) and often use terms differently or even inconsistently, it is possible to draw together the following digest of drivers of change in the profession without fear of much disagreement.

Macro-Drivers Of Change

- *Globalization* of product and capital markets, business and competition;
- Advances in *information and communication technology*, and information availability;
- The transformation to a *knowledge economy*, and the centrality of intangible resources to wealth creation;
- A change in the *dynamics of change*, at high speed and with heightened unpredictability and ambiguity;
- A growing demand for *new institutions of accountability*, in aligning the social (civil society) with the economic (capitalism).

The New Business Environment

- Rapid reduction in *product/service life cycles*, and increasing *empowerment of customers*;
- Increasingly flexible *organisational and business structures*, based on networks and alliances and increasingly virtual organisational arrangements;
- Increasing, but experimental *privatisation* of governmental services and responsibilities;
- Refocusing of organizations around *core competences*, with insourcing or outsourcing becoming normal business options;
- Rethinking the nature of *resources* used, with intangible resources (eg; knowledge, culture) and externalities (eg; community infrastructures, the environment) becoming critical to value generation;
- Rethinking the nature of *value negotiation*, as accommodation is sought between the interests of shareholders, customers and other stakeholders (eg; employees/contractors, and community values);
- Changes in the nature and patterns of *work*, involving telecommuting and lifestyle balancing;
- The progressive *skilling and empowerment* of front-line service providers, as organisations seek to become more responsive to customers;
- Increasing interpenetration of *governments and organisational governance*, in supporting global capital market functioning and localised needs for social development and environmental protection;
- Progressive ‘blurring’ of *professional domains*, and challenges to structures of professionalism generally;
- Shifts in the *nature of management*, with a premium placed on strategic thinking, and diversity, process and change management;
- The progressive *merging of financial services into management processes*, whether these are provided from ‘inside’ or ‘outside’ organisations.

DECIPHERING CHANGE

It is clear that the professional associations participating in this project are thinking on a scale well beyond their own operations and memberships, as they strive to redefine their relevance in the new millenium. But they all eventually seek to decipher the effects of larger changes on their members

and their own structures and operations. When they do so, their sense of challenge is palpable. Their analyses quickly turn to threats and opportunities.

The perceived threats are wide-ranging, as the following digest illustrates:

THREATS

- As information technology becomes more sophisticated and available, it will encompass transaction processing, data management, and report generation. Thus, it will replace the work of accountants in these areas, displacing their services across the board – from small practice taxation services to information support in large multinationals. Accountants with expertise in systems design and implementation will compete with IT specialists for available work, but accountants generally are likely to have no comparative advantage and will lack relevant competences.
- Progressively, managers will extract relevant data or reports directly from organizational or external information systems – to inform strategic analyses, performance reviews, and controls. Thus, the ‘new management accounting’ can be done by managers, bypassing an organization’s Accounting/Finance Department.
- Routine accounting work is now being moved to ‘shared service centers’, with oversight being managerial rather than technical in nature. Alternatively, it is being ‘outsourced’. In either case, it may be regionalized and moved ‘off-shore’, resulting in a new form of cross-border competition.
- Individual accountants are caught in a dilemma, between remaining generalists (and being unable to compete in specialist areas) or becoming specialists (the specialisation may disappear, or the client or employer may demand a greater service range).
- As clients and employers navigate far-reaching change and international markets, local knowledge and technical competence will be insufficient – again eroding the comparative advantage of traditional accountants. Instead, a premium will be placed on value adding contributions to management, in finding and negotiating new directions for an organisation.
- The ‘new management accounting’, concerned with the effective use of resources in organizational value creation, is an integral part of the management process. Its exercise, however, is not restricted to accountants; competent professionals from a range of disciplines may be involved with it – MBA’s, engineers, lawyers, human resource or marketing specialists, and those with qualifications in finance, information technology or risk management. Moreover, accountants may not be well suited to this sphere in terms of background competences. To work in the ‘new management accounting’ will require aptitudes (if not experience) for future oriented analyses involving both financial and non-financial data, working in multidisciplinary or cross-functional teams, embracing the disciplines of risk management, knowledge management, change management, and value chain management. Only accidentally or tangentially have such capabilities been in focus in the traditional education or experience of accountants.
- In the sphere of public practice, the ethical rules suited to audit (such as ‘independence’) may lower the competitiveness of consultancy services offered by accounting firms (relative to those not working under these restrictions). The value propositions related to consultancy services may be at odds with the codes of

conduct maintained by the accounting profession. Hence, the drive to compete may lead to an exodus from the profession.

The prognostications, however, are not all bleak. Sufficient is seen in the traditional preparation of accountants, and the range of fields in which they practice, to provide opportunities for the future.

OPPORTUNITIES

- The traditional financial background of accountants and their facility in measurement are seen as predisposing them towards “shareholder value analysis and the use of non-financial performance measures”.
- Similarly, their background in evaluating controls and providing assurance is likely to provide a base for roles as “risk and control consultants” within organizations.
- Their exposure to finance and related taxation issues is seen as a competency that will continue to be valued; moreover, it is not easily replicated.
- Experience in mergers and corporate reconstructions is seen as a necessary input to decisions about organizational design and location.
- Experience in the design, implementation and management of financial and management information systems is seen as a platform for more general systems development services.
- Consultancy work is seen as an “ideal platform” for expansion into “wider areas of business effectiveness, including leading-edge areas such as re-engineering and corporate transformation”.

While it is easy to envisage, and illustrate, how individual accountants can draw on their developed capabilities to overcome the threats outlined above, any more general adaptation is seen to require no less than a transformation in the nature of the profession – from accounting to management.

FROM ACCOUNTING TO MANAGEMENT

The CMA Canada story tracks changes in management accounting from the 1960s. By the 1990s management accounting is seen as part of the strategic management process of organizations, with ‘management accountants’ being distributed throughout the organisation with the brief to align the use of financial and non-financial resources with the pursuit of organizational objectives. In taking this brief, ‘management accountants’ play new roles (eg; strategy and policy formation, internal consulting) and exercise new skills; they “think like managers”, and adopt the “perspective of the business”.

CIMA and IMA provide similar stories. CIMA tracks a shift in ‘management accounting’ over the twentieth century, from an earlier focus on cost determination and financial control to a present concern with “the provision of advice that results in the addition or creation of value, to taking part in decision-making and strategy formation”. The IMA’s research in the 1990s suggested an accelerating spread of a “management perspective” amongst its members, to the point where some “see themselves as strategic, visionary, proactive and sharing decision-making with the CEO”.

CPA Australia, following Birkett (1998), identifies four stages of development of management accounting from the 1950s, with the fourth stage (from about 1995) involving “the provision of advice that results in the generation or creation of value”.⁷ Picking up on this last transition, CPA Australia changed the name of its specialist Centre of Excellence in Management Accounting to the Strategic Business Management Centre of Excellence.

It is clear that the professional associations of management accountants, and CPA Australia's Centre of Excellence, have recognized and embraced the movement of (management) accounting into the management process. More or less, and in different ways, they now relate to their members *as managers* with distinctive capabilities and contributions to make to organizations.⁸

The ICAA, CICA, AICPA and ICAEW also are recognizing the new agendas facing their substantial numbers of members working in, or consulting to organizations.

The ICAA's *Vision* document (1998) specifically addresses "the new management philosophy...based on value concepts; measuring value and adding value". The language of strategic management also permeates the document; its members in business are urged to acquire "strategic thinking and management skills", and similar skills are seen as helpful to those in public practice who seek to "provide new services to clients".

The CICA stresses the inclusion of a management perspective, badged as financial management, in its *Mission* and *Vision* statements. This move reflected the "significant broadening" of its "professional mandate to reflect the very real needs of the *majority* of our members who play major management roles in businesses of all sizes, particularly our country's largest and most influential" (emphasis added).

The ICAEW cautions its members in business that future success will require them to become, amongst other things, "strategic business managers"; they will need to acquire skills "outside the scope of traditional finance and accountancy". The role of finance director, a senior corporate position often occupied by CAs and second only to the CEO in importance, will focus even more on decision-making "as a member of an integrated management team... while retaining a special responsibility for monitoring and control."

The AICPA recognizes similar shifts in roles, responsibilities and skills for its members outside public practice, in the emergence of what it calls "the new finance". But it observes that "the skill sets of different segments of the profession are converging", as CPAs in public practice are under pressure from clients "demanding more *value* from their outside accountants."

The extensive studies of CIPFA and CGA Canada also document the movement from accounting to management. Whilst not discounting traditional skills and expertise, their members will need to "go beyond them" if they are to continue to "add value" in the workplace and "meet the competition" of other professionals.

CIPFA characterizes a "new public management," involving a "more commercial style of management and service delivery to meet the rising expectations of consumers". In this new environment, "best value" and "risk management" are key issues, requiring public sector accountants to go beyond technical skills to "have a wider understanding and the skills to engage with general management and policy making processes at a senior level". In future, "management skills" will be a requirement expected of CIPFA members.

CGA Canada sees small and medium enterprises requiring an accountant "who is a business professional able to contribute to all aspects of management, from financial reporting to strategic planning to human resource management" – a sound basic knowledge of accounting must be "combined with broad business and teamwork skills". In larger enterprises, professional accountants will "face competitive pressures from other professionals", so that the capacity to "add value to the organisation becomes critical" – by taking "a future oriented focus", foreseeing and recommending changes, designing "effective performance measurement systems", and being able to "recognize and communicate what makes organizations succeed". The same skills will be expected from professional accountants in public practice: those services that provide value to the client – performance measurement, strategic planning, operational efficiency improvements, change

management – will be “especially marketable”. In all spheres of practice, accountants “need to add value to the organisation”, by complementing their traditional skills with “broad-based business skills”.

In Italy, the competences associated with the ‘new management accounting’ were seen as an integral part of the make-up of the “Dottore Commercialista in the Year 2000”. The new management accounting dealt with the future of firms as well as the past, with strategies and business plans, performance measurement and control and information management and organizational issues also. This required a different “mentality” and outlook from professional accountants, a *blending* of old and new roles and skills – towards a new image as a consultant who has legal, accounting and managerial capabilities. No less than the survival of the profession was associated with this attainment.

In Malaysia, there is an awareness of the potentialities of international best practice in management accounting, and initiatives have been taken to disseminate these to members of the MIA and wider management audiences. However, competing demands on the regulatory front make it unlikely that the MIA will become a “management driven origination” in the immediate future. Where Malaysian organizations do use modern management accounting technologies, such as EVA and the balanced scorecard, it is *within* the management process – and only some accountants are involved in “business partner” roles. It may take the “increased competitiveness” associated with “cross-border liberalization” to convert the awareness that is present into new modes of practice expected of accountants.

All of the professional associations contributing to this project are aware of the movement from accounting to management. For some it is pressing, and for others it is problematic. For some it is past – they have moved on! But for all, it heralds a future they are now in – which they will need to embrace at some point, albeit in different ways; if they can!

4. THE FUTURE OF THE PROFESSION

REFORMING PROFESSIONAL ASSOCIATIONS

Recognition of a shift in the underpinnings of professional practice is one thing, but commensurate redirection of the profession is another. There are many ways to move forward, and different priorities. Some professional associations may take control of their futures and those of their members, while others become a hostage to circumstances. All have to deal with their particular cultures and histories, and the forces of competition they face.

The stories of the professional associations contributing to this project illustrate a fascinating array of approaches to the reformation of the profession – so much so, that it is impossible to do them justice in a brief overview. Each story has to be read on its own terms, for the particular light it sheds on a process of reformation that is likely to engage the profession world-wide. However, some developments are worth highlighting here.

Following the example of their leading members, some associations have attempted to exercise strategic leadership of the profession’s reformation process. These associations have been active in seeking out the views of stakeholders, particularly their members and their members’ employers. They have actively sought to influence the perceptions of their members about the new knowledge and skills likely to be necessary or relevant in the new millenium. As various ‘Vision’ projects indicate, they have actively tried to imagine the future and change themselves accordingly – by recasting their Vision or Mission statements, rethinking the services they deliver to members and delivery processes, and by worrying about the ongoing viability of their designations – CA, CPA or whatever (reconceived as ‘brands’).

The specialist associations of management accountants seem well set on leadership paths, with cutting-edge education programs or initiatives which reflect (if not advance) what is happening in practice. The generalist associations are giving more space to management accounting or management in their educational programs – as optional courses, if not as alternatives to traditional ‘core’ courses. All are attempting to alert their members to the future they will face, and are offering various modes of support to their members in engaging with it. And all have the full range of their members in sight, whatever their specialty or field of practice.

A number of the associations, specialist or generalist, are prepared to take in members without prior educational or experiential backgrounds in accounting. Some also accept the inevitability of ‘multi-disciplinary’ practices, involving accountants and ‘non-accounting professionals’. These moves not only herald a shift in labels, from ‘accountant’ to more general ‘professional services provider’ – they also open the profession to the possibilities of a future that will break with the past.

Spurred by competition and the inevitability of globalization, the associations are forming a bewildering array of alliances and networks. The motivations for such initiatives are complex and often overlapping; they include –

- Leveraging resources,
- Gaining access to ideas or solutions relating to common problems,
- Gaining access to the specialist skills or programs of others,
- Cross-marketing to members of other bodies,
- Forming international alliances, so that their members can be serviced when they work ‘off-shore’,
- Sharing the costs/benefits of research/services, or gaining ‘economies of scale’,
- Harmonizing standards or services,
- Gaining protection or support in the face of local or global competition from other associations or alliances, and
- Accessing international best practice.

The alliances and ‘close links’ of CICA are illustrative of the complex arrangements being entered into. CICA has created links with the AICPA, other CA bodies around the world, the Canadian Academic Accounting Association, the Confederation of Asian and Pacific Accountants, the Interamerican Accounting Association, the International Accounting Standards Committee, the International Federation of Accountants, the Financial Planners Standards Council, the Canadian Association of Management Consultants and the Canadian Insolvency Practitioners Association, amongst others. It is “working” on agreements with the Canadian Institute of Chartered Business Valuators, the Information Systems Assurance and Control Association, and the Institute of Internal Auditors, amongst others.

It seems, then, that reform of the profession is being actively pursued, at least by the associations contributing to this project. But where will it lead?

STRUCTURE AND GOVERNANCE

What seems to be under renegotiation are the structures and modes of governance enveloping the profession. While these matters are far from settled, some issues and directions are becoming clearer.

The issue of *specialisation* within the profession, which has been articulated since the 1980s at least, is under more or less active consideration.⁹ Different types and ranges of specialisation are being contemplated, along with different schemes for limiting consequent fragmentation within the profession. Specialisation is likely to limit ‘leakage’ or losses from the profession, and maintain diversity, vibrancy and expertise within it.

Moreover, it extends the profession's outreach into the community at large. But it poses the challenge of governing and serving a diverse membership, along with associated issues of equity between specialist cadres and maintaining the identity and cohesiveness of the profession overall.

The brief historical reviews in the stories about CMA Canada and CIMA suggest that their progress has been hampered or sidetracked at times by attention being given to external reporting or regulatory issues. It seems that this is now behind them. Along with IMA they now seem confident in asserting the autonomy of a 'new management accounting' as the focus of attention. Here their future and their mandate coincide. Thus, they can claim that a *new* profession has emerged – and they are its champions. Does this signal an irresistible fracturing of the accounting profession, or simply a possible shift in the balance of power within it? Perhaps it may be a force for unity, as the profession coalesces around a newly defined management focus.

Competition between associations within the profession, in various locales and globally, seems to be intensifying, both stimulating reform and making an orderly and coherent transformation difficult, if not problematic. Overtures and maneuvers abound, with beneficial progress more often than not thwarted by the power of history and fear of the new or unknown. Certainly foresight and leadership are not lacking, but sometimes leaders can only follow – their time will come, when their followers perceive that it is time! Inertia casts a subtle spell, and is not easily redressed. Rationalization of the profession in the face of competition thus seems to be a story not only without end, but also without any one central direction.

Perhaps the range of 'alliances' being formed by associations, within locales and across the world, is a precursor to rationalization and reformation of the profession at large. The profession will become structured in terms of global alliances, as with airlines, and these will compete or find accommodation with one another. These alliances may have distinctive domains, and so together they may represent a reformed profession. One type of alliance may focus on governance, for example, and another on management, so that difference could co-exist and common ground could be found in matters of public interest. Or different alliances may compete for the same domain, in representing a management oriented profession for example. At present, a range of alliances have been consummated or are contemplated between specialist associations and specialist divisions of generalist associations. Linkages are being formed between the specialist divisions of different generalist associations also. In other arenas, regional alliances exist or are being formed, not only for mutual advantage but also to provide a more powerful voice in a global cacophony. The formation and reformation of alliances thus seems to be a more promising pointer to the future of the profession. But little is clear yet. Watch this space!

Restructuring of the profession, in particular associations or generally, inevitably comes up against issues of apparently competing *values*. Usually the value of 'independence', associated with governance related work in the profession, is set against the value of 'mutual involvement', associated with management related work in the profession. How are *both* values to be maintained by individual accountants, accounting firms, professional associations, and the profession generally in the public interest? The stories provided by the AICPA, CICA, and ICAA illustrate this dilemma. How can they retain the core value of 'independence', as the bulk of their membership migrates to management related work and competes with non-accountants who profess 'service' oriented values? How will 'independence' as a core value help or hinder them, as they introduce non-accountants as members, and seek to enlarge their purview? Such value dissonance or incompatibility may signal the line of fracture in the profession in the future, as individuals, 'accounting' firms and associations align themselves with one or the other value proposition. Such a fracture already is evident, as accountants become managers, accounting firms divide along governance related and management related lines, and the focus of regulators sharpens on equity and transparency in corporate governance structures while management is impelled towards ongoing value creation. Ironically, both types of value are worthy and socially beneficial; however, they may need to be centerpieces of different professions.

Perhaps associated with the increasing management orientation of professional *associations* of accountants, is the tendency of their leaders to behave or become like senior managers in charge of flexible and responsive *enterprises*. Cumbersome processes of election and committees of interested but busy members contributing voluntarily for short terms, do not suit a rapid-response management style. Hence, attempts are being made to reform the governance processes of professional associations, so they can become more business-like and enterprising. The ICAA's reform of its governance processes is an example. Extrapolating a little from this story, the following changes in relationship between associations and their members are likely to follow from such reforms of governance processes:

- *Members* will tend to become *customers*, because they are seen and treated in this way;
- Members will become subjects of market research rather than agents of democracy in a professional community;
- Rather than seeking 'closure' (in the sense of exclusive access to work for a relatively small body of practitioners), the associations may actively promote 'openness' (to expand their customer base);
- The associations will become providers of service, rather than carriers and purveyors of the profession's ethos;
- The logic of the market (supply and demand) will drive the association's initiatives and interests, rather than democratic contestation and representation ('I prefer X's policies to Y's').

Progressively this approach to governance may change the way in which professional associations perceive themselves, as well as the way in which members perceive and relate to them. Problems of equitable representation and resource allocation to diverse 'interest groups' within an association will be converted to problems of successfully providing a variety of product lines and maintaining customer relations. Moreover, issues of professional identity – or even 'branding' (I'm a CPA, a CMA, a CA) – may be rapidly converted to issues of product quality ('Association X puts on the best courses and has the most responsive service').

Of course, the products and services provided are heavily subsidized by member fees – and this should be reflected in pricing structures. The paradox is that an association's competitive position depends upon its membership monopoly. As its members see it more and more as just another service provider, they are likely to cease being members and simply 'shop around' for the most suitable services at varying times. Then the subsidization of service provision will cease, and the association will simply become another provider in a competitive market for services. If so, the privileged access to work associated with professional status, often an important *raison d'être* for professional associations during the twentieth century, may be placed at risk.

Of itself, this path of governance progressively could destroy professional associations. Members will become customers, and the market will replace the community as the central mode of relationship. Mutuality of endeavor and the acceptance of a public interest will be replaced by self-service and self-interest. Whether or not this outcome is beneficial – and it may be, it is likely to reduce professionalism to a relic of the twentieth century.

Professional associations thus are navigating a difficult path – they need to be flexible, enterprising and business-like, but they need also to cultivate expertise, mutuality in relationships, and the acceptance of a greater good. In short, they need to blend management and professionalism. If they can 'bring this off', they will become a model for the profession in the twenty-first century. While this is a difficult endeavor, it is no more difficult than that confronting their members.

WHAT'S IN A NAME?

Not much more than a century ago, the labels 'accounting' and 'accountant' were not terms in common currency, though an embryonic profession was forming around them.¹⁰ Today the labels are under threat, as the profession which has thrived around them in the twentieth century begins to reject them.

Although the ICAA has a strong attachment to CA as a 'brand', it is becoming less attached to Chartered Accountant as its referent. Similarly, CPA Australia notes that 'CPA' was substituted for 'Certified Practising Accountant' because of "the decline in accounting graduates in favour of broad finance and commerce qualifications, as well as the continuing broadening of the professional expertise of our member base". CGA Canada reports that large firms in public practice no longer refer to themselves as 'Certified Public Accountants' or 'Chartered Accountants', and notes that the AICPA and CICA have both "moved away from defining themselves as accountants". The AICPA observes that "the CPA brand is not stretchable", and indicates its reluctance to use 'accounting' to refer to the body of knowledge relevant to CPAs. The AICPA adopted 'new finance' as an alternative label because "it fell within members' comfort zones", but is now calling this label into question on the grounds that it also does not capture the breadth of the new knowledge base of the profession. Thus "the 'new finance' brand will likely be replaced by a new term, not yet identified". The ICAA now refers to itself as an association of "finance, business and knowledge management professionals". CIPFA seems to prefer "corporate professionals".

'Management accounting' and 'management accountant' are not safe either. CPA Australia recounts that as far back as the mid-1980s the terms meant "too many different things to too many different people".¹¹ Fifteen years later, the ICAA found its attempt to establish a 'management accounting' special interest group bedeviled by this problem.

CMA Canada seem to have found a (provisional) middle ground. They still refer to a "management accounting profession", but they have completely redefined the field of practice of the profession as a result of constantly monitoring and even leading "the continuing evolution of the discipline". However, they have changed the name of their journal from *Management Accounting* to *Management* and their name from the Society of Management Accountants of Canada to CMA Canada.

CIMA also retained their attachment to the labels 'management accountant' and 'management accounting', whilst recognizing that the field of practice has changed radically and will continue to evolve. The field of practice has changed "because management accounting is becoming management". All of the changes observed "are in terms of management rather than accounting". CIMA also has changed the name of their journal – from *Management Accounting* to *Financial Management*.

Why not, then, change the name to 'management'? Would this involve a loss of professional identity, even if the label was fitting? These questions not only highlight a dilemma for the profession, they also open up a substantive issue. If (management) accounting is becoming management, is it becoming 'any type' of management?

CIMA prefaces its conclusion about the direction of change in the field of practice by referring to the revised International Management Accounting Practice Statement 1 *Management Accounting Concepts* (IMAPS1).¹² In IMAPS1 the label 'management accounting' is retained to refer to a *distinctive part* of the management process – concerned with the effective use of organizational resources in creating value. This *distinctive part* of the management process intersects with *other parts* of the management process (such as, direction setting, organizational structuring, securing commitment, performance management, and control), and may itself be managed as a distinctive function within the management process overall (as may other parts of the management process). Thus, IMAPS1 refers to "management of the management accounting function". The

distinctive part of the management process identified and described in IMAPS1 may not be called ‘management accounting’ in practice, and it is not in many parts of the world, but it does need to be identified as an emergent field of practice that has its own value proposition, work technologies, and knowledge base. In the absence of an alternative, and because the new field of practice is seen as an evolution of previous fields of practice labeled ‘management accounting’, IMAPS1 retains the old name to refer to something distinctively different – a part of the management process, not all of it.

The IMA also seems to be in an ‘in-between position’. It has changed the name of its leading journal from *Management Accounting* to *Strategic Finance*, and recognizes that ‘management accounting’ seems to be “rarely used in practice”. It canvasses alternatives to the name, without resolution. Because the field of practice seems to be in such flux, it speculates that a satisfactory new label will not emerge “unless and until” some degree of stability is achieved in the new field of practice, when “practitioners from different backgrounds have forged a new identity around one (potentially new) name”. This situation still seems to be some way off.

It is said that ‘a rose by any other name would not smell the same’. But it is also said that ‘canny is the nose that knows an onion is not a rose’.¹³ What’s in a name, indeed!

TOWARDS A NEW PROFESSION

The stories of the AICPA, ICAA, CICA and CGA Canada refer to an initiative of a number of professional associations of accountants to establish a new “credential that essentially defines a new profession”.¹⁴ Holders of the new credential will be “rooted in strategy, facilitators of organizational change, savvy in performance measurement systems, entrepreneurial in nature, globally aware and grounded in knowledge integration”. Do these characteristics not reflect an end result of the movement from accounting to management documented in this Study? Do they not herald a transformation in the accounting profession that is so profound that it becomes no less than a new profession?

The proposers of the new profession clearly see it as grounded in the realities of change of the CPA/CA profession, where more than 85% of its members “already practice” in areas outside the original “franchise” of the profession. Because the new profession’s ‘time’ was seen as already having arrived, the decision was taken to address it on its own terms rather than by “stretching the CPA brand”. Expanding the brand to “encompass the space these CPAs are already occupying will take too long”. The new profession’s time is now – “there is a significant opportunity in the current marketplace and our members are virtually unsupported in delivering new services to this market”.

What is proposed is a new *global profession* “focused on knowledge integration that creates value”. Thus, the proposal moves beyond that of harmonizing the initiatives of existing professional associations, and beyond existing or emergent alliances. It heralds the twenty first century, as being distinctly different to the twentieth century. The new profession represents a new global reality, and a new multidisciplinaryity.

The new professions’ promise is that credential holders will have the skill and experience to help convert information into knowledge, which in turn, will help create wealth for their clients and employers. The new credential represents a broad range of disciplines, including accounting, law, information technology, consulting, marketing, human resources and several other essential business support areas. Multidisciplinary in scope, the credentials’ foundation of integrating systems, processes and knowledge to transform organizational vision into performance is not only highly demanded by the marketplace, but also a compelling distinction for its holders.

The concept of the new profession already is well elaborated by its proposers. However, its name is a problem. It is now promulgated under the fairly anonymous label of ‘the XYZ Concept’.¹⁵ There was some flirtation with the label ‘cognitor’ to refer to the new professional, but reaction to this has been lukewarm; attention now is being given to ‘knowlogist’ as an alternative.

Finding a broader name to include business specialists such as finance or human resources executives is proving tricky for the world’s accounting bodies. The American Institute of CPAs (AICPA) has been leading the push for a name change from “CPAs”, in cooperation with overseas institutional counterparts.... Now the favored name, “cognitor”, has been scrapped. An AICPA spokesman says: “Folks just didn’t like it”.. One member says “cognitor” sounds like a giant dinosaur on a rampage in Tokyo.

The Chief Executive of the Institute of Chartered Accountants of Australia... says the American research into the rebranding project has been encouraging, with a wider variety of business specialists keen to adopt the designation than originally expected. “Any new invented name is controversial at first.... Early last year, rather than talking about ‘XYZ’ as the name, we used the term ‘knowlogist’ and the more we used it, the more we liked it”.¹⁶

Perhaps the reaction to the label ‘accountant’ a hundred years ago was no less enthusiastic!

Endnotes

- ¹ ‘Movement’ has been used deliberately as an evocative term, even though it is difficult to define (see, for example, J. Freeman (Ed.) *Social Movements in the Sixties and Seventies* Longman, New York 1983). Social movements generally exhibit both spontaneity and structure, pace if not direction; they engage ideas and are oriented to action; they represent collective interests, and are shaped ideologically; and they may exist on a small or large scale, in nascent or mature form. However, their emergence, sustenance, and demise is somewhat mysterious. What is the source of their spontaneity? What sustains their movement? How do they embody structure?

Historically, ‘management accounting’ has been implicated in a number of more or less visible ‘movements’ – for example, the industrial revolution (see, for example, S. Pollard *The Genesis of Modern Management* Arnold, London 1965), the scientific management movement (see, for example, M.J. Epstein *The Effects of Scientific Management on the Development of the Standard Cost System* Arno, New York, 1978), a movement away from ‘practical man’ (see, for example, R. Locke *The End of Practical Man* JAI Press, Greenwich CT, 1984), and “a vast project of standardization and normalization of the lives of individuals” (P.Miller and T. O’Leary “Accounting and the Construction of the Governable Person” *Accounting, Organisations and Society* Vol. 12, 1987).

- ² The ‘movement’ towards global corporate governance is being documented in various ways and is being sustained by various institutions. See, for example: International Capital Markets Group *International Corporate Governance: Who Holds the Reins?* June 1995; Ralph D. Ward *21st Century Corporate Board* Wiley, New York 1997; Jonathan Charkham *Keeping Good Company: A Study of Corporate Governance in Five Countries* Clarendon Press, Oxford 1994).

The OECD has published *Principles of Corporate Governance* in five languages, and joined with the World Bank to launch a Global Corporate Governance Forum with the aim of improving the governance of the corporation by promoting both enterprise and accountability. An International Corporate Governance Network is active, supported by a diverse range of interests. There is a European Corporate Governance Network and a California Global Corporate Accountability Project, with different agendas and sustained by different interests.

The International Federation of Accountants progressively is being drawn into the corporate governance movement by different institutions, as international financial reporting and auditing standards (and their ‘enforcement’) are seen as integral components of global corporate governance.

- ³ Speech by John W. Morrissey, Deputy Chief Accountant, U.S. Securities and Exchange Commission ‘International Reporting: The Way Forward’. See also the reply to this speech by Tsuguoki Fujinuma, President, International Federation of Accountants. Reproduced in Articles and Speeches Library : www.ifac.org.
- ⁴ W. Steve Albrecht and Robert J. Sack *Accounting Education: Charting the Course through a Perilous Future* American Accounting Association, 2000, p.10.
- ⁵ Specifically, the participants were asked to supply either (a) a case study written to the theme, plus supporting materials/documentation, or (b) relevant materials/documentation/extracts from journals, etc. – as the basis for the writing of a case study for subsequent revision/approval by the participant.

- ⁶ The CGA Canada and CIPFA contributions are essentially excerpts from internal Reports prepared by a Task Force (CGA Canada) and a Working Party (CIPFA) given briefs to produce some form of 'Vision' document for the new millenium. The Reports fit the overall aims of this Study reasonably well, but they were not prepared specifically for it.
- ⁷ The reference is to W.P. Birkett "The Management Accountant of the 21st Century", *Public Lecture*, Sydney, 11 May 1998.
- ⁸ There are limits, however. The strong view expressed by IMA, about management accountants sharing decision-making, does relate to the *future* and it is about *sharing*. The notion of management accountants being *support to* management is still alive, from the evidence reported – even when management accountants do, or are urged to think and work *like a manager*.
- ⁹ See W.P. Birkett "Professional Specialisation in Accounting I-XII *Australian Accountant* June 1986 – June 1987.
- ¹⁰ See, for example, Richard Brown "Accountant" in George Lisle (Ed) *Encyclopaedia of Accounting* William Green: Edinburgh, 1903; Richard Brown (Ed) *A History of Accounting and Accountants* Jack: Edinburgh, 1905; Gary John Previts and Barbara Dubis Merino *A History of Accounting in America* Ronald; New York, 1979.
- ¹¹ The reference is to W.P. Birkett "Professional Specialisation in Accounting IV: Management Accounting" *Australian Accountant*, September 1986.
- ¹² The importance of the revised IMAPS1 is alluded to in the Preface to this Study.
- ¹³ For those who don't know, 'canny' is a Scottish term (or so the Editors believe) meaning 'shrewd, worldly wise'. Perhaps a contemporary usage is 'street wise'.
- ¹⁴ American Institute of CPAs *Adding Value to the Profession : The Proposed Global Credential* www.aicpa.org.
- ¹⁵ American Institute of CPAs *The XYZ Concept : Turning Knowledge into Value* www.aicpa.org.
- ¹⁶ Reported in *BRW* (Australia), February 16, 2001, p.83.

**REFORMING THE ACCOUNTING STEREOTYPE: FROM
MANAGEMENT ACCOUNTANT TO STRATEGIC BUSINESS MANAGER**

John Petty and Rob Sharma*

Synopsis

1. Introduction
2. The Evolving Management Accountant: A Brief History
 - Influence 1 — The MACOE: Historical Background, Operation and Evolution (to 1995)
 - Influence 2: International Developments and Involvement with FMAC (from 1995 to 1998)
3. The Research (1998 to year 2000 and beyond)
 - Research on National Industry and Commerce Members
 - Research on Management Practices
 - Research on Chief Financial Officers
4. Discussion and Conclusions

References

Appendix : Thought Leadership Initiatives

Endnotes

* John Petty is Chairman, Strategic Business Management, Centre of Excellence, Australian Society of Certified Practising Accountants and Rob Sharma is Consultant, Strategic Business Management Centre of Excellence, Australian Society of Certified Practising Accountants. This paper was submitted on 31 March 2000; since then the Australian Society of Certified Practising Accountants has changed its name to CPA Australia. The authors would like to thank Bill Birkett and Chris Poullaos for comments on an earlier draft.

The accountant is no longer a quiet and reserved mortal but rather a thrusting, proactive and much more creative being (Hopwood 1994: 299)

1. INTRODUCTION

The interaction between social and institutional practices and the everyday accountant and his/her workplace has resulted in the creation of a “new accounting identity” (Beard, 1994; Bougden, 1994; Daly and Schuler, 1998; Grey, 1998). The transformation to this “new accounting identity” can be ascribed to the interaction between the media, public relations, growing global competition, and issues arising in the accountant’s workplace that together affect the perception of the everyday accountant.

Professional bodies play a pivotal role in the transformation of the profession as they act as conduits of interaction between changes in workplace demands and member interests. In recent times, a growing trend among professional bodies is the managerial emphasis and orientation arising from changing workplace demands.

Among professional bodies in Australia, the Australian Society of Certified Practising Accountants (the ASCPA) has enjoyed a long association with cost and management accounting. In 1956, members of the Australasian Institute of Cost Accountants approved of the affiliation of the Institute with the Society (ASCPA). The motivation for initiating such a merger was as below (*History of the Australian Society of Accountants and its Antecedent Bodies*, 1962:19):

The Institute has been incorporated under the Victorian Companies Act of 4th January 1921, and was particularly concerned with promoting and advancing the knowledge and practice of cost accounting beyond the requirements of the general practitioner. As the Society was interested in the overall development of accountancy generally, including management accounting, it was considered that an integration of interests would be to the ultimate advantage of the profession.

This merger resulted in the ASCPA conducting examinations in the area of cost and management accounting. However, in 1981, following closely on a failed merger attempt with the Institute of Chartered Accountants in Australia, the ASCPA approved a recommendation for specialisations in accounting (including cost and managerial accounting) (Birkett, 1982). The specialisation recognized that cost and managerial accounting was a specialist discipline that required a number of competencies. Management accountants that acquired the necessary competencies would be in a position to conduct a number of different tasks in a complex work environment.¹

Concomitant with these specialisations, were a number of trends in the accounting workplace that began to take fruition (Wallace, 1987). These included: the strong demand for accounting graduates to fill general management roles; the increasing demand for accountants to have a good general management curriculum; and the salary competition from other commerce related disciplines such as economics, actuarial studies, and business administration. The problem was further compounded with the label of management accounting being seen as meaning “too many different things to too many people” (Birkett, 1986a).

In 1999, there was recognition of these trends, when the ASCPA National Council agreed to a proposal to a change of name suggested by the Executive Director (David Edwards) to ASCPA.² Among the reasons given in an internal address (27 Oct 1999) was the following:

Substituting Certified Practising Accountant by CPA recognizes the decline in accounting graduates in favour of broader finance and commerce qualifications, as well as continuing broadening of the professional expertise of our member base.

The positioning of CPA as a broad business qualification explicitly recognized that a significant majority of members (54%) were engaged in industry and commerce, as management accountants, and were directly or indirectly involved with strategy and business. Consequently, the intellectual capital service unit of the ASCPA changed the working name of its Centre of Excellence from Management Accounting to Strategic Business Management.³

The primary objective of this paper is to systematically trace the role of the ASCPA's Management Accounting Centre of Excellence in the development of the “new” management accountant.⁴ In particular, the paper outlines the role, development, involvement of the ASCPA Management Accounting Centre of Excellence over a ten year period (1991 to 2000). Content analysis and confidential survey data are used to describe the process of transforming the everyday Management Accountant.⁵

The rest of this paper is organized as follows. The following section, provides a history of the evolution of the management accountant from the particular perspective of the ASCPA. Particular attention is paid to recent developments in the workplace nationally and internationally that have played a pivotal role in shaping the identity of the management accountant. Finally, discussion on the directions for the new management accountant is outlined.

2. THE EVOLVING MANAGEMENT ACCOUNTANT: A BRIEF HISTORY

Two primary and interrelated influences shaped the role of the evolving management accountant. The first influence was an internal review within the ASCPA that led to the formation of the Management Accounting Centre of Excellence (MACOE). This development had a major influence in shaping the ASCPA perspective on what management accounting is. The second influence was the increased level of activity from the Financial and Management Accounting Committee (FMAC) of the International Federation of Accountants (IFAC). Each of these influences and their relationships are described below.

Influence 1 — The MACOE: Historical Background, Operation and Evolution (to 1995)

In 1991, closely following the growing interest in specialisations (Birkett, 1986a,b), the ASCPA National Council commissioned a consultant to undertake a review of its structure and operations.⁶ One observation made was that the ASCPA was not making full use of its members' knowledge and skill. Consequently, National Council accepted the recommendation from the structural review that the ASCPA activities be grouped into three core areas known as strategic service units. These were Intellectual Capital, Professional Development and Membership Services.

Each of the Centres of Excellence, resided within the Intellectual Capital Strategic Service Unit. The mission of the Centres of Excellence was to take advantage of the intellectual capital of the Society's members for the benefit of all members through harnessing and disseminating information. As part of its mission, the Centres of Excellence had two primary goals: provision of thought leadership; and being a source of tactical responses for its members.⁷ The ASCPA membership could gain access to the information produced by the Centres of Excellence through a subscription service. The members on the Centres of Excellence had the role of:

Address[ing], within their area of expertise, accounting and financial issues which impact upon Society members, the profession, Australian business and the community generally. Hence the COEs focus on emerging issues and the impact of these issues on ASCPA policies...including a quick response on an emerging issue. [ASA 1]

In August 1992, the MACOE was formed. The MACOE outlined its scope of operation and its relationship within the ASCPA and with its external stakeholders, such as its members, government, and interest groups through its mission, goals and objectives (see table 1). These mission statements were made publicly visible with the launch of the first newsletter *The Management Accountant* in 1995.⁸

**Table 1: MACOE Mission Statement
WORLD'S BEST IS OUR GOAL**

The concept of the centres of excellence has certainly been a worthy one for the Australian Society of CPAs. It is developing the level of debate and the exposure of pertinent issues which are of interest to the business community in general and members of the Society in particular.

As is often the case with these initiatives, the implementation is much more difficult than is first envisioned and the effort required to provide the working model is greater than anticipated. However, significant progress has been made in the development of all COEs.

The Management Accounting COE has not only had to grapple with those issues but has also had to overcome disruptions caused by changes in the chairmanship and technical support. I believe we are now ready to move forward.

As we look to the future, we are working to develop projects which are consistent with the brief that has been clearly set for us by the Society. The strategic elements of that brief are:

Our Mission: To provide leadership to Australian management accountants so they can achieve world class performance.

Our goals: To determine and promote world best practice in management accounting and develop appropriate recommendations to improve the quality of management accounting education.

Our Objectives:

- To provide the community with advice in management accounting issues and ensure the Society takes a leading position in areas of interest relating to all forms of management accounting.
- To identify and report on issues crucial to the profession with timely advice and information on all areas relating to management accounting.
- To provide the business community and the profession with timely advice and information on all areas relating to management accounting.
- To provide a network which facilitates the development, exchange and distribution of valuable knowledge on key management accounting issues.
- To develop a national forum that will set the agenda for the accountancy profession in the area of management accounting.
- To provide authoritative information in government, business and the media.

Source: From *The Management Accountant*: Issue 1, Volume 1, September 1995

The first MACOE had seven members (including a Chairman), that had proven expertise in management accounting. The first Chairman was Denis Mansour (General Manager, Finance CIG).⁹ The MACOE was instructed to manage its work program through Cells that typically supported each Centre of Excellence.¹⁰ The Cells were State based and made up of members who also volunteered their time to work on specific research topics or as review panels for the COE to which they report.¹¹ All cells received technical support from suitably qualified technical personnel.¹² The role of the technical support was twofold: managing the progression of the work program; and administrative assistance through the coordination of Cells. Initially, the MACOE received external technical support from Bill Birkett and Maria Barbera, of the Australian Centre for Management Accounting Development (ACMAD).¹³

Under the guidance and direction of this team, an environmental accounting cell was formed. In November 1994, this cell produced its first major publication *Environmental Issues: A Challenge for Management Accountants* for ASCPA members.¹⁴

In September 1995, an in-house part time technical consultant (John Corrigan) was appointed. The MACOE then embarked on a larger program as part of its subscription service.¹⁵ These initiatives were a tactical response to the growing international interest in management accounting issues, and ASCPA member demand.¹⁶ From 1995 to the present day, international publications and interaction of the MACOE with institutions, particularly those such as FMAC and its member bodies, have contributed towards the ASCPA recognizing that a new management accountant is evolving in the workplace. The FMAC influence in enhancing the visibility of the management accountant in the workplace and communicating this image to its wider membership has had a major impact on the ASCPA.¹⁷ This impact from the ASCPA perspective is outlined below.

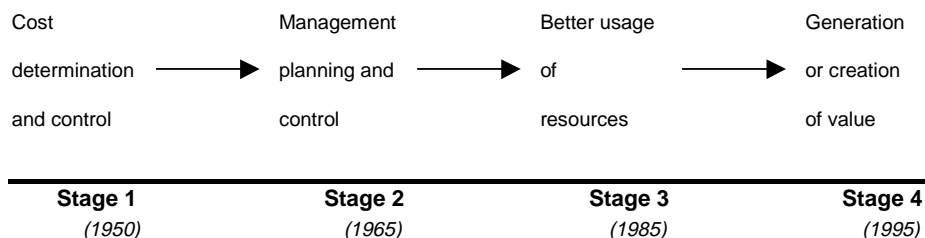
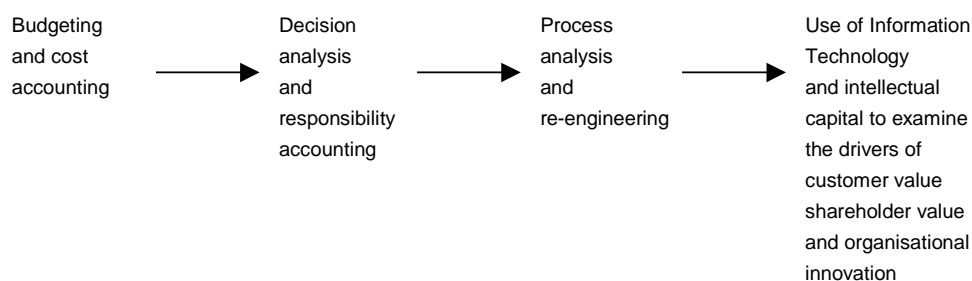
Influence 2: International Developments and Involvement with FMAC (from 1995 to 1998)

Between 1994 and 1995, three initiatives launched by FMAC had a significant influence on the activities of the MACOE. First, FMAC established the Article Award Competition to recognize the intellectual content produced by member bodies. Second, FMAC launched the Annual Theme Booklet program with the first booklet on *A view of Tomorrow-Management Accountancy in the Year 2004*. This booklet emphasized how the role of management accounting had changed. Finally, FMAC launched a research study program to provide member bodies with detailed information on topical and emerging issues.¹⁸

In June 1995, the ASCPA began realizing benefits from its expanded work program that was undertaken to complement FMAC and support member demand. The MACOE began by launching its issues report series on “The Future of Management Accounting”. The issues report provided an overview of management accounting trends, with particular emphasis on Australian development. This was followed by the launch of *The Management Accountant* Newsletter. The newsletter communicated emerging management accounting trends and developments to members on a regular basis.

Between 1995 to 1997 the work program of the MACOE predominantly supported the development of research publications, issues reports and the management accounting newsletter.¹⁹ However, there was increasing recognition of the growing debate on the changing role of the management accountant and the relevance of management accounting practices such as Cost Volume Profit Analysis, Absorption and Variable costing for decision making (Johnson and Kaplan, 1987; Johnson, 1994).²⁰ In March 1998, FMAC’s Management Accounting Concept 1 captured this shift in emphasis arising from varying business needs, in terms of four chronological stages. The emphasis and technologies used in each of these stages is illustrated in Figure 1 below (based on Birkett, 1998).

Figure 1 : Evolution of Management Accounting

Emphasis**Technologies used**

The principle of management accounting in transition was broadly accepted by the MACOE and the National Industry and Commerce Committee (NICC) of the ASCPA membership.²¹ Both the NICC and MACOE recognized that management accounting is continuously evolving, with the emphasis shifting from a cost determination and financial control focus, to the provision of advice that results in the generation or creation of value. Furthermore, it was recognized that management accounting practices in most organizations today have typically evolved to stages 3 and 4. Both stages involve significant usage of information technology for cost management and analysis. In addition, an organization's human resources, a key determinant of organizational intellectual capital, came to be recognized as a maximiser of shareholder and customer value through innovation.

Both committees also began formulating recommendations to equip the membership for the future. It was recognized that the ASCPA needed to show Leadership in Management Accounting as a significant proportion of its membership were engaged in Industry and commerce and/or management accounting. This principle was recognized in the executive summary of the paper as:

The importance of Management Accounting to the profession and in particular to the ASCPA has often been overshadowed by the other disciplines. Apart from being a core discipline, it has played a significant part in the development of the ASCPA as we know it today. The discipline directly or indirectly impacts on the greater proportion of the membership, therefore it is core to the ongoing success of the ASCPA.

The dynamics of today's business environment is fundamentally changing the landscape that Management Accounting operates within. The shift in emphasis

on information management fundamentally challenges the traditional role Management Accounting has played in organizations.

This report has been designed to be a blueprint – for the ASCPA to adopt, to enable it to achieve the leadership role in influencing and shaping the future direction of Management Accounting in the 21st Century.

In developing the blueprint, the report reviews the changing role of Management Accounting, the emerging competitive forces, the current positioning of the ASCPA and opportunities for the future.

The document went on to elucidate 9 strategic directions for leadership in management in the future. These were:

1. Leveraging the ASCPA's Resources – Alliances and Relationships
2. Intellectual Capital
3. Communication
4. Marketing
5. Membership Profile (including market identification and segmentation)
6. Education
7. Regulation/Accreditation
8. Awards/Recognition
9. Networks.

In August 1998, the National Council (the decision making member council of the ASCPA) endorsed the recommendations of the NICC and MACOE in the *Accounting for Management: Leadership for the 21st Century* document.²² The primary recommendations of the document were twofold. First, appointment of a full time management consultant (Rob Sharma) to address the diverse and varying needs of ASCPA management accountants in a changing environment.²³ Second, the conduct of further research on the nature and extent of change so that specific initiatives could be developed. In the next section, an overview of the research that has played a decisive role in revealing to the ASCPA professional body that a transformation of the management accountant in the workplace is currently taking place. The recognition of the change in direction from management accountant to strategic business manager is outlined below.

3. THE RESEARCH (1998 TO YEAR 2000 AND BEYOND)

From a professional standpoint, the insights and perspectives from three different research agendas played a major role in transforming ASCPA management accountant. These agendas are: research on National Industry and Committee expectations; research on member emphasis on management practices; and research on Chief Financial Officer trends. Ultimately, all these research agendas provided valuable input into determining the relevant priorities and actions for the nine strategic directions outlined in the leadership in management paper.²⁴ The key findings are summarized below.

Research on National Industry and Commerce Members

In 1998-1999 research was conducted on NICC members to gain an understanding of their views and expectations of the ASCPA as a professional association. After a number of focus group sessions, 500 random telephone interviews were conducted. The quantitative findings corroborated the qualitative research in suggesting that the important ASCPA benefits were professional recognition and status (95%; mean =

2.59) followed by development of professional standards (82%; mean = 2.38) and international recognition (90%; mean=2.37). There were a number of expectations that members also had about their professional body (see Table 2 below).

Table 2: Summary Of Key Member Expectations

- Increasing work pressures mean that members in Industry and Commerce have limited time to commit to their professional body.
- There is widespread support for the marketing and promotion of the CPA designation
- Members want their professional body to be progressive modern and innovative.
- Online access and delivery of information is important, but so are other channels of communication.
- The future of the accounting profession is most likely to be cross disciplinary,

Australian CPA, June 1999 p. 13.

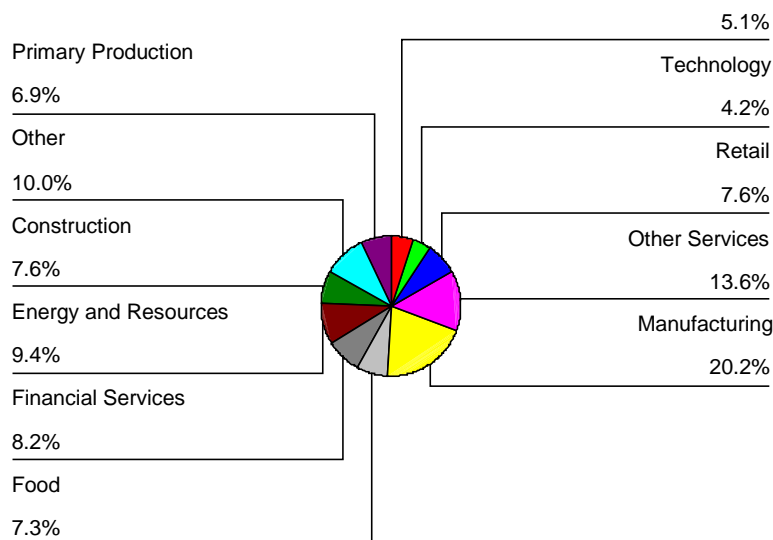
Interestingly, a large proportion of the membership emphasized a broader accounting curriculum, with a greater value being placed on non-accounting and management related professional development opportunities (68%).

However, the results did not identify the specific management practices required by the broader membership. In addition, it did not clearly identify the specific skill requirements that were relevant to the ASCPA senior membership (particularly Chief Financial Officers). The primary motivation for the research on management practices and CFOs summarized below was to address these objectives.

Research on Management Practices

In June 1999, a questionnaire with a cover letter was mailed to random sample of 1500-middle level accounting managers selected from the confidential CPA membership database.²⁵ The primary objective of the survey was to determine the kinds of management practices that ASCPA members believed would be of great value in future. Completed and useable responses were received from 332 managers, representing a response rate of 22%. The surveys returned belonged to organizations of various sizes [**Small:** 0-1,000 employees; **Medium:** 1001-10,000 employees; **Large:** above 10,000 employees]. The average size of each organisation measured in terms of employees was 1,100, with most belonging to the small and medium size category across a range of industry categories. Manufacturing organizations constituted 20%, while non-manufacturing constituted 80% of the sample (see Sharma, 1999 for a more extensive analysis). Figure 2 below summarizes the breakdown by Industry.

Figure 2: The Industry Breakdown



The findings benchmarked against Chenhall and Langfield-Smith's (1998) results for the manufacturing sector suggested the following (see table 3). First, Strategic Planning, Budgeting, Key Performance Indicators and the Balanced Scorecard were the most highly rated techniques in terms of future benefit for the manufacturing and non-manufacturing sectors. Furthermore, in manufacturing firms, activity based cost management techniques (such as product profitability analysis) and capital budgeting were of increasingly greater importance relative to non-manufacturing firms.

Table 3: Analysis Of Management Practice Trends

Management Practice	Overall Benchmark	Standard Deviation	Rank	Manufacturing Benchmark	Rank
Formal Strategic Planning	5.83	1.06	1	5.73	2
Budgeting system for controlling costs	5.73	1.08	2	5.85	1
Strategic plans developed together with budgets	5.66	1.13	3	5.39	6
Detailed budgeting for planning financial position	5.54	1.15	4	5.41	5
Detailed budgeting for planning cash flows	5.37	1.27	5	5.24	7
Balanced Scorecard	5.31	1.39	6	4.83	16
Non Financial Measures	5.16	1.39	7	4.94	13
Budgeting systems for evaluating managers performance	5.14	1.40	8	4.41	25
Benchmarking of strategic priorities	5.13	1.34	9	4.81	17
Benchmarking of operating processes	5.10	1.36	10	5.15	10
Long Range Forecasting	5.09	1.37	11	5.21	8
Benchmarking of Management Processes	5.07	1.39	12	5.12	11
Performance evaluation based on qualitative measures	5.06	1.30	13	4.78	19
Performance evaluation based on team performance	5.04	1.43	14	4.89	15
Benchmarking carried out within the wider organization	4.96	1.57	15	4.96	12
Customer satisfaction surveys	4.90	1.66	16	5.17	9
Product Profitability analysis	4.88	1.85	17	5.61	3
Capital Budgeting	4.88	1.49	18	5.44	4
Employee attitude measures	4.84	1.52	19	4.63	23
Benchmarking with outside organizations	4.81	1.59	20	4.78	20
Activity Based Costing	4.65	1.83	21	4.68	22
Cost Volume Profit Analysis	4.49	1.58	22	4.37	26
Activity Based Management	4.46	1.70	23	4.33	28
Developing strategic plans separate from budgets	4.42	1.61	24	4.37	27

Management Practice	Overall Benchmark	Standard Deviation	Rank	Manufacturing Benchmark	Rank
Benchmarking of product characteristics	4.41	1.73	25	4.69	21
Ongoing supplier evaluations	4.27	1.51	26	4.94	14
Shareholder value analysis	4.06	2.03	27	4.25	29
Variable Costing	4.02	1.71	28	4.47	24
Value Chain Analysis	3.96	1.84	29	3.24	33
Target Costing	3.93	1.73	30	3.48	32
Absorption Costing	3.89	1.74	31	4.8	18
Residual Income (eg. Interest adjusted profit)	3.78	1.63	32	3.66	31
Product Life cycle analysis	3.59	1.76	33	3.67	30

* Relative importance of practices are benchmarked against manufacturing firms (Chenhall and Langfield Smith, 1998).

Research on Chief Financial Officers

In October 1999, the ASCPA conducted a survey of Australia's Top 800 Companies and Top 200 Government Business Enterprise (GBE) Chief Financial Officers. Chief Financial Officers (CFOs) are defined as the primary financial contact in each organisation. Overall a response rate of 24% (241 responses) was achieved, with 177 CFOs belonging to the Top 800 and 64 GBE CFOs responding. The respondents came from a number of industrial sectors such as agriculture, communications, resources, retail, and manufacturing.²⁶ The respondents ranked a number of key issues such as the skills that they needed in their day to day role, the time spent on activities, and the most important activities for the successful performance of their role. The results are summarized in Tables 4, 5, and 6 below.

Table 4 : Most Important Skills for the Chief Financial Officer^a

	N	Mean	Std. Deviation
1. Communication and presentation to senior management	241	4.5353	.8415
2. Communication and presentation to the board	241	4.4855	1.0766
3. People management skills	241	4.2365	.9737
4. General management skills	241	4.2033	.8491
5. Knowledge sharing skills	241	4.0913	1.0328
6. Cost management	241	4.0622	1.0084
7. Change management	241	4.0332	1.0835
8. Negotiation	241	3.9959	.9937
9. Project management skills	241	3.8921	1.1958
10. IT – System usage	241	3.8340	1.0633
11. IT – System delivery	241	3.6763	1.2362
12. Strategic skills	241	3.6473	1.9138
13. Business valuation skills	241	3.5560	1.3594
14. Taxation	241	3.5477	1.1862
15. Understanding and interpreting financial markets	241	3.4647	1.2549

^aRanked in order of importance. Higher means indicate higher importance.

Table 5 : Proportion of time spent by Chief Financial Officers^a

	N	Mean	Std. Deviation
1. Routine & regular operational duties	241	31.63	17.79
2. Working on special projects	241	24.47	14.38
3. Working on strategic issues	241	19.85	15.96
4. Working on compliance activities	241	18.06	11.18
5. Staff management/administration	241	2.15	6.81

^aRanked in order of importance. Higher means indicate higher importance.

Table 6 : Important Activities for the Chief Financial Officer

	N	Mean	Std. Deviation
1. Reviewing and interpreting financial results for the board	241	4.6017	.6763
2. Formalizing business plans and budgets	241	4.4855	.6837
3. Strategic planning	241	4.3568	.7051
4. Undertaking compliance activities (such as preparing annual reports and attending annual general meetings)	241	4.2407	.9875
5. Implementing changes due to the GST	241	4.1245	1.0612
6. Running the day-to-day financing function	241	4.0705	.8411
7. Managing key people within your business unit	241	4.0498	1.0634
8. Managing special projects (such as evaluating mergers and takeovers)	241	4.0000	1.3166
9. Driving accounting system changes	241	3.9378	.9311
10. Maximizing shareholder value	241	3.8755	1.5388
11. Driving organizational change	241	3.8631	1.0887
12. Improving communication among business units	241	3.6058	1.2542
13. Maximizing customer value	241	3.0000	1.3723

Table 4 summarizes the skills needed on a day to day basis for a CFO. The top 5 skills were broad skills in the area of general management. Moreover, as seen in Table 5, CFOs believed that compliance activities were of lesser importance in terms of time spent. Table 6 rates the activities that CFOs believe are crucial for the successful performance of their role. Again, strategic planning and communication are recognized as key determinants for successful overall performance.

The overall conclusion that could be derived from this research is that management accounting in practice had evolved to encompass elements of strategy and management. In addition, the themes that were under development as part of the work program were also of a general management nature. It was therefore recommended to National Council that the MACOE undergo a name change from 2000 onwards to Strategic Business Management Centre of Excellence (SBMCOE), to reflect the evolution of the management accountant in practice. The case put forward to National Council in an update on the Leadership in Management Strategy was as follows.

The Management Accounting Centre of Excellence has recognized that as part of its joint involvement with NICC in Leadership in Management the nature of its work program now extends to the area of management. Members are supportive of a name change for the COE to “Strategic Business Management” if this change of name is aligned with *CPA 2004* strategies.²⁷

4. DISCUSSION AND CONCLUSIONS

This paper has had a dual purpose: to outline how the MACOE in particular has enabled a change in direction for the everyday management accountant; and to outline the international forces and milestones that has lead to such a transformation.

The Centres of Excellence have enabled the Society to become a more effective, relevant and vital organisation by setting its own agenda through the formulation and execution of strategies that respond to developments in the workplace rather than merely reacting to issues raised by others.²⁸ In performing this role on behalf of the ASCPA, the Centres play an important role in projecting the Society, its members and the

accounting profession as pro-active and outward looking. FMAC, ACMAD and the ASCPA member involvement have also been major influences through their timely communication of major international developments for the benefit of its member bodies.

In the new millennium, the SBMCOE will continue in its role of communicate and thereby assist in transforming and reinventing of the management accountant. However, the effects of globalization, information availability and technology are yet to be completely realized. It may therefore be necessary to alter the mission, objectives and values for the Centres of Excellence in order to maintain relevance in the new workplace.

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Appendix

This appendix outlines some of the thought leadership initiatives and tactical responses of the Management Accounting Centre of Excellence. This information is sourced from the *Chairman's Report to National Council* (19 October 1999).

Thought Leadership Initiatives

The COE agreed on a publication strategy at the start of the year. Predominantly, the strategy is to use existing channels such as *Australian CPA*, *Australian Accounting Review*, *CPA Online* and *CPA News* as the main publication outlets. If there is an oversupply, then other non-ASCPA publications would be targeted. However, the first priority is *Australian CPA*. The COE in terms of publications, articles, media releases and submissions has produced numerous outputs. Significant achievements include:

- Expansion of the knowledge base for members through the delivery of 52 *Business Management Guidelines* on business related topics.
- Actioning 4 key emerging issues through cover features in *Australian CPA* on Risk Management (June); Managing the GST (September); Triple Bottom Line Reporting (March); and Knowledge Management (August). The COE has contributed 20 articles to *Australian CPA* to September 1999.
- Delivering 4 monographs on *CPA Online* on *Innovation*; *Waste Management*; *Environmental Accounting* and *Outsourcing in the Public Sector*.
- Delivering of *Contemporary Perspectives in Accounting 1999*. This publication dealt with leading edge management issues.
- Launching of a dedicated section on *Business Management* in *Australian CPA*. The first articles, on One-Day Reporting (July, August) by John Petty and Stephen Ng, and Innovations in Management Accounting (September, October) by Rob Chenhall and Kim Langfield Smith have received tremendous feedback and acclaim.
- An international review panel using members of the COE, CFOs and leading academics is currently being formed. Besides facilitating quality and timely reporting to members on contemporary and emerging issues, the Business Management review panel will promote the CPA brand name on the domestic and international stage by selecting key articles for the FMAC article award competition. The CFO members could also become a valued network of ASCPA representatives in the business community.
- Initiating submissions to *Management Today* (2), *Australian Accounting Review* (3), and *CFO Magazine* (1) as part of a formal publication strategy with Public Relations.
- Making a number of significant contributions to IFAC. These include:
 - (1) An article in *Australian Accounting Review* submitted by the COE. The article was titled "Productivity and Performance Indicators in Enterprise Agreements" by Kim Langfield Smith and Dagmarra Madden. The article has won a commendation as part of the 1999 Article of Merit Award by the Financial and Management Accounting Committee of IFAC.
 - (2) Rob Sharma, consultant to the COE received an award for his contribution to the 1998 theme booklet titled *Creating Value with Internal Audit*. In addition, Rob has also promoted the Management Accountant of the year award in the *IFAC Quarterly Newsletter* (April 99). IFAC is also currently reviewing two of his articles published in *Australian CPA* (December 98, May 99) for commendation to other member bodies.

Rob is also currently working on a submission for the 1999 theme booklet. The COE will continue to monitor the total number of awards received and recommend that a separate presentation occur at the National Business Management Conference 2000 for all awards received. Support for this initiative has already been secured from the Director Member Services.

- Articles have been also been provided to Asia for publication, visibility and leadership in management. Progress is being monitored.

A Source of Tactical Responses

The COE also played a major role as a source of tactical responses. The significant initiatives during the year include:

- Launch of a Business Management Newsletter, an electronic information service on *CPA Online*. This is issued 3 times a year, with a Chairman's page for NICC and MACOE Chairmen, a PD advertisement page for forthcoming management courses, and an IFAC summary page to facilitate communication.
- As part of the March issue of *Australian CPA* on Triple Bottom Line Accounting, the COE also negotiated special conference rates for members, and arranged for associate sponsorship and advertising revenue for the Triple bottom Line seminar (from Murray Edmonds of Edmonds Management). No expense was undertaken by the ASCPA with this initiative.
- The COE has also arranged for the NSW state sponsorship of the *Management Accountant of the Year Award* through a University of Technology Sydney member (Peter Booth) on the COE. Sponsorship has been offered for a three-year period.
- COE members John Petty, Peter Booth, Neil Guest, Peter Bennett, and Bill McElroy form an active PD support group on management related issues. John Petty (Victoria, Queensland and NSW) and Neil Guest (NSW) are key presenters at the CPA Congress'99. Rob Sharma has negotiated with Justin Brown (Stern Stewart) and Cheenu Srinivasan (Oracle) who have also agreed to develop articles and participate in the Victorian CPA Congress 99 as keynote speakers. Rob has also presented at the Financial Institutions Discussion Group (Melbourne) and at Deakin University.
- A number of support services have also been made available to members over the current year. These include:
 - (1) PowerPoint presentations made available through *CPA Online* on the *Balanced Scorecard*, *Customer Profitability* and *Performance Management* for member use in the workplace.
 - (2) A *Project Management Toolkit* for ASCPA and member use.
 - (3) A *Checklist for Managing the GST* (forthcoming in the November *Business Management Newsletter*) and,
 - (4) A *Sustainability and the Environment* web page as part of the Business Tools section on *CPA online*.
- Other miscellaneous COE tactical initiatives include:
 - (1) Reviewing and updating of the *Leadership in Management Strategy* and development of a Leadership in Management Scorecard for NICC and MACOE to effectively manage the strategy on an ongoing basis.
 - (2) Supporting the *Victorian Division Corporate Governance Task force* with their Corporate Governance Project.
 - (3) Continued support for the 2000 National Business Management Conference through active involvement on the technical committee and the provision of a number of speakers for the conference.
 - (4) The COE has also formally written to the Director of Education with an offer to contribute towards the CPA program. The directors of Member Services and Professional Services have also been alerted to the management accounting framework that is currently being considered by IFAC.

- (5) The Director of Intellectual Capital has renewed the agreement with CMA Canada as part of the CPA 2004 project “One Jump Ahead”.
- (6) The COE has engaged in a number of cooperative arrangements on a *service exchange no fee* basis with a number of leading organizations and departments as part of its work program. The Australian Bureau of Statistics; Monash Centre for Environmental Research; Macquarie Centre of Knowledge Management; University of Technology, Sydney; Stern Stewart; Oracle; and the G100. Several of these projects are currently in progress.

Endnotes

- ¹ The competency project for the two professional bodies, the Institute of Chartered Accountants in Australia and the ASCPA, was conducted by Bill Birkett, who is technical support for FMAC.
- ² The National Council is a member council that is responsible for the ASCPA governance at the highest level. It is equivalent to a corporations board of directors.
- ³ The intellectual capital service unit is a unit that is responsible for leveraging the intellectual capital of the ASCPA membership. Its role is further outlined in the background section of this paper.
- ⁴ Some Australian evidence on the role of Australian professional associations is provided in *Power Progress and Profit: A History of the Accounting Profession* (Linn, 1996). However, specific developments in management accounting are not outlined. In addition, the shaping of a “new” management accountant is not described.
- ⁵ Content analysis is a scientific, objective, systematic, quantitative description of communications content (Kassarjian, 1977).
- ⁶ Prior to 1991, National Council had expressed concern and dissatisfaction with the overall structure, operation and governance with the ASCPA. In order to align the ASCPA more closely to service member needs the structure review was commissioned. Details of this line of reasoning for the structural review have been confirmed from conversations with Gary Edney (the current legal council of the ASCPA) who was actively involved in the structural review process and was the first Director Intellectual Capital.
- ⁷ These goals have been confirmed in the National Council Centre of Excellence Task force detailed report (dated 20 October 1997).
- ⁸ The mission statement was not different to the original mission statement at the time of formation of the Centres of Excellence.
- ⁹ Michael McKenna, the then Executive Director of the ASCPA, approached Bill Birkett as Director of ACMAD, and Denis Mansour as Chairman of ACMAD (Denis was also on the State Council of the Society) to take a role in forming the MACOE. Dennis undertook to Chair it (by rule, having to step down from State Council for this purpose), and recruited a number of members from the ACMAD management committee team. A contract was signed between the Society and ACMAD, providing for ACMAD to create technical support for the COE. Bill Birkett was to be present at MACOE meetings representing ACMAD and its technical support and Maria Barbera was seconded to the position within ACMAD on a full time basis to work as technical support for the MACOE. The same contract provided that ACMAD would serve both the Society and the Institute in supporting the representative on the FMAC. In terms of internal management within the ASCPA, Gary Edney who was legal council also assumed the portfolio of Director Intellectual Capital. Karen Hill assumed the title of National Coordinator Intellectual Capital. She was responsible for coordination of publications meetings and outputs of all Centres of Excellence.
- ¹⁰ Currently, a network of 12 specialised Centres of Excellence operates across Australia to provide authoritative information to the Society, government, business and the media. These include: Audit, Ethics, External Reporting, Financial Planning, Information Management and Technology, Insolvency

and Reconstruction, Strategic Business Management (Management Accounting), Public Sector Accounting, Superannuation, Taxation, Treasury, and Small Business.

- ¹¹ Many members have taken the opportunity to actively participate in the Cells, contributing to the exchange of information and ideas that influence the direction of the Society and ultimately the profession. There are now more than 400 members involved and over 60 Cells operating throughout Australia.
- ¹² There were a number of difficulties associated with the operation of cells particularly with communication and geographical location. Cells were spread throughout the whole of Australia. In recent times, the Management Accounting Centre of Excellence has operated on a project specific basis through a system of virtual communities that communicate with one another by e-mail. Cells are generally formed with a finite life with specific terms of reference on a project specific basis.
- ¹³ As noted earlier, Bill Birkett is also technical support to FMAC and therefore International developments have also placed a pivotal role in shaping the nature and direction of the Centres of Excellence. This issue is further explored in the following section of the paper.
- ¹⁴ Maria Barbera was the principal author of this publication. The Management Accounting Centre of Excellence continued to produce numerous shorter reports, submissions, commentaries and support at PD events between 1991 and 1994. However, the first major achievement in terms of its thought leadership mission was achieved with its environmental accounting publication. Another publication on Management Accounting Futures started earlier than the Environmental Accounting guideline, but was completed at a later stage.
- ¹⁵ The subscription service was used as a mechanism to make the intellectual capital activities of the Centres of Excellence financially self-sufficient. This service continued for 2 years till October 1997. During this time 4 newsletters were produced. The subscription service was discontinued on the basis of a strategic review recommendation of the Centres of Excellence in October 1997. This was because the review believed that the subscription service did not enjoy sufficient take up in some of the other Centres of Excellence. From that point forward members had the opportunity to purchase major publications on a single item by item basis. A publication manager was also appointed, and had to justify each publication decision on the basis of commercial viability. Most other publications have since appeared in separate sections of the journal and electronically on cpaonline as a free service for the membership. The newsletter has been relaunched as the Business Management Newsletter on cpaonline. At the time of writing four newsletters are currently available. Members can now also receive a free weekly e-mail service that would alert them to what is new on the website.
- ¹⁶ Currently, approximately 54% of the ASCPA's 90,000 membership are engaged in industry and commerce. Of this group 8,500 members use the designation 'management accounting' or 'business manager' in their membership form. Therefore, there is always likely to be a strong demand for management accounting issues by ASCPA members.
- ¹⁷ Both Charles Griss the former Chairman and Bill McElroy the current Chairman, played an active role in communicating the FMAC message to the ASCPA membership. Both have been State Councillors at the ASCPA in Victoria and New South Wales respectively. In addition, Bill McElroy has been a member of the Centre of Excellence since 1995 and currently plays a major role in shaping the intellectual direction of Management Accounting at the ASCPA.

- ¹⁸ With Charles Griss as Australia's representative, FMAC took a major role in pushing the initiatives of the FMAC forward: the articles award program, the theme booklets, the endorsed articles, were all initiatives proposed or strongly supported by Australia. Charles Griss was a Victorian State Councillor of the ASCPA and served as Executive Director from September 1998 to June 1999.
- ¹⁹ As noted earlier, in October 1997, a review of the Centres of Excellence was conducted. The mission, role and scope of operation of the Centres of Excellence was reaffirmed. However, the subscription service was discontinued. Members could purchase major publications on an individual item basis through the CPA bookstore. The primary publication outlets that emerged were cpaonline and *Australian CPA*.
- ²⁰ See FMAC's *A View of Tomorrow — The Senior Financial Officer in the Year 2005* and *A view of Tomorrow — Management Accounting in the Year 2004*.
- ²¹ The NICC is a member sector committee within the ASCPA governance structure responsible for representing the member interests in Industry and Commerce. Both the NICC and the MACOE, have a close working relationship with Chairmen of both Committees sitting in on one another's meetings. Following from the resolution of National Council on 4 August 1997: "To establish a working party of the relevant sector committee and Centres of Excellence to develop a paper on a coordinated approach to Leadership in Management Accounting ...", a taskforce comprising members from both committees was formed for the purpose of determining strategic directions for leadership.
- ²² The National Council is equivalent to a board of directors for a commercial organisation.
- ²³ Adequate resources (both financial and technical) for the MACOE work program was to become a critical recommendation. In the 1998 MACOE Chairman's report to National Council it was recognised that no publications could be achieved that year because of the inadequate resource levels, particularly the part-time technical support being provided to the MACOE. Due to full time support (Rob Sharma), the MACOE could sustain a number of initiatives that included the complete publication of the Business Management Guidelines through a strategic alliance with CMA CANADA. In addition, the business management newsletter; and the business management series Column (in *Australian CPA*) were launched. Numerous research reports were also published. The MACOE 1999 Chairman's report outlined a total of 100 articles and other outputs for the year. A summary of the achievements of the Centre of Excellence is in Appendix 1. In addition, the Centre could also actively pursue new initiatives such as the formation of a Virtual Centre for Benchmarking and Management trends and Knowledge Connections, a virtual library on the internet. Most of these initiatives can be viewed through the strategic business management member section of cpaonline at www.cpaonline.com.au.
- ²⁴ These actions and priorities are managed on an ongoing basis through a leadership in management scorecard that is used by both the NICC and MACOE member committees. The leadership in management scorecard is a similar conceptual tool to the balanced scorecard of Kaplan and Norton (1996).
- ²⁵ The member database revealed that 8,500 members in the overall CPA membership used the title of 'management accountant' or 'business manager'. The random samples of 1,500 members were drawn from this subset.

²⁶ The respondents were weighted towards the resources (51); financial services (22); and other service industries (30). For a complete discussion see the strategic business management page on www.cpaonline.com.au.

²⁷ This principle was also corroborated in page 4 of the Annual MACOE Chairman's report to National Council (dated 18 October, 1999). *CPA 2004* is the ASCPA's strategic plan to 2004.

²⁸ See the outputs of the COE on the strategic business management section of the ASCPA website www.cpaonline.com.au.

TRANSFORMING A GENERALIST BODY: THE CASE OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN AUSTRALIA

Chris Poullaos*

Synopsis

1. Introduction
 - The ICAA's Historical Legacy under Challenge
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 - The ICAA's Vision of Macro Change
 - The Breakdown of the ICAA's Attempted Merger with the ASCPA
3. The ICAA's Change Process
4. The ICAA's Future Aspirations, Initiatives and Modes of Organisation

Appendix

Endnotes

* Chris Poullaos is Associate Professor in Accounting, University of Wollongong, Australia. This paper was submitted on 31 December 2000. The comments and suggestions of Allen Blewitt, the ICAA's Deputy CEO, Michael Nazzari, Regional Manager for Victoria & Tasmania (and co-author of the *Serving* document cited below), Brooke Broughton, Divisional General Manager, Standards & Compliance and Gillian Cappelletto, Divisional General Manager, Professional Education, are gratefully acknowledged. Thanks also to Bill Birkett for his comments on earlier drafts.

1. INTRODUCTION

The ICAA's historical legacy under challenge

Originally conceived as a national body for elite public accountants, the ICAA was incorporated by Royal Charter in 1928. Its identity, governance, functions, member services and relations with others (in the accountancy community and outside it) have largely been oriented to serve accountants in public practice. The values promoted by it, such as objectivity and independence, are attuned to the external audit role performed by the ICAA's members. The Institute has long promoted the label 'Chartered Accountant', and the associated acronym 'CA'. 'CA' has been a symbol around which members' individual and group identity has coalesced and through which membership of an elite body has been signified to the outside world. The Institute's social contribution, more broadly conceived, has revolved around the education, monitoring and disciplining of its members and its influence on Australian accounting and auditing standards.

While the Institute's concern with maintaining the standards and discipline of members remains unabated, many of the other elements in its make-up are subject to re-evaluation.. Approximately 40% of the Institute's members are now *not* in public practice. The proportion of Chartered Accountants in business ('CABS') is expected to reach 70% within 10 years (ICAA, *Serving Chartered Accountants in Business*, 1998, p. 32).¹ External audit is now a mature service area and the values associated with it may not fit with the more dynamic business oriented segments of accounting work.

The market for *accounting* services has evolved into a more broad-based market for *business* services, some of which are relevant to other entities as well (e.g., government). There is, therefore, a feeling that 'accounting' is no longer an appropriate descriptor for the profession. Nevertheless, 'CA' – conceived as a brand name symbolizing high standards, independence and professional integrity – is an aspect of the Institute's historical legacy which is widely held to be of ongoing value.

Further, national regulation of external (financial) reporting is of lesser importance in a globalized, deregulated world where the momentum favours international harmonization. In this and in other ways the Institute sees itself as moving beyond national boundaries on to the international stage.² In the face of such changes, the educational and other services offered to members – indeed, the very mission, structures and processes of the ICAA – are all being rethought.³

At the same time as these changes are occurring, accounting practice in business is itself changing significantly. It is becoming intimately linked with (if not mutating into) the strategic management of organizations, and is oriented towards ongoing value creation. This paper explores the interaction between this evolution and the changes faced by the ICAA outlined above. It deals with that part of the ICAA's challenge that is associated with the tendency of accounting work to be encompassed within management work. Of particular relevance here are the ICAA's efforts to support its members either (a) participating in management and/or management accounting (as CABs); or (b) in public practice, offering 'consultancy' services aimed at enhancing the value creation of their clients.

The rest of this paper addresses the following questions:

- What factors underlay the ICAA's recognition of the managerial orientation or involvement of its members? (See section 2 below.)
- What is the process through which the resulting shift in focus was, or is, being managed? (See section 3.)

- What are the future aspirations and consequent shifts in the initiatives and modes of organisation of the ICAA? (See Section 4.)

2. UNDERLYING FACTORS

In the last several years three factors have interacted to produce (or modify) the ICAA's interest in the evolution of accounting work into management.

The growing number of CABS

The *Serving* document captures the significance of this trend:

Almost 40% of the membership of a professional association constitutes a critical mass which, if ignored, may well spell disaster in terms of membership drift. Consider such segmentation, duplicated internationally in the main [generalist] accounting professional bodies where the percentage is as high as 60% and you have a challenge of immense proportions. Since their inception, the accounting bodies have traditionally predicated their culture and services to the manageable structures of Practices. While changes have [been] and are occurring in the Practice sector, none has been more dramatic than the shift away from this area to the highly diversified business sector (p. 7).

The thrust of the *Serving* document is to develop suggestions for supporting CABS in order that various 'myths' might be dispelled:

[First] that CABS members are too diverse ... to be attracted to involvement with their main professional association.

Secondly ... that the Practice culture is so entrenched, so pervasive that CABS will never be able to be serviced or have proper recognition within the organisation.

[Thirdly, that as long as CABS members receive adequate continuing professional education] then the obligation of the organisation [to them] is fulfilled.

[Finally] that ... CABS have nothing to offer either the organisation, the membership at large, or the business community (p. 8).

In short, the ICAA has an interest in reflecting and representing the interests of members involved in management work in one way or another and in various locations.

The ICAA's vision of macro change

The world in general is changing quickly and radically. Business is both reacting to change and producing further changes (*CFO*, p. 1).

It is well known that 'change, change and even more change' has been the business mantra for some time (*Charter July '99*).

Borrowing from the analyses of business trends produced by its British, American and Canadian peers the ICAA has produced *Vision*,⁴ a document which forms a major plank for reflection on its future course. *Vision* discusses the major changes impacting on business in the next 20 years and the flow through to the “Chartered Accountancy profession” and the ICAA itself (p. 1). The changes envisioned encompass both opportunities and threats.

While a detailed analysis of *Vision* is beyond the scope of this paper, the extent of the anticipated change it grapples with may be gleaned from the drivers of change it lists (pp 1-2, 11-12) :

- (a) Unrelenting competitive pressure
- (b) The impact of information and telecommunications technology
- (c) The globalization of business
- (d) Changing business and organisation structures (including alliances)
- (e) The focus on value
- (f) Demand for new knowledge and skills
- (g) Changing attitudes to work/family issues and changing work environments.

These drivers are producing a new management perspective. Elaborating the point, *Vision* asserts that “the new management philosophy will be based on value concepts; measuring value and adding value” (p. 2; see also pp. 14-15, 18). Moreover, “enterprises will shop in the global market place for knowledge management skills, risk management skills, strategic thinking and planning skills, IT and communications skills, value measurement skills, data and systems assurance systems, and knowledge of international business markets and systems” (p. 2; see also pp. 17-19).

These developments will, the authors believe, create both challenges and opportunities for Chartered Accountants (both public practitioners and CABS). Consider some examples. If CABS can develop strategic thinking and management skills they will become even more marketable as businesses seek guidance on stakeholder value creation, strategic direction, risk management and knowledge management. Public practitioners, as advisers, will have the opportunity to participate in the same processes. Indeed, knowledge management will become a discipline in its own right, and CAs are potential leaders in the field.⁵

What of the ICAA itself? *Vision* explicitly identifies ‘focus on value’ and ‘demand for knowledge and skills’ as the “areas where the Institute can best achieve competitive advantage – by supporting members and their organizations in development of new knowledge, skills and services” (p. 29; see also pp. 6, 27-9).

In short, a distinctive form of management perspective has become embedded in the ICAA’s future vision for business, its members (public practitioners and CABS) and itself.

The breakdown of the ICAA’s attempted merger with the ASCPA

In December 1998 a proposed merger between the ICAA and the Australian Society of CPAs (ASCPA — now CPA Australia) broke down. The proposal failed to win the degree of support from ICAA members required under its constitution. As a result, the ICAA leadership would continue to negotiate, co-operate and at times compete, with the ASCPA in areas such as educational programs,

standard-setting and lobbying of government more generally. In February 1999 the ICAA President interpreted the outcome as members putting “so much value on the history and autonomy of the CA brand” (*Charter Feb ’99*). In order to remain “separate and strong, elite and peak” the ICAA would have to “decide which elements and attributes of the past we cherish and retain — and which ‘sacred cows’ we displace”. Initiatives in the pipeline, such as the reformed postgraduate training program and “specific programs for CABS,” would be accelerated.⁶

On its own, the failure of the merger would have had no necessary bearing on the ICAA’s reaction to changes in accounting work. However, it did put pressure on the ICAA leadership to act, and to act quickly. In a context where the other underlying factors were in train, would the result be an enhancement or a diminution of what might have eventuated otherwise?

3. THE ICAA’S CHANGE PROCESS

Published in April 1998, *Vision* was completed by a taskforce of 13, 11 of whom were Chartered Accountants. The other two were the Executive Director and his Deputy. Included in the group of 11 CAs were the current and immediate past presidents, both in public practice. Of the remaining 9, 8 were CABS, on the ICAA’s own definition of that term.⁷

Also released in April 1998 was *PY Post 2000*. This discussion paper recommended some fundamental changes to the Institute’s pre-admission education process, the Professional Year Programme (PY). It highlighted changes in the business environment and the unprecedented professional challenges that CAs would face. It suggested that to successfully meet these challenges, appropriate knowledge, skills and values would need to be developed so that CAs could be better communicators, more flexible in their outlook, better able to cope with fast changing situations, more competent in their business advice and attuned to operating in the dynamic global business environment of the future.⁸

Serving was completed by the chairman and secretary of the National CABS Committee in November 1998, just before the merger vote. It was a benchmarking exercise. The author(s) interviewed officers from 11 professional accounting bodies in North America and Britain in August. Nine were, like the ICAA, generalist bodies with an historical focus on public accountancy and two (the Society of Management Accountants of Canada and the Chartered Institute of Management Accountants based in the UK) were specialist management accounting bodies that were undergoing their own transformations. *CFO* was produced by KPMG for the CABS committee in 1998, before the merger vote.

Following the failure of the vote the ICAA leadership went to some pains to include the membership in the change process (as signaled in *Charter, Feb ’99*). In *Charter March ’99* the ICAA leadership indicated that it would be going back to its members for a mandate to actualize *Vision*. Reference was made to “an extensive member research project” to be conducted “comprising [40] qualitative focus groups followed by a quantitative member needs analysis survey”. The resulting data would be taken “to a summit of Institute leaders” in April. In addition to the National Council and committee chairman there would also be present “a group of members carefully chosen by State Councils to be representative of the demographics of the Institute (including a number of members opposed to the merger)”. The brief of the summit would be to “establish the groundwork for the writing of our plan for the next few years”.

Future Strategic Options, distributed to participants prior to the summit, echoes the themes in *Vision*. But it also highlights the efforts made by the leadership to respond to the membership, while at the same time striving for ways to make governance more efficient and effective. “The ICAA has moved to be more collaborative in style but market responsiveness is still too slow and a strong commercial orientation is lacking” (p.2).

Member Summit notes that while the scenarios in *Future Strategic Options* were not discussed in detail, “they were canvassed broadly in different ways” during the summit (*Member Summit*, p. 1). A consultant who had done work for the American Institute of Certified Public Accountants “also presented a view of the possible future of the profession”. The summit “roughly sketched a model for the future structure of the membership of the Institute based around Chartered Accountants becoming more broadly based advisers to business”. The summit model would henceforth be refined by National Council “in conjunction with a rewriting of our Strategic Plan and implementation details which will set the future directions of the Institute”. *Post Summit* was prepared as a summary for participants “outlining broad areas of agreement and other issues raised. It will form a critical part of the input to the strategic planning review to be undertaken in July”. *Charter June '99* announced that the summit had given the Institute leadership “a mandate for serious change”. The specific areas so mandated for action by the summit were “education, governance and marketing” (*Charter July '99*). By September reviews of these areas had been completed and a strategic plan produced for the period 2000-2002 (*Charter Sep '99; Charter Nov '99; Strategic Plan*). (See section 4 for further details.)

Throughout this period the imperative of dealing with change was invoked repeatedly. Nevertheless it appears that the impetus to involve the membership more extensively shifted the trajectory of the Institute’s change management process. In particular, it is arguable that the perspective evident in the 1998 documents had become subsumed into more immediate issues, such as the reform of the Institute’s governing bodies and the search for ways of boosting “the value of the CA brand to represent high-value business advice” (*Charter Nov '99*).⁹

It is likely that the Institute’s experience of trying to re-engineer itself during 1999 exemplifies a point made by its consultant, namely that “non-profit governance is based on a very careful balance between consent and strategy” (*Post Summit*, p. 9):

The problem with member based associations is that they are slow to identify and implement strategy and inevitably drift towards the “soggy centre” of strategy rather than hard-edged and competitive strategies. This would be an important challenge for leadership as they embraced commercialization without losing core values based on member involvement.

4. THE ICAA’S FUTURE ASPIRATIONS, INITIATIVES AND MODES OF ORGANISATION

Throughout the period under review the ICAA leadership has labored to reinvent the organisation in the belief it was crucial to do so. *Vision* lays down the parameters. It envisages a future of endemic change where the work and the rewards of CAs may change drastically, for better or for worse. Its segmented membership faces a world of emerging markets for new or modified business-related services, some of them quite removed from traditional accounting services, some of them global rather than local, all of them fiercely competitive. If the CA can take a leading role the future is safe.

Against this background the ICAA sees itself as exercising strategic leadership of the profession's change process. "Institute leadership will also be required at the delivery level; in the development of new services (such as new assurance service and new performance measurement)" (*Vision*, p. 6). These services are, of course, to be delivered by members to employers and clients. At the same time, the Institute will, as a service provider itself, be "subject to the same changes facing business generally". Competing with other professional and educational institutions it must deliver better services "in an efficient, timely and cost effective manner"; and to do so it must be "pro-active, innovative and [develop a] flexible organizational culture". For example, in developing suitable education services it will seek alliances with other organizations, local and international, educational and professional, 'accounting' and non-accounting, virtual or otherwise, competitors or not, ongoing or momentary (see *Vision* and the *Summit* documents). Alliances with the Chartered Institute of Management Accountants in the United Kingdom (CIMA), the Information Systems and Control Association, the Insolvency Practitioners of Australia, the Securities Institute of Australia and the Australian Centre for Management Accounting Development (ACMAD) are already in place; as are a range of other less formal collaborative arrangements. The intention here is, on the one hand, to provide access to specialist skills of other organizations and, on the other, to allow the Institute to cross-market to members of those bodies.

The vision in *Vision* is encapsulated, in muted form, in the *Strategic Plan's* view of the ICAA as "an evolutionary Institute". In the latter document the Institute's stated mission is "to be the organisation of first choice for leading business, finance and knowledge management professionals". The reference to 'knowledge management' is clearly in line with the managerial theme prevalent in *Vision*. Further, the range of professional disciplines listed reflects the expansion of services, skills and personnel deemed relevant to a new management paradigm. As signaled in the *Summit* documents — and already anticipated in the Institute's 1997 mission statement¹⁰ — there is no specific mention of 'accounting' in the whole *Strategic Plan*. This point is further highlighted by the inclusion of 'broadening' as one of four 'imperatives'. The Institute will henceforth welcome "not only traditionally qualified CAs, but also specialists and suitably qualified other professionals who are prepared to embrace our core values and standards".¹¹ The benefits to be gained from specialisation include "information sharing, specialized education and training opportunities, targeted negotiations with regulators and government, and supportive brand marketing ...". The Institute has determined that specialist groupings "can contain non-members who wish to network with Chartered Accountants. This is already happening in the case of lawyers in the Forensic Accounting Group". *Charter Nov '99* reports that the Institute "has been capturing the views of employers, members, candidates and graduates on this scheme through qualitative and quantitative research" in anticipation of further action.

The core values expressed in *Strategic Plan* largely reflect the Institute's historical experience as a body for public accountants. Included here are 'objectivity and independence', 'integrity and ethical conduct', 'public interest and social accountability' and 'service and teamwork'.¹² According to *Strategic Plan* "all activities of the Institute take place within the context of our core values". Arguably this strong (re) statement reflects the membership's desire to retain traditional symbols of identity. While non-CAs desiring to participate in the ICAA's proposed college structure may be prepared to commit to the Institute's traditional values, other competitors may not. Core values operationalised historically in the external audit context may require redefinition, in the light of competition from non-CAs not subject to the same constraints. Time will tell.

Other imperatives noted in *Strategic Plan* (apart from 'broadening') are 'branding', 'technology as an enabler' and 'structural change'. Branding involves investment in the CA brand so as to raise "its

standing in the eyes of employers, governments, regulators and the public” (see also *Charter Nov 99*). This issue is frequently cited in the *Summit* documents. Clearly it is a member-driven concern. The second imperative signals the Institute’s intention to expand its own technological capacity to service members and promote the ICAA to outsiders (see also *Charter Nov 99*). The third reflects the leadership’s ongoing concern to “remove cumbersome layers of member committees, replacing them with a simpler structure where members determine strategy and implementation is devolved to management”.

In a postal ballot held in June 2000, members gave overwhelming approval to major changes to the Institute’s governance structure. The existing National Council of 17 and its Executive Committee are being replaced by an 11-member Board directly elected by members along broadly proportional lines. NSW will elect three Directors, Victoria two, with the other States, the ACT and Overseas Members each electing one Director. Directors will be elected for three-year terms, with the Board electing a President and Deputy President who will hold office for one year. The Board will have overall responsibility for the Institute’s strategy and policy direction which will be implemented by management. State Councils are being replaced by smaller Regional Councils which will be responsible for advising the Board on strategic policy and membership issues and which will act as a link between the Board and members in their region. The large network of national and state committees is being streamlined, with many being replaced by smaller limited-life taskforces to carry out specific projects.¹³

Strategic Plan further envisages that the ongoing operations of the ICAA will be guided by seven ‘strategic themes’:

- advocacy
- protecting the public interest
- establishing and enhancing standards
- governance and management
- sustaining and broadening membership
- enabling members to deliver
- creating market dominance.

Advocacy is about “more assertive government relations” (*ibid.*). The Institute has played an advocacy role since its formation. The second (and perhaps the third) strategic theme also reflects its historical legacy, while the final four themes reflect the more contemporary concerns of *Vision*. The theory is that the themes “will drive the four strategic imperatives towards the central achievement of our Mission”.

What about concrete initiatives? In the months prior to the publication of *Strategic Plan*, the ICAA leadership, faced with “a sense of impatience from some members to see the product of our change process” (*Member Summit*, p. 2), was publicizing previous and ongoing initiatives. *Charter July ’99* highlighted “the remarkable increase in services to members in the last five to eight years”.¹⁴ At a more strategic level, readers were reminded of the formation of the National CABS Committee in the early 1990s. Also noted was the recent agreement of National Council to the formation of a national CABS secretariat to oversee and implement CABS-centred activities (previously recommended in *Serving*). Many other recommendations contained in *Serving* have been actioned (see Appendix).

Charter Sep '99 reported approval of the Institute's new education program. The new CA Program based on *PY Post 2000* marks a profound change for the ICAA. It has been developed using state of the art learning resources, learning activities and assessment methodologies.¹⁵

The 'old' institute, then, is gradually metamorphosing into the 'new'. Consistent with its desire to foster strategic international alliances and to encourage suitable non-accounting professionals as members, the ICAA has supported the AICPA-led effort to establish a global business advisor designation (see the AICPA paper in this volume). It aims to establish a 'professional home' in Oceania for the globalized qualified business advisor of the 21st century.

Other relevant aspects of the Institute's redefinition are apparent from its new attitudes to members. The Institute has invested heavily in state-of-the-art customer relationship management software which will allow it to track members' response to its initiatives. As such data accumulates, the Institute's capacity to align its activities to members' priorities will be greatly enhanced. The Institute believes it is the first professional body in Australia to adopt such an explicitly customer-based platform. Consistent with this move, the marketing division has been restructured and a senior marketing professional has been appointed. The division is actively researching members' views of the services they want the Institute to provide. In principle, service delivery will be focussed more directly upon what members want, rather than on what Institute committees feel they need. Consistent with this change, new customer-focused key performance indicators have been developed to monitor members' response to its products. The underlying strategy is to move towards customer-focused service delivery, based on a market (supply & demand) dynamic, and away from both (i) a 'top-down' prescription of what members should have or (ii) a bottom-up expression of members' preferences through the Institute's governance/educational structures. Communication with members has been significantly enhanced by the launch of a new highly interactive website which permits members to individually tailor their information flows from the ICAA, based on pre-selected interest areas.¹⁶

In short, the new management-oriented Institute is just beginning to emerge. Its leadership is still negotiating a new managerial role with membership. The detailed plans of *Vision, Serving* and the *Summit* documents are yet to be sifted through the abstract formulations of *Strategic Plan* into the new praxis of value creation and strategic management. On its own analysis, the Institute and its membership are living in interesting times. Meanwhile, the demise of the 'accounting profession' proceeds, to be replaced by a profession of 'finance, business and knowledge management' practitioners.

The new leadership elected in September/October 2000 will need to demonstrate ongoing commitment to the challenging change agenda which has been very publicly established by the ICAA.

Appendix: ICAA response to the recommendations in *Serving*

Recommendation	Action/Status
1.1 Continuation of CABS Structure (State committees to elect representatives to a National CABS committee; CABS to be represented on National Executive & National Council)	<i>Accepted. (National Executive/ Council has now been replaced by an 11-member board.)</i>
1.2 Chairman of each state CABS committee to be appointed to the national committee	<i>Accepted</i>
1.3 Strong nexus between national CABS business plans and state CABS objectives	<i>Linkage established</i>
1.4 Four members of National Council to be state CABS representatives	<i>Not feasible given revised governance model</i>
1.5 Members of National CABS Committee to have strong linkages to State Councils	<i>By chance</i>
3.1 Membership database to be upgraded	<i>To be undertaken</i>
3.2 Missing data on CABS to be captured	<i>To be undertaken</i>
4.1 Competitive Intelligence Unit to be established to seek out strategic alliances	<i>CIU established</i>
4.2 CABS alliances to be expanded, especially with CIMA, ACMAD & SMAC	<i>Alliances formed & expanded</i>
4.3 Plan for regular exchange on new ideas between CABS in Australia and overseas	<i>Business Plans & Minutes of National Meetings exchanged with counterparts at ICAEW, AICPA & CIMA</i>
5.1 Further to 3.1, members' contact details to be obtained	<i>Email addresses continually sought on an ongoing basis</i>
5.2 CABS in ICAA leadership roles to have email addresses printed & circulated	<i>To be undertaken</i>
5.3 IT Workshops modeled on Irish CA initiatives to be urgently assessed for local suitability	<i>Taken up in Millennium Project</i>
5.4 CABS communications, e.g., <i>Interface</i> ,	<i>'Interface' replaced by website</i>

	to become exclusively electronic	
5.5	Strong nexus to be formed between the IT chapter and the National CABS Committee	<i>Linkage established</i>
6.1	A Business Issues Group to be established under the National CABS Committee	<i>To be undertaken</i>
6.2	<i>Interface</i> to be improved	<i>'Interface' replaced by website</i>
6.3	CFO of the Year dinner to be established	<i>Dinner established</i>
6.4	International forum on business issues facing accountants in business post the 2000 Olympics	<i>Not pursued</i>
6.5	Prominent CAB Profile articles to be displayed at ICAA reception areas	<i>To be undertaken</i>
7.1	National CA Champions in Industry programme to be developed (similar to one in Ontario)	<i>To be launched in 2001</i>
7.2	Further to 7.1, State CABS Committees to have access to CABS membership lists	<i>Partly actioned, although confidentiality conditions apply</i>
7.3	CABS Rapid Response Panel to be established in each state; also a national CABS Opinion Panel	<i>To be comprehensively undertaken (part-performed)</i>
7.4	Private CFO Dinner to be established in each state drawn from CABS Champions and CFOs both ICAA & CPA Australia qualified	<i>Only undertaken in Melbourne</i>
8.1	Taskforce of Volunteers & Directors to review ICAA education programs geared to candidates in business	<i>Review undertaken and CA Program now enacted with CABS input</i>
8.2.	CPE programmes to be published in booklet format	<i>To be undertaken; programmes are being prepared nationally, 6-9 months in advance</i>
8.3	Membership services to be clearly marked as to whether they apply to CABS or Public Practice or both	<i>Actioned in part</i>
8.4	'What does the Institute do for you?' booklet to be published for CABS	<i>Services notice available</i>
8.5	Special Interest Group in management accounting to be formed nationally in strategic alliance with similar bodies with a view to eventual recognition by the National Specialisation Board	<i>Still being investigated; 'management accounting' requires more specific definition</i>

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|--|---|
| 8.6 ICAA's specialisation framework to be used to create special interest groups in industry areas | <i>To be undertaken</i> |
| 9.1 ICAA's website to be benchmarked against best world practice | <i>Project completed with launch of new website</i> |
| 10.1 Regular CABS membership research to be undertaken | <i>Being undertaken in part with ACMAD & KPMG</i> |
| 10.2 Hackett group to be approached to explore research services offered in tandem with overseas accounting bodies | <i>Undertaken; not pursued</i> |
| 10.3 Relevant research projects to be explored with corporate & academic leaders | <i>Undertaken on an on-going basis</i> |
| 10.4 Research project on benchmarking the finance function within Australia to be considered | <i>Not pursued but replaced with other projects</i> |
| 10.5 ICAA to further established working relationships with CABS representatives in overseas professional bodies | <i>Links formalised with CIMA & AICPA</i> |
| 10.6 Leading tertiary & postgraduate courses to be identified & strategic alliances pursued | <i>Undertaken with Uni. of NSW</i> |
| 10.7 CABS to represent ICAA in negotiations with acknowledged research organizations such as ACMAD and FMAC | <i>Undertaken on an on-going basis</i> |

(Source: Notes provided by Michael Nazzari, 12/12/2000)

Endnotes

- ¹ According to this document, CABS are “members in large corporations, members in small to medium size enterprises, those in Government and academia and those who operate management consultancies” (*ibid.*, p. 7).
- ² The Institute sees itself as working with the national government on international harmonization of taxation, corporate law and standards; also as working with counterpart bodies internationally and fostering international networking by members (*Vision*, referenced in note 3, p. 28; see also pp. 47-9). It also sees recognition of the CA designation internationally, in conjunction with strategic (international) alliances as ‘essential’ (*ibid.*, pp. 51-3; see also *Post Summit*, pp. 5-6). *Vision* foresees the ICAA’s involvement in WTO negotiations impacting upon Australia (p. 52). Its National CABS committee urges that “current and potential CABS strategic alliances be expanded with particular emphasis on CIMA (UK) ... and the Society of Management Accountants of Canada” (*Serving*, p. 18).
- ³ These remarks and the rest of this paper are based on:
- The *Serving Chartered Accountants in Business* document; hereafter *Serving*
 - ICAA, *The Vision 2020 Taskforce Report: Chartered Accountancy in the Next Century — Radical Change or Diminished Influence?*, 1998; hereafter *Vision*
 - ICAA & KPMG, *CFO of the Future*, 1998; hereafter *CFO*
 - ICAA President & Deputy Executive Director, ‘Future Strategic Options’, memo to Summit participants, 20/4/99; hereafter *Future Strategic Options*
 - ICAA, ‘Post Summit Communique to Participants’, 7/5/99; hereafter *Post Summit*
 - Stephen Harrison, ‘Member Summit — A Report’, memo to ICAA staff, 10/5/99; hereafter *Member Summit*.
 - ICAA, *Strategic Plan 2000-2002*, 27/9/99; hereafter *Strategic Plan*
 - Various *Charter* articles by ICAA officers and staff:
 - Rob Atkinson, “It’s time to get back to our roots”, February 1999, p. 4; hereafter *Charter Feb ’99*
 - Stephen Harrison, “Tell us what you want”, March 1999, p. 6; hereafter *Charter March ’99*
 - Rob Atkinson, “A mandate for change”, June 1999, p. 4; hereafter *Charter June ’99*
 - Rob Atkinson, “A state of flux”, July 1999, p. 4; hereafter *Charter July ’99*
 - Rob Atkinson, “Ringling the changes”, September 1999, p. 4; hereafter *Charter Sep ’99*
 - No author, “Changes ahead”, November 1999, pp. 12-13; hereafter *Charter Nov ’99*.
- ⁴ *Vision* (p. 10) explicitly acknowledges its debt to: *The Inter-Institute Vision Task Force*, Chartered Accountants of Canada, February 1996; *Chartered Accountants in 2005*, ICAEW, March 1997; and *Report of the AICPA Special Committee on Assurance Services (The Elliott Committee)*, 1996.
- ⁵ See *Vision*, pp. 3-5; 20-27. *CFO* develops a similar analysis explicitly for the CA carrying out a managerial or management accounting role. A careful reader of these documents will find many and varied references to ‘value adding’ and ‘management’. Linkages between business, the membership (in various segments or modes) and the Institute, in light of the change drivers, are elaborated in considerable detail in *Vision’s* exhibits 1-3 and Appendix A.
- ⁶ The failed merger is also cited in *Charter March ’99*, *Member Summit* and *Charter Sep ’99* and *Charter Nov ’99*.

- ⁷ Two of the eight, however, were chief executives of consulting firms. *Vision* describes the CA members as including “people from large and medium sized public practice firms, the business sector and academia. Most ... were also current or past office bearers of various Institute committees” (p. 9).
- ⁸ This paragraph is based on notes provided by Gillian Cappelletto, as is the material in Section 4 on the new CA Program.
- ⁹ This remark should be interpreted with caution. As the last quote suggests, the marketing exercise might be read as a concern for value creation; while the simplification of the Institute’s governance structures envisaged in *Charter Nov ’99* might be seen as an exercise in strategic management. Further, the language of a new management paradigm still appears in the 1999 documents (if less pervasively). The point is that the task of actualizing the intricate links between business, the work of CAs and the activities of the ICAA theorized in *Vision* was momentarily set aside to deal with the aftermath of the failed merger. It may be, of course, that the measures taken in 1999 are a necessary precondition for the further actioning of *Vision*.
- ¹⁰ The 1997 mission statement was “for Chartered Accountants to be the peak business and finance professionals” (*Vision*, p. 89).
- ¹¹ The ICAA’s Deputy CEO, Allen Blewitt, advises (letter, 13/6/00) that the Institute is “committed to a far reaching specialisation strategy with special interest groups as the first stage of specialisation and full-blown chapters as their mature expression. Chapters contain both subscriber and specialist levels. We already have two chapters in Information Technology and Financial Planning and we have accredited specialists in both these fields. The third rapidly growing special interest group, which will move to chapter status in the near future is the Forensic Accounting Group, which already has 700 subscribers. Other specialist groups are in the pipeline ...”.
- ¹² The remaining core value, ‘innovation and leadership’, reflects the contemporary change process.
- ¹³ This paragraph is based on notes provided by Brooke Broughton.
- ¹⁴ Examples included a travel service, an institute credit card, Eldercare and Childcare kits, the ICAA website and a forthcoming tax hotline. Also mentioned were: quality practice reviews, Accountants’ Limitation of Liability Schemes for NSW and Western Australia, formation of a Rural and Regional Issues group, a National Tax Practitioners Committee and the promotion of Special Interest Groups.
- ¹⁵ The CA Program is designed to assist graduates to achieve successful careers in business. It aims to develop CAs who are:
- informed
 - technology literate
 - communicative
 - collaborative
 - forward thinking change managers

- innovative problem solvers
- service oriented
- ethical
- professional
- reflective.

The program includes five modules:

- CA Foundations
- 3 technical modules
 - Financial Reporting & Assurance
 - Taxation & Financial Reporting
 - Strategic Business Management
- Final Integrative.

At the time of writing CA Foundations has been successfully launched, attracting a record number of candidates. It emphasizes generic skills relevant to business and incorporates interactive web-based technology as a core component of learning.

¹⁶ This and the previous paragraph are based on conversations with Allen Blewitt on 15 December and 21 December 2000.

TASKFORCE ON THE FUTURE OF THE PROFESSION

CGA Canada*

Synopsis

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 - Globalization
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* This paper was submitted in August 2000. The full report of the Task Force on the Future of the Profession can be viewed at <http://www.cga-canada.org/eng/news/present/present.htm>

1. INTRODUCTION

In July 2000, the CGA Canada Board received the report of the Future of the Profession Task Force. The task force, chaired by David Rattray, FCGA, Assistant Auditor General of Canada, included public and CGA representatives. The task force's mandate was to:

"assess the impact on the future of the profession and the role of the accountant of:

- changes in demographics
- the emergence of Internet transactions and e-commerce
- the internationalization of accounting standards
- the internationalization of the marketplace
- competition from non-accounting firms
- multidisciplinary practices".

The report of the task force was in 4 Parts. Parts 1 to 3 are reproduced below. Part 4, which provides guiding principles and recommendations for CGA Canada is not reproduced, along with a number of Appendices.

2. TASK FORCE ON THE FUTURE OF THE PROFESSION

PART 1 : INTRODUCTION

Certified General Accountants find themselves in a very different reality than that which existed when they entered the profession – even if they became CGAs as recently as five years ago. The “new reality” presents exciting opportunities – and unfamiliar challenges – for individual CGAs and for their profession as a whole.

The Task Force on the Future of the Profession began its work by investigating some of the broad characteristics of this new reality, and then identified specific trends affecting accountants. Capturing this description in narrative form proved challenging because each of the trends and environmental shifts the task force considered is affected to a great extent by each of the others. These trends and shifts, in fact, signal a fundamental change in the role of professions in general.

The analysis and recommendations that follow should thus be seen within the context of the broad characteristics of the new reality described in Part 2 of this report. Those trends selected for further discussions in Part 3 were considered to be of particular significance because of their impact on the accounting profession globally, on the Canadian accounting profession, on individual CGAs, and therefore on CGA Associations. Part 4 of the report provides three principles that then guide the recommendations we make to address the reality of our current environment.

PART 2 : THE NEW REALITY

Five broad characteristics of the new reality must be recognized before we explore the impact of the trends outlined later in this report on professions, on the accounting profession, and on individual accountants. These characteristics cannot be viewed in isolation from each other, as each has contributed to the existence and development of the others.

Globalization

A rapid and widespread globalization of economies and business markets has occurred in recent years, and we predict that this shift will inevitably continue. The movement of capital across national borders has become accepted and commonplace, driven initially by the deregulatory actions of governments in the 1970s and 1980s¹. A parallel trend in the movement of trade and services is reflected and encouraged by processes and organizations like GATT and WTO².

While regulation of most professional services remains the prerogative of local jurisdictions, we predict that there will be an increasing pressure to harmonize such regulations to permit a freer flow of professional services. In the absence of regulatory harmonization, we also predict that a “de facto” flow of services will occur in any case, facilitated by the increasing acceptance of electronic means of doing business. The result, in effect, will be informal self-regulation and monitoring or even de-regulation of many professional services.

Information and communications technology advances

More obvious than the regulatory forces behind globalization mentioned above are advances in information technology (“IT”) and the use of electronic means of communication. These are more dramatic and are immediately visible to CGAs, employers, clients and the public. Each person’s life has been affected, from the most basic level of day-to-day interactions with one’s bank to the most complex, with new jobs being created and previous jobs made obsolete.

Without the rapid advances in this arena, it is unlikely that regulatory changes alone would have led to the extensive “globalization” that we are now seeing. If deregulation unleashed the globalization process, then it is IT advances that have accelerated it exponentially.

Some of the IT features that have become commonplace include the means for instant (and low-cost) communications world-wide and the replacement of traditional sources of information (libraries, magazines, television) by the Internet as the primary source of research data, news and other information in North America. Business is rapidly following this shift of communications and information to the Web. While Canadian retailers do not have as significant a presence on the Internet as do their U.S. counterparts, those that are successful find that on-line sales are growing even more rapidly than expected³. The expansion of business-to-business electronic commerce is even more explosive than the more visible business-to-consumer, and presents great opportunities and challenges⁴. We predict, therefore, that the role of IT in business and service provision will continue to expand significantly and rapidly.

Competitive Dynamics

Another characteristic which underlies the analysis of the task force and this report is the changing landscape of the competitive environment that our members face. It may be that CGA members are expanding their skills and services to provide more than traditional accounting services, or that other professions and industries are encroaching on their areas of expertise⁵. In either case, the fact remains that CGAs are seeing new and different players in the fields where they operate. Like the globalization of business, IT advances are likely to intensify and accelerate these competitive changes. This is already reflected in the presence of on-line consulting practices and on-line accounting services.

Some examples best serve to illustrate the changes in competitive dynamics. The establishment and recognition of *new designations*, in fairly narrowly specialized areas (e.g., CFP, CFA) and the increased proportion of business graduates who are choosing to obtain an MBA degree⁶ are putting competitive pressure on professional accountants. A few years ago, the CGA applying for a finance position might have been competing primarily against other professional accountants. Today, one is likely to find non-accountants such as MBAs on the short-list as well. We predict that the number of competing designations and degrees will continue to increase.

A second area of change is the increased trend to create *multidisciplinary practices* (“MDPs”). This change may be more acutely felt by accounting firms in public practice than by individual accountants in other sectors and it may be viewed as either competitive pressure or as opportunity. Traditional firms may feel threatened, while large multinational firms lead the way in greater and greater diversification. Through whichever lens one chooses to view this trend, the task force acknowledges its inevitability. Further, we predict that as MDPs become the norm rather than the exception, professions as we know them will experience a profound change.^{7,8,9}

The *practice structures of accounting firms* are changing, both in response to internal corporate decisions and external initiatives. While the large accounting firms choose to invite non-accountants to the partnership table, mid-size firms are made lucrative purchase offers by “consolidators” or non-professional business enterprises such as American Express (“Amex”). Any regulatory issues are effectively addressed by the creation of separate legal entities which maintain the attestation practices while the more lucrative consulting and tax services are performed by a business entity, a structure which has been adopted by a number of “Big 5” firms in recent months.¹⁰ Again, like the trend to multidisciplinary practices, this change may be viewed as either threat or opportunity, but has within three or four years become a fact of life for the accounting profession.

Lest one view the changes in the competitive environment as affecting mainly members in public practice, an additional development must be mentioned. To an increasing extent, tasks once performed manually have become automated. E-filing of personal tax returns, the standardization of corporate financial statements to suit the requirements of GIF1¹¹, networked accounting and reporting software in every business, from the smallest to the largest, have changed the nature of accountants’ work.

The end of the month in a controller’s office once meant preparation of lengthy management reports and financial analyses. This is no longer the case in many organizations, where all managers can now access the accounting system to view financial details directly and without the intervention of accounting staff. The extent to which *automation* will lessen the demand for traditional accounting is difficult to predict and to quantify, but the impact has been felt. We predict that the demand for traditional accountants will continue to decline.

Work and demographic shifts.

Dramatic organizational mergers and amalgamations are now an everyday occurrence, with very large corporations becoming larger, and frequent news releases announcing the creation of the latest mammoth enterprise¹². Yet in a parallel development, more and more small businesses¹³ are being created and finding success¹⁴. To an increasing extent, it appears that people will work either in enterprises that are massive in size and scope, or those that are very small. These multiple smaller enterprises achieve success either by differentiating themselves from, and competing with, the giants, or by offering their services to the large enterprises. This latter phenomenon is growing at an ever-

increasing degree as corporations “outsource” all but core business operations¹⁵, and governments “privatize” services that were previously offered by public sector agencies. In either scenario, this polarization of organization sizes presents a tremendous opportunity for small and medium-sized enterprise to flourish.

Among the many new small enterprises being created are numerous business service providers. These comprise individuals who in prior times would have been long-term employees expecting to stay with the same employer for their entire working life. Now they find themselves instead in career paths that include a series of different employers, or in a number of sequential or concurrent short- and long-term contracts¹⁶.

A final change within our population that affects business, professions and government on a cyclical basis is the changing age profile of our workforce. The existence of the “baby boomer” generation and its size in relation to the general population has been well documented, but one sector of the economy after another, from government to business to health care, has until recently failed to adequately anticipate its effect. The organizations that are best able to predict and incorporate demographic trends into their planning will benefit the most in terms of setting strategic direction.

Ongoing Change

The fifth characteristic, which has been spoken of so often that it has become a cliché, is the fact of change. Perhaps this factor need not have been included in this description of our environment, but the underlying theme common to all of the characteristics described so far is rapid and significant change. CGA Associations and CGAs themselves are inundated with change on a daily basis, as are their clients and employers. Individual members and their organization must be prepared to anticipate and understand change, and not just react to it. While this assumption will no doubt be self-evident to the readers of this report, it warrants stating because it will affect every prediction and every recommendation that the task force makes.

PART 3: THE IMPACT OF KEY TRENDS

The Impact on Professions

As the broad characteristics just described become tomorrow’s reality, they form our understanding of the environment and the players in it. The roles of various groups within society, which were previously unquestioned, have begun to shift as the lines between cultures and economies blur. Among the societal groups that are beginning to feel the impact of this shift are the traditional professions.

During the early 20th Century, professions established themselves and defined their role through a combination of self- and state-regulation. Because the jurisdiction of government ended in provincial or national borders, professional groups were well-defined and relatively discrete organizations. Each profession knew its role and the extent of its scope.

In today’s environment, as national and other boundaries become increasingly irrelevant, the professions find themselves viewed in a different light. Rivalries and competition for “turf” have increased (for an example within the health care professions, think of doctors versus nurse practitioners). As groups look abroad for models that will bolster their argument for expanded scope, standards that were once assumed to be strictly a matter of local authority are being

scrutinized and compared to those in other jurisdiction, and international affiliations of local professional bodies are taking on a new prominence (e.g., IFAC within the accounting profession).

The new ease of access to information is also affecting the professions. Exclusive information and education in a specific and complex field form the cornerstone on which “right to title” and “exclusive scope of practice” legislation has traditionally been founded. Advances in IT have given users of professional services greater access to information on which to base their assessment of service quality and service options. If “information is power” then, in the field of professions, power is shifting from the service provider to the consumer (the client) and professional organizations are beginning to feel the effects of that shift along with their members.

Finally, the changing competitive environment is affecting professions. Among those professions (such as health care professions in Canada) that have been partially or wholly publicly funded, the deficit reduction goals of governments and the increasing acceptance of “business models” in the public sector have led to the creation of new performance measures and new relationships among professional bodies¹⁷.

Among those professions that are primarily business service providers (law, accounting, engineering), the business decisions of individual members of the profession have changed the landscape, as is shown by the introduction of MDPs. One result is the gradual decline of the influence of professional organizations. The emergence of relatively new professional designations (CFP, paralegals, nurse practitioners) further blurs the perimeters defining traditional professions. The proposed international business designation¹⁸, described in the next section, demonstrates exactly the type of blurring to which we refer.

The Impact on the Accounting Profession

The accounting profession, driven as it is by business and economic factors, has been especially vulnerable to the forces affecting the professions as a whole. It was perhaps the earliest to feel the effects of globalization, as accountants’ employers and clients spread their businesses internationally. Just having knowledge of local accounting standards and local tax law has become insufficient.

As individual accountants and accounting firms scramble to keep up with clients and employers operating in multiple jurisdictions, the need for international accounting standards and audit practices is becoming increasingly evident. Businesses question the cost of maintaining multiple sets of financial records to comply with the reporting standards of more than one jurisdiction¹⁹ and expect consistent levels of service from their financial advisors and auditors in each jurisdiction.

The need to “compete” on a world-wide basis was cited by two Australian accounting bodies as one of the reasons for their recent merger proposal²⁰, and by the ACCA in its merger proposal to several fellow UK bodies²¹. Accounting bodies (including CGA) have modified their certification requirements in order to meet IFAC’s stated educational requirements, acknowledging the increased need for member mobility and international recognition.

Not only are professional accounting organizations seeing changes, but so are professional firms. Mimicking the trends of their clients, firms are increasingly stratified by size – the large firms becoming larger through merger and many mid-size firms being absorbed by non-professional businesses (the “Amex” phenomenon). While a large proportion of individual professional accountants are not part of the “Big 5,” one sees that the culture of the profession is affected by

cultural changes within them. For example, the large firms have stopped referring to themselves as “Certified Public Accountants” or “Chartered Accountants”, a move that is reflected in both the AICPA and CICA *Vision* reports, where one sees that both organizations have moved away from defining themselves as “accountants”²².

The Canadian arm of the accounting profession risks becoming increasingly marginalized on the world stage. This is a function of several factors, among which are the relatively small size of the Canadian economy and presence of Canadian business within the world, the small size of the Canadian accounting bodies relative to others in IFAC²³, and the increasingly dominant role of the “Big 5” accounting firms, which see themselves as part of a global economic neighborhood more than a local one²⁴.

In March 2000 the task force predicted, in its interim report to the Board of Directors, that one result of these changes would be a move toward new international designations and professional association alliances. Since the release of that interim report, the AICPA, the CICA and six other institutes of chartered accountants announced the creation of a joint task force to explore the creation of a new “professional business designation” which would credential a variety of business service providers, including accountants, lawyers and management consultants. Benefits listed in the press release announcing the proposed designation include instant reciprocity and global standards of ethics, quality and performance²⁵. The reciprocity and global standards will be made possible because the new designation will not be subject to local jurisdictions’ regulations, but would be regulated, in effect, by the demands of the global marketplace.

The Impact on the Individual Accountant

If these are the effects of change on the accounting profession world-wide, what are the implications for the role of the individual professional accountant? In the paragraphs that follow, the task force presents a brief description of the changing role of professional accountants within their organizations and the probable impact of these changes on the required knowledge, skills and abilities. Unless otherwise identified, we assume that the changes apply to all accountants, whether in the corporate sector, in public practice, or in the not-for-profit and public sectors.

■ ***Globalization***

An immediate impact of globalization is the need for accountants to broaden their knowledge base. As previously mentioned, international accounting standards, auditing practices and tax law are becoming relevant to more and more Canadian accountants. In light of the broader management role expected of many accountants, simply broadening traditional areas of accounting knowledge to fit international arenas will not be sufficient.

Many accountants are involved in planning and general management within their organizations, and they must become familiar with the culture, HR practices and business practices overseas if they are to effectively advise their organization on expansion abroad. For accountants in public practice, clients with international operations will expect consistent service quality in all locations.

Complex jurisdictional issues arise when firms conduct business across international borders. While the world has seen significant deregulation of commerce in recent years, there is still a tremendous variance in legal, political and tax structures among nations and even within nations.

- ***Information Technology and Communications Advances***

IT developments affect the professional accountant in two ways. The accountant is a user of technology, so as new tools are developed, they change the way in which his or her job is done. Secondly the accountant is expected to provide advice and direction on using new technology.

Electronic tools have changed the day-to-day job of most accountants, most obviously through the automation of routine tasks. Recent studies indicate that accountants spend considerably less time in routine activities and more time analyzing information and preparing reports customized to specific users' decision needs.^{26, 27, 28} Electronic filing of personal and corporate tax returns and the use of related mandatory financial reporting formats are removing some of the elements of judgement previously required, while freeing up the accountant's time to provide more analytical and advisory services.

The use of electronic tools and information technology in performing more and more accounting and auditing tasks requires that the accountant have a high level of knowledge of IT applications. This knowledge base is not only needed for the completion of traditional accounting tasks, but must be applied in every aspect of the business if the accountant is to truly be a full partner in managing the organization.

As the organization moves more and more of its transactions on-line, the functions of the accountant, internal auditor and external auditor are affected. The increased business traffic on-line brings new business risks, and the professional accountant has a larger role to play in risk management. New internal controls are needed, and a solid grounding in IT is required to meet this demand.

Opportunities exist for accounting firms to form joint ventures with high-tech firms in developing internal controls. New assurance services and new means of fraud detection are required to address new sources of business exposure, while internal auditors have a greater role in conducting "due diligence" tasks. The focus of internal audit becomes advance consultation on risk and control, rather than being limited to after-the-fact testing of controls.

IT capabilities create the possibility that the economic value of the independent financial statement audit and that of traditional accounting services will decline. The availability of real-time corporate information reduces investors' reliance on annual financial statements. Technology firms have the capability of producing financial information directly from proprietary corporate databases, without the intervention of professional accountants or external auditors²⁹. Should this capability become routine, the role of the professional accountant will become to an even greater extent focused on system controls and therefore be IT-focused.

As more routine tasks are automated, they can be shifted offshore where labor and capital investment may be less costly. This is already the case with software development and programming, and can easily be done with accounting and auditing tasks as well. The day may be near when large organizations move their accounting departments offshore, and smaller entities use web-based accounting software rather than purchasing their own applications³⁰. If so, the traditional role of the accountant within the organization will be further eroded.

The jurisdictional complexities just described are magnified by the shift to electronic commerce, which is growing more rapidly than legislators and judicial systems can determine whose laws apply to which transactions³¹. In order to effectively manage an organization's risk in this area, an accountant whose employer or client is doing business on the Internet (whether business-to-business or business-to-consumer) must have an appreciation of the complexities and be able to communicate effectively with lawyers and regulators.

The local CGA will find it an immense challenge to develop all of these areas of knowledge to the full extent necessary. This suggests that a network of colleagues is required at home and abroad to whom the CGA can direct the organization at the appropriate time. Such a network can assist not only in risk management, but in opening doors to things like new sources and types of financing for the organizations that CGAs serve.

We believe that the changes described above are already predictable. The trends in this area are clear and point to two conclusions: the accountant must blend accounting knowledge with a strong IT base, and at the same time, operate at a higher strategic level, analyzing and interpreting data rather than simply gathering it.

- ***Changing Nature of the Accountant's Job and Role***

The movement towards multidisciplinary practices, new professional designations, and other broad competitive shifts has been described. The individual accountant is not immune to the factors causing these trends.

On the one hand, small and medium-sized enterprises require an accountant who is a business professional able to contribute to all aspects of management, from financial reporting to strategic planning to human resource management. A sound basic knowledge of accounting must be combined with broad business and teamwork skills – a generalist is required. On the other hand, large organizations may need employees with very narrow and specialized skills. The “breadth versus depth” paradox is further complicated by the fact that the particular combination of knowledge, skills and abilities required varies by size and type of organisation and from one level of position to another.

As the professional accountant is faced with competition from other accounting and non-accounting professionals and from MBAs, and must at the same time face the competitive pressures associated with the shift to outsourcing, the ability to demonstrate that his or her services add value to the organisation becomes critical. Being able to recognize and implement a variety of financial and non-financial performance measures within an organisation, to blend financial and managerial accounting as required by specific users, and to recognize and communicate what makes organizations succeed will provide such value.

For example, the accountant may contribute to the success of the organisation through implementation of new performance measures such as the “balanced scorecard” which are becoming ever more critical to organizational success³². In order to design effective performance measurement systems, he or she must understand all aspects of the organisation and be able to foresee changes and recommend actions to be taken in anticipation of these changes. As noted in an earlier part of this report, the trend from a historic to future-oriented focus is well documented³³.

For the accountant serving the *small and medium-sized enterprise*, a wide variety of skills and a broad knowledge base are required. This base may be provided via networking and alliances rather than being self-contained. One mark of the professional accountant of the future will be the ability to recognize when specialized knowledge is needed, but more importantly, to know where to find that knowledge, and how to develop and manage a team comprising various disciplines. Whether the accountant is a corporate employee or a public practitioner, team management, communication, negotiating and leadership skills are required. Whether formally or informally, the accountant needs to be part of a “multidisciplinary team”.

This need for a broad network of alliances is reinforced by the workplace trends and the polarization of organisation size previously described. Maintaining “job security” when one is in a contracting situation requires increased reliance on professional networks and the ability to effectively market oneself. This more independent and non-traditional career path, together with the increasing average age of the workforce (the “boomer” effect) is expected to result in a more fluid retirement age. Accountants, like others, are less likely to retire at a specific, pre-determined age, but to defer retirement indefinitely or simply work gradually fewer hours³⁴. This will further change the competitive dynamics among business service providers.

For the professional who is in *public practice*, the same broad advisory and teamwork skills are needed. Those services that provide value to the client – performance measurement, strategic planning, operational efficiency improvements, change management – will be especially marketable, and the accountant must recognize and present them accordingly. With increased competition from non-traditional sources, he or she needs the personal and communication skills to build and maintain long-term business relationships (with clients and collaborators alike) as well as the skills to provide value-added services.

Other, more specific, effects on certain segments of the accounting field can also be anticipated. Within public practice, service opportunities in tax areas such as intergenerational wealth transfer will increase as the population ages. New assurance services are being developed in response to market needs like the requirement for computer systems control assessments and environmental audits. The availability of new technologies is facilitating the development of more “customized” financial reports. Provision of these services involves both traditional auditors and non-accountants working together.

Change is also being felt in the *not-for-profit and public sectors*. New accountability pressures, new “business models” and performance measures, the introduction of GAAP accounting and a trend to outsourcing and privatization have significantly reduced the differences among the sectors. The knowledge, skills and abilities of accountants in the non-for-profit and public sectors must increasingly mirror those of their private sector colleagues.

To summarize, the task force made the following assessments for the accountant of today and tomorrow:

- A sound foundation of accounting knowledge and skills is critical;
- The accountant’s contribution to the organization must add value;
- Analytical and advisory responsibilities, based on a strong understanding of financial performance measurement, form a greater part of the accountant’s role;
- Broad-based business skills, including project and team management, are required;
- The accountant must work within, and lead, multidisciplinary teams;

- The need to be conversant in international business standards and business practices is more important as businesses and economies transcend borders; and
- A strong IT knowledge base is essential to enable all of these.

3. ADDRESSING THE FUTURE

In part 4 of the report (which is not reproduced), three guiding principles were identified to guide CGA Canada's strategic planning. The 3 principles are:

- ***Embrace technology*** – provide “the knowledge and skills to enable members to be both users of technology and IT advisors to clients and employers”;
- ***Act globally*** – “CGAs are ... part of an international community and must act as such”;
- ***Be market driven*** – “CGA members’ future and their ability to serve the public depends in large part on the extent to which they can anticipate and cope with changes in the marketplace. To assist them to do so, CGA Canada and its affiliates must also anticipate and cope with the same changes”.

Within these guiding principles, nine Recommendations were made about “broad directions for CGA Canada to pursue to best serve its members in facing the changes identified in Parts 2 and 3 of [the] report”.

Endnotes

- ¹ Atkinson-Grosjean, page 4.
- ² Lloyd-Jones (“*Global context*”), page 1, 2.
- ³ According to survey by Pollara Inc., Canadians spent \$627 million on-line over the 1999-2000 holiday period, substantially more than the \$370 million the company had predicted. Gooderham, *Globe and Mail*.
- ⁴ Boston Consulting Group, page 12.
- ⁵ Boyd (“*Evolution*”), page 37.
- ⁶ Suddaby (“*Market*”), page 14.
- ⁷ Suddaby (“*MDFs*”), page 25.
- ⁸ Atkinson-Grosjean, pages 7, 14.
- ⁹ The accuracy of this prediction was demonstrated by the creation of a task force to study the creation of an entirely new business designation. See CICA press release of April 6, 2000.
- ¹⁰ Boyd (“*Postscript*”), pages 1, 2.
- ¹¹ General Index of Financial Information, as prescribed by Canada Customs and Revenue Agency for corporate taxpayers.
- ¹² For example, in January, 2000, AOL and Time-Warner announced a merger, which was followed a week later by a merger with EMI.
- ¹³ For the purposes of this report, “small and medium-sized enterprises” will be defined as those with fewer than 100 employees.
- ¹⁴ BDC briefing note. For example, between 1989 and 1996, businesses with less than 50 employees created 461,000 jobs while the largest companies (those over 500 employees) shed 382,000 positions.
- ¹⁵ BP Amoco and PricewaterhouseCoopers (“PWC”) issued a joint press release in November of 1999 announcing that all of Amoco’s accounting and applications systems would be outsourced to PWC. The estimated value of this contract is \$1.1 billion over 10 years. Amoco Canada has entered into a similar agreement with PWC in Calgary.
- ¹⁶ BDC briefing note. The number of self-employed Canadians increased by 4% per year from 1990 to 1998. Three out of four new jobs are generated by self-employment.
- ¹⁷ For example, in recent legislative changes, the *Alberta Regulated Health Professions Act* and the *Alberta Regulated Accounting Profession Act* were passed. Each of the acts groups multiply professional associations within a single regulatory framework.
- ¹⁸ CICA press release, April 6, 2000.

- ¹⁹ Richardson and Hutchison, page 12.
- ²⁰ Australian society of CPAs and Institute of Chartered Accountants of Australia (“ICAA”). The proposed merger was ultimately defeated by a vote of the members of the ICAA.
- ²¹ Association of Chartered Certified Accountants. Note that the other bodies declined to pursue the ACCA’s invitation.
- ²² The AICPA Vision Statement as quoted in *Horizon on the Future*, reads “CPAs are the trusted professionals who enable people and organizations to shape their future. Combining insight with integrity, CPAs deliver value by communicating the total picture with clarity and objectivity; translating complex information into critical knowledge; anticipating and creating opportunities; and designing pathways that transform vision into reality”.
- ²³ For example, the three Canadian organizations have approximately 125,000 members in total, while the UK has 250,000 professional accountants and AICPA membership is approximately 340,000.
- ²⁴ The proposed restructuring of IFAC would formalize the role of the large accounting firms as part of the standards-setting and governance processes.
- ²⁵ CICA press release, April 6, 2000.
- ²⁶ Siegel and Sorensen, page 5: “...nearly 50% say they spend less time preparing standardized financial reports now than they did five years ago, ... and more than 60% anticipate that they will spend [even] less time...].
- ²⁷ ICAEW, page 46: “On average accountants in business now spend only 41% of their time on accountancy work compared with 51% five years ago.”
- ²⁸ Price Waterhouse, page 3: “Our CFO 2000 survey, covering [300 CFOs worldwide, found that] while 34% say decision support has been their top priority in the past three years, 74% rank it as their highest priority for the next three years.”
- ²⁹ ICAEW, page 22.
- ³⁰ Yu, page 13.
- ³¹ Yu, page 8.
- ³² Price Waterhouse (page 52) quotes a survey published by *CFO Magazine* which found that 80% of large American companies want to change their performance measurement systems.
- ³³ Siegel and Sorenson, page 5.
- ³⁴ Marron, *Globe and Mail*.

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FORGING NEW DIRECTIONS FOR THE CANADIAN CHARTERED ACCOUNTANCY PROFESSION

Dana Clarence*

Synopsis

1. Background
2. The History of the Canadian Chartered Accountancy Profession
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Appendices

- A Inter-Institute Vision Task Force Report – Research Methodology
- B Inter-Institute Vision Task Force Report – Financial Management
- C Knowledge and Skills Initiatives

References

* Submitted by Dana R. Clarence, Director - Professional Affairs, Canadian Institute of Chartered Accountants, on behalf of the Canadian Institute of Chartered Accountants. The paper was submitted on 30 June, 2000; certain subsequent events are referred to in Appendices.

1. BACKGROUND

The Financial and Management Accounting Committee (FMAC) of the International Federation of Accountants is documenting how accounting bodies worldwide are transforming themselves to meet the rapidly changing needs of members and markets. The FMAC is especially interested in how professional mandates are being revised to include management accounting perspectives. Their goal is to make “generalizations about the future of the profession” by documenting the “collective shift in the nature of the accounting profession as a resource for professional associations and policy makers.”

The integration of a financial management perspective into our professional mandate was one element of a major change initiative of the Canadian chartered accountancy profession. This change initiative was managed through an effective management process we called "Vision" – a process which, we believe, will prove interesting and perhaps useful to other general accounting bodies in their ongoing efforts to support the changing needs of their members in a rapidly changing world.

The discussion that follows outlines the Vision process, highlighting management accounting perspectives within the context of our profession's response to the dramatic changes in the nature of our profession and its markets.

2. THE HISTORY OF THE CANADIAN CHARTERED ACCOUNTANCY PROFESSION

To understand the history of Canadian Chartered Accountancy, one needs a basic familiarity with Canada's political structure, since it determines the structure of our profession, and how we coordinate strategic efforts nation-wide. Canada is a confederation, established by the British North America Act in 1867. Today, the confederation embraces 10 provinces and three Territories. The newest territory, Nunivut, was established on April 1, 1999. The BNA Act defines specifically which matters fall under provincial jurisdiction and which under federal jurisdiction; regulation of the professions is the responsibility of the provinces.

Federally- and provincially-legislated mandates

The Canadian CA profession's framework embodies this federal-provincial structure. Each province and territory has its own provincial or territorial institute, established as early as 1879, and operating pursuant to provincial or territorial legislation. The profession in Nunivut is currently being overseen by the Institute of Chartered Accountants of the North West Territories. The Institute of Chartered Accountants of Bermuda has been affiliated with the CICA in a separate affiliation agreement since 1973; references to provincial/territorial institutes are understood to include the Institute of Chartered Accountants of Bermuda.

Provincial accounting legislation generally comprises:

- *enabling provisions*, including standards and public accountability, which provide the authority to organize and govern CAs in the province or territory, and
- *regulatory provisions*, which restrict the performance of certain activities, usually audit and review services, to members of that Institute and/or other recognized accounting bodies. Not all provinces/territories have regulatory provisions.

The Canadian Institute of Chartered Accountants (CICA) is the Canadian CA profession's national body, incorporated under a Special Act of Parliament in 1902 to enable the profession to meet its common and shared goals on a national basis. The CICA's role has evolved, especially in recent years, as our profession responds to ever increasing change that is national and indeed global in scope. The redefinition of the CICA's role, in a spirit of co-operation and consultation with the provincial and territorial institutes, is a cornerstone in our profession's strategic response to change.

Current roles and responsibilities

Maintaining an appropriate balance between provincial and federal jurisdictions is a defining Canadian challenge. The Canadian CA profession has addressed it head on. In June 1998 all our institutes, provincial, territorial and national, entered into a *Protocol Agreement* to enable us to respond strategically as a profession to forces for change. This *Protocol Agreement* defines the responsibilities of the provincial and national bodies and how they will work together within their legislative frameworks, in a spirit of partnership, to ensure the continued leadership of the Canadian CA profession.

Essentially, the Agreement's goal is a strong strategic leadership focus for the profession in areas where a single national focus is critical to success. There are five such areas, and roles and responsibilities for them are laid out as follows:

	CICA Mandate	Provincial Institute Mandate
Public Interest and Integrity	Proactive coordination, effective leadership, and monitoring of the development and renewal of: <ul style="list-style-type: none"> ■ A harmonized code of professional conduct for CAs and ■ Standards of self-regulation. 	Legislated responsibility for: <ul style="list-style-type: none"> ■ Admission requirements for membership by examination, affiliation or otherwise; ■ Use of professional designations and their descriptive initials ■ The licensing of public accountants (for some provincial institutes) ■ Maintaining a roll of members and students ■ Adopting and implementing codes of professional conduct and standards of self-regulation and ■ The enforcement of the code of professional conduct through practice review and the disciplinary process
Leadership and Strategic Planning	<ul style="list-style-type: none"> ■ Proactive coordination, effective leadership, and monitoring of the establishment and renewal of the profession's shared strategic direction and research into new services and competencies 	<ul style="list-style-type: none"> ■ Implementing shared strategic direction ■ Developing provincial strategic plans

	CICA Mandate	Provincial Institute Mandate
Education and Qualification	<ul style="list-style-type: none"> ■ Proactive coordination, effective leadership and monitoring of the development and renewal of standards for: ■ The education, entrance, experience, and examination and evaluation of students in preparation for admission to membership ■ Admission to membership ■ Assessment of international qualifications in respect of admission to membership ■ Continuous learning for members and ■ Recognition of specialists 	<ul style="list-style-type: none"> ■ Prescribed standards and tests of competency and experience relating to admission to membership (and in some jurisdictions an assessment of the evaluation process and results) ■ Admission to membership and the continuation or cessation of membership ■ Admission of members and registration of applicants from accounting bodies outside Canada
Standard setting	<ul style="list-style-type: none"> ■ Oversight responsibility for content – achieved through overseeing the standard setting function of Standards Boards, ■ Positioning standard setting within the CA profession, ensuring the integrity of the standard setting process, and communicating the process to members and the public 	<ul style="list-style-type: none"> ■ Communicating standards to members, particularly in conjunction with the institutes' enforcement responsibilities.
Communications	<p>Proactive coordination, effective leadership, and monitoring the establishment and renewal of communications that are closely tied to the profession's shared strategic direction:</p> <ul style="list-style-type: none"> ■ The development of the profession's image, profession-wide promotional strategies and messages ■ Delivery of profession-wide PR and marketing programs ■ Development of strategy for representations on shared and common issues ■ Representations to federal government, federal regulatory organizations and other national public interest organizations 	<ul style="list-style-type: none"> ■ Developing and delivering provincial PR and marketing programs that are coordinated with profession-wide strategies, priorities, messages and programs ■ Providing advice and counsel on delivery of common image within their jurisdiction ■ Planning and executing representations within their jurisdictions ■ Representations to provincial governments, regulatory organizations and other public interest organizations in their respective jurisdictions

3. THE IMPACT OF CHANGE — ON OUR MEMBERS AND THEIR MARKETS

In late 1994, the CICA's Board of Governors expressed a strong belief that the Canadian CA profession was facing changes of such magnitude that the profession needed to clearly articulate a vision of what a Chartered Accountant is and does – a vision that could guide the profession into the 21st century. The *Inter-Institute Vision Task Force* was created to address this challenge. Comprising 21 leading CAs from across Canada and Bermuda, this Task Force, supported by a Council of Advisors of senior industry and government-based CAs, reviewed existing research, conducted new research, and explored the very nature of what it means to be a CA. Its February 1996 report set the agenda for transforming the Canadian CA profession.

Understanding the forces of change

As part of its mandate, the Inter-Institute Vision Task Force conducted and published a research review of forces and issues impacting the profession. The review of external forces included analyses of the world's stock markets and the work of authoritative commentators on macro-economic changes and respected futurists. Issues within the profession affecting its competitive ability were reviewed through member surveys, focus groups and interviews with leading CAs. (Appendix A, an extract from the Vision Task Force Report, provides a summary of the research methodology and supporting material.)

The Task Force focused on five broad forces impacting the Canadian CA profession:

- Information and communications technology – speed, accessibility and access;
- Economic forces – national and global, and the nature of wealth creation;
- Knowledge forces – the changing nature and role of knowledge, its increasing accessibility and reach, and the speed with which it is created;
- Demographic forces – changes in the nature of the profession; and
- Market forces – the market's needs and expectations of CA services.

Many of the issues, including the management accounting issue, were driven primarily by demographic and market forces, which affect both the numbers and interests of individuals entering our profession, and the skills and expertise the market demands of them.

Highlights of the research results include:

- Continued economic growth will hinge on the ability of Canadian business to compete internationally and to source capital on the largest scale possible.
- In this context, the need for harmonized international accounting standards to recognize the real impacts of globalization is particularly important.
- The profound impact that the change in our economy from natural resources- and manufacturing-based to knowledge-based will have on the accounting profession, which has traditionally focused on establishing standards for measuring value based on physical, tangible factors; measuring value in a knowledge-based economy is an important new challenge.
- The changing roles of CAs, 57% of whom were in public practice in 1980, compared to 42% in 1995, and a projected 30% by 2015. It is critical that as a profession we meet the needs of our members in business, industry and government, needs which include a broader range of business skills and disciplines. The recognition of financial management accounting as one of the profession's core competencies becomes increasingly critical as the number of CAs in public practice declines.
- Widespread and growing support for formal specialization within the profession – from 61% in 1985 to 66% in 1995.

- The opportunity to expand assurance-based skills beyond historical financial information.
- The need for alliances with other professional and industry bodies.
- Increasing competition from other credentials, such as MBAs, as well as from domestic accounting bodies.
- The need to expand assurance services requirements (beyond audit) and broaden experience criteria for the CA designation.

After careful assessment of these forces, the Task Force concluded that radical changes to our profession were required if we were to continue to enjoy our historical place of privilege in the business community.

The need to integrate a financial management accounting perspective

As noted above, the issues surrounding management accounting were driven primarily by demographic and market forces – notably the expected continuing shift of CAs away from public practice and into industry, business, education and government. The number of CAs outside public practice, which held steady at about 60 percent from many years, is expected to increase to 70% in the next 15 years. The Task Force predicted that this shift "...promises to have far-reaching effects on the kinds of skills CAs will need, the kinds of services the profession's institutions will have to offer their membership, and the role of the CAs in the Canadian economy."

A mission and vision for Canada's CAs

The Vision Task Force crafted mission and vision statements for Canada's CAs. They step well beyond the traditional roles and service areas of audit, accounting and tax, and recognize the realities of the services that the market place is in fact demanding of CAs, and to which CAs are in fact responding.

The Mission Statement of Canada's Chartered Accountants

Our mission is to enhance decision-making and improve organizational performance through financial management, assurance and other specialized expertise. We act with integrity, objectivity and a commitment to excellence and the public interest.

The Vision Statement of Canada's Chartered Accountants

We will be the leaders in creating, validating and interpreting information that measures and enhances organizational performance, and be the obvious choice for financial management, assurance and other specialized services.

Note the careful inclusion and positioning of the financial management perspective within both the mission and vision statements. (See Appendix B for the discussion on "financial management" which followed the Mission Statement in the report.) This represents a significant broadening of our professional mandate to reflect the very real needs of the majority of our members who play major management roles in businesses of all sizes, especially our country's largest and most influential.

The Vision Initiatives

The Vision Task Force identified a number of specific initiatives critical to the profession's continued leading role. The broadening of a management accounting perspective was not an initiative per se; rather, the importance of broadening such skills is woven into a number of initiatives, making its achievement an integral part of our efforts. (See Appendix C for examples of two Vision initiatives that have led to developments that may involve or enhance CAs management and/or the management accounting orientation.) These initiatives were organized under five areas of strategic emphasis:

- **Customer focus initiatives**, which will ensure that the profession and its institutions anticipate and respond to current and emerging customer needs, are:
 - *Monitoring and understanding the impact of market forces*
 - *Organizing our institutes' support for members with programs based on defined market segments*
- **Knowledge and Skills initiatives**, which will ensure CAs have the knowledge and skills they need to be leading accounting professionals on entering the profession and throughout their careers, are:
 - *Conducting research and supporting the development of new performance measures;*
 - *Continuing to assess future assurance services needs and responding accordingly;*
 - *Continuing the focus and investment in control; including criteria of control;*
 - *Implementing a formal national specialization program for members;*
 - *Reassessing and amending syllabus and experience requirements; and*
 - *Enhancing continuing education programs.*
- **Leadership in Capital Markets initiatives** has two goals: to ensure CAs are the leaders in information and advice on financing organizations and on related policy and regulatory matters, and to ensure that CAs are recognized for proactive leadership on macro-economic policy and strategic issues such as government deficits, national regulation of securities markets, facilitation of cross-border capital flows, etc. Initiatives are:
 - *Global Capital Markets* - Working towards the harmonization of accounting and auditing standards in North America and then globally;
 - *Small business financing* – establishing leadership in advising and facilitating small business financing;
 - *Timely disclosure* – improving relevance, timeliness and reliability of financial and non-financial information communicated to decision-makers in capital markets;
 - *Reliability of information* – developing methodologies for providing assurance on a reporting entity's continuous disclosure system and providing leadership in the evolution of corporate reporting in a digital environment
 - *Recognizing and establishing finance as a core competency; and*
 - *Being recognized as thought leaders and respected sources of commentary on finance-related public policy issues.*
- **Professional Identity and Perspective initiatives**, which will ensure that all CAs identify themselves as belonging to the profession, take pride in their membership, and share a common view of the profession, are:
 - *Articulating and ensuring profession-wide commitment to and understanding of a shared perspective*
 - *Maintaining professional values and culture*
 - *Reengineering the governance of the profession* - to make efficient and effective strategic leadership possible.
- **Accessibility and Attractiveness of the Profession initiatives**, which will ensure that the CA profession remains attractive to members, and can attract “the best and the brightest” from a broad diversity of backgrounds who aspire to leadership in financial management, assurance, and other specialized services.
 - *Adopting the new mission and vision statements;*
 - *Reassessing syllabus and entrance requirements;*
 - *Reassessing experience requirements;*
 - *Resolving the professional liability issue;*
 - *Ensuring the acceptance and implementation* of the recommendations of the Working Committee on Diversity; and
 - *Image Building* – developing and implementing an effective communications plan to communicate the renewal of the profession to members, Institutes, other stakeholders, and the general public.

The Task Force also noted three issues impacting all aspects of the profession:

- **Alliances** – The Canadian CA profession needs to establish appropriate alliances with other bodies to complement the profession’s understanding of market forces and leverage its initiatives and opportunities.
- **Globalization** – Canadian businesses are competing globally and Canadian CAs need the skills and experience to help them; further, Canada needs accounting standards that facilitate the flow of goods, services and capital. We need to approach all initiatives from an international perspective.
- **Information and Communications Technology** – digitized information and communications technology must be considered in the development of all initiatives.

The recommendations of the Vision Task Force were approved by the CICA Board of Governors, and by the Provincial institutes on February 26, 1996. The process of change was set in motion under the mantle of *The Vision Project*.

4. MANAGING THE CHANGE PROCESS

The members of the Inter-Institute Vision Task Force were convinced, and convincing, on the urgent need to address these 23 initiatives. Effective management of the Vision Project would be critical to its success -- not just for the broadened management accounting perspective, but for all the Vision initiatives.

The Vision Project

The Vision Project was spearheaded by the **Vision Leadership Group (VLG)** – five high-profile CAs (with two positions designated for “industry” members) charged with leading, managing and driving the Vision Project and staffed by a three-person **Vision Secretariat**: the Secretariat Director, a Director of Communications, and an administrative assistant. To ensure balance and objectivity, the Secretariat and Communications directors were experienced independent consultants who functioned separately from the CICA, responsible only to the VLG which reported directly to the CICA’s Board of Governors. This independence was critical to the success of the Vision Project.

The VLG began by establishing task forces to address the most important and most pressing priorities:

- the **Governance Reengineering Task Force**,
- the **Specialization Implementation Task Force**, and
- the **Education Reengineering Task Force**.

Two other task forces:

- the **Task Force on Standard Setting**, and
- the **Task Force on Assurance Services**

already established by the Board, were brought within the Vision mandate.

Restructuring Governance

Governance was the first and most immediate priority. The Canadian CA profession needed a governance structure that would enable it to make the kinds of strategic decisions required to move forward. The Governance Reengineering Task Force, chaired by a leading Canadian lawyer, recommended sweeping changes, many of which are reflected in the *Protocol Agreement*, the allocation of responsibilities and the commitment to consultation and communication discussed above. This new governance structure allowed all other changes including the integration of a management accounting perspective to proceed on a more efficient basis.

Other Significant Progress

Having reengineered governance, the Vision Project was able to move the profession forward significantly in a number of critical areas:

- The infrastructure was established to monitor and understand market forces.
- A National Members' Database design was established.
- Performance measures research and consultation were initiated, and the Canadian Performance Reporting Initiative established.
- The Task Force on Assurance Services completed its mandate, and established ongoing alliances with the American Institute of Certified Public Accountants in the development of a number of new services.
- The CICA's Criteria of Control Board continued the focus on control, and expanded to include risk identification and assessment.
- A formal National Specialization Program was launched.
- The entire education process for new CAs was assessed in view of current market needs, profession attractiveness, and education and communications technologies. The education process is now being reengineered, and will include focus on management accounting.

Combined, these changes make possible the broadening of the management accounting perspective within the context of the Canadian CA profession.

Communications

Communications with key stakeholder groups is critical during any major change process. The communication strategy throughout the Vision Project focused on keeping the leadership of the profession and those responsible for communicating to members through established channels, informed and engaged. A key communications vehicle was The Vision Leadership Forum – a three-day event which brought together 150 CAs from across the country representing many different employment sectors, to share ideas, provide input, and learn about the vision process. Three Forums were held: one on the launch of the Vision Project in June 1996, one mid way through the VLG's mandate in September 1997, and one in December 1998 when the VLG turned ongoing responsibility for the Vision initiatives over the Board and the CICA. The VLG strongly recommended the continuation of these Forums on a biannual basis.

Communication with the broader business community was considered premature during the Vision Project itself, since many of the changes were in the actual reengineering stage. The fruits of The Vision Project's labor will, however, shape the CA profession's future communications strategy.

5. THE FUTURE OF THE CANADIAN CA PROFESSION

The Vision Project was never intended as a finite goal. From the outset, it was understood as the intensive "jump start" of an ongoing process of learning, adapting and changing to ensure that the Canadian CA profession continues to meet the needs of an ever-evolving marketplace. It ran formally from February 1996 to September 1998, with a focus exclusively on implementing the 23 Vision initiatives. It was an impossible task, many would say – and to some extent, perhaps, they would be right. But trying to achieve so much in such a time frame created the sense of urgency – the "burning platform" – needed to create and sustain the momentum necessary for real change.

In September 1998, the VLG's final report to the Board marked significant progress on all but three of the 23 initiatives. Responsibility was turned over to the CICA Board – a new board, with a new mandate, for a newly focused Canadian CA profession.

Professional Associations and Alliances

The Canadian Chartered Accountancy profession has long supported the need for national and international cooperation among accounting bodies, for the good of our members, our profession, and the public. We work very closely with the American Institute of Certified Public Accountants and with Chartered Accounting bodies around the world, addressing such critical issues as harmonization of accounting and auditing standards on a worldwide basis. In addition, we actively participate in professional accounting associations both nationally and internationally, with memberships in such bodies as the Canadian Academic Accounting Association, the Confederation of Asian and Pacific Accountants, the Interamerican Accounting Association, International Accounting Standards Committee, and, indeed, the International Federation of Accountants.

But we are also looking beyond the accounting profession for alliances and associations that will be beneficial to our members and their markets. The forces of technology, the globalization of markets, and the ever-increasing demand for specialization combine to create enormous opportunities for our members. As a profession, we are developing such strategies.

As a profession, we feel that we cannot and should not prepare and support our members in respond to these needs as a single, isolated profession. Other professional associations have developed programs and earned market acceptance in areas of expertise and in industry-specific environments in which our own members are active. We have established some, and are actively pursuing other, professional alliances with associations with profiles and programs that are complementary to ours, and which can offer our members enhanced multi-disciplinary opportunities. We currently have agreements in place with the Financial Planners Standards Council, the Canadian Association of Management Consultants and the Canadian Insolvency Practitioners Association, and are working on agreements with the Canadian Institute of Chartered Business Valuators, the Information Systems Assurance and Control Association, and the Institute of Internal Auditors.

Globalization

The pervasive influence of globalization on our profession was recognized by the Vision Task Force, and continues to be a key consideration in the planning and implementation of all our initiatives. The need for global perspective and delivery is critical. One of our most significant global initiatives is the current discussions with other accountancy institutes and other business professions on a new global business professional designation which will enable professionals from a wide range of disciplines to build on their ethical standards, traditional skills and expertise, helping them to provide a broader range of globally relevant services to clients, customers and employers. The designation would complement the existing professional credentials, as well as the work of such international associations as the International Federation of Accountants and the International Accounting Standards Committee.

Meeting the challenge

The Canadian CA profession, like accounting bodies worldwide, faces numerous challenges. One significant challenge that we face is the result of fewer and fewer of our members being employed in public practice and of the growing majority of our members employed in industry, business and government. However, as a profession, we remain confident in our ability to continue to shape our profession in response to the needs of our members and their markets.

Appendix A**EXTRACT: APPENDICES TO THE INTER-INSTITUTE VISION TASK FORCE REPORT****Summary of Research Methodology and Supporting Materials**

The Vision Task Force has undertaken an extensive process of research and consultation in the development of this report. This process has included:

- A quantitative survey of 3,500 members to solicit views on a variety of issues, including: where CAs spend their time; what are the growth areas for CAs' services; and what issues are important to CAs, both now and in the future.
- Fourteen focus groups in five cities across the country with CAs from industry, public practice firms both large and small, government and academe, as well as recently qualified CAs.
- Interviews with over 50 prominent business people in Canada and abroad, both CAs and non-CAs, to solicit their input on early versions of the mission and vision and receive input on where the profession is or should be headed.
- A review of the mission and vision statements of other professional accounting bodies, including The American Institute of Certified Public Accountants; The Institute of Chartered Accountants in England and Wales; The Institute of Chartered Accountants of Scotland; and The Institute of Chartered Accountants in Australia.
- Extensive desk research on external forces and internal issues.

In addition, presentations were made to Provincial Institute councils and to various institute committees and interest groups within the profession, to test the findings and proposals.

A companion document to this final report, entitled "Inter-Institute Vision Task Force: Research Review", provides a detailed synopsis of the Vision Task Force's research and a complete review of all work performed. It is available upon request from the CICA Professional Affairs Group.

Appendix B

EXTRACT: THE INTER-INSTITUTE VISION TASK FORCE REPORT

Financial management: CAs today can claim managerial skills within the context of the finance function. While this circumscribes the scope of the arena in which CAs compete, it should not be viewed as limiting. Financial management is understood here to encompass the full range of knowledge and skills necessary to manage the finance function, as broadly defined.

For example:

- Treasury
- Financing
- Controllership
- Planning
- Monitoring
- Shareholder Value
- Risk Exposure
- Financial Reporting
- Information Systems
- Control
- Investor Relations

Within this context, financial management expertise defines an arena of competition considerably expanded beyond where the profession finds itself today. Also, by focusing on the profession as the source of financial management expertise, it reinforces the fact that members outside public practice — those most likely to be called upon to demonstrate financial management expertise — constitute the majority of the profession's members, and that their role and influence on the success of the profession as a whole can only be expected to grow in importance.

Appendix C

KNOWLEDGE AND SKILLS INITIATIVES**EXAMPLE 1 : Measuring and reporting upon value creation**

During the deliberations of the Vision Task Force one of its industry members recommended that the CICA undertake research and development on performance measures. This suggestion eventually led to Recommendation B1 under the Knowledge and Skills Initiative. Recommendation B1 said:

Initiate research independently, or in consultation with other interested groups, to develop new non-financial and broader financial performance measures that are needed to track organizational performance in the new economy and methods and reporting frameworks which enable CAs to report to senior management, boards of directors and eventually the shareholders on this broader basis.

Though the Vision Task Force Report called for CAs to become “leaders in organizational performance measurement,” the CICA did not wait for the final report before undertaking research in this area. It began its work in 1994 by tracking the leaders in the intellectual capital movement. It went on to launch the Canadian Performance Reporting Initiative, or CPRI.

Building from its initial focus on intellectual capital, the CPRI has broadened to explore an expanded set of issues relating to performance measurement and reporting

In its initial phase of activity, the CPRI concentrated on doing the background work necessary to understand the current state of practice in four areas:

- integrated performance reporting to the Board of Directors and senior executives;
- measuring and reporting on shareholder value creation;
- measuring and reporting on intellectual capital management;
- environmental performance measurement and reporting.

The CICA has now established the CPRI Board with the same organizational status as the its Accounting Standards Board.

The CICA’s 1998/99 chair, Bev Brennan, herself a CA working in industry, has noted that the CPRI is one of the first major CICA efforts directed primarily at members in industry.

(Additional information on the CPRI initiative can be accessed through the CICA website [on the same page as the Vision Task Force Report \(www.cica.ca/cicawebsite.nsf/public/ PROVision\)](http://www.cica.ca/cicawebsite.nsf/public/PROVision) or by going directly to <http://cpri.matrixlinks.ca/index.html>.)

Those interested in developments in this area might also wish to visit the Total Value Creation ®, or TVC ® website at <http://www.totalvaluecreation.com/index.html>. Total Value Creation ® began as another CPRI project. The following information on TVC ® is from this site:

What is TVC®?

TVC® is a rigorous system to measure and report on an organization's value creation performance.

In its initial implementation, it is designed to help Boards of Directors and senior management make strategic decisions that create value.

TVC® is a continuous process that measures and reports event-based future financial and non-financial value streams. It provides a variety of perspectives on value creation performance for multiple stakeholders. It is a parallel system to traditional accounting practices and is compatible with accepted methods of measuring shareholder value and other emerging alternative reporting frameworks.

TVC®, combined with traditional value realization measurement, can facilitate a globally-accepted approach to understanding the historical and future performance of an organization. It initially focuses on internal reporting, but has the capability to support external reporting in the future.

TVC® has the potential to be the core around which the global accounting profession can build generally-accepted standards for value creation measurement and reporting.

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EXAMPLE 2 : Knowledge and Skills initiative and Leadership in Capital Markets initiative

The Vision Task Force Report recognized that aligning the knowledge and skills of CAs with the newly developed mission and vision was of fundamental importance. Thus, in its Knowledge and Skills initiative the Task Force recommended in B5:

Amend the contents of the UFE Syllabus and review the nature and purpose of experience requirements in fulfilling the mission, achieving the vision and implementing a specialization program.

At the same time the Task Force noted that “the information in financial statements has long been a cornerstone of the capital allocation process” and that “CAs have traditionally played a critical role in determining what information is gathered and what that information means.” The Task Force continued “however, as the range of information needed by financial markets has expanded, CAs have not kept pace.” Under the Leadership in Capital Markets initiative the Task Force went on to recommend in C5:

Recognize finance (including financial instruments) as a core competency. Knowledge and skills are needed in all areas of corporate finance; from strategy, to control, to reporting.

The Vision Task Force saw the achievement of the Vision as involving significant changes in the profession's processes and structures and struck a number of task forces to address identified areas of concern. One of those groups, the Education Reengineering Task Force, was charged with recommending changes in the

profession's qualification requirements to make them consistent with the Vision. The Task Force began its work in the spring of 1997, consulted extensively (with almost 600 stakeholders in some 70 sessions of face-to-face discussion and with representatives of every provincial institute/order of CAs) and issued a draft report in the fall of 1998 to the provincial institutes/order of CAs, to members it had previously met with and to 150 leaders of the profession who had attended the 1998 Vision Forum. With the benefit of the comments received on the draft report, a final report was presented to the CICA Board of Directors in February 1999.

In its draft report the Task Force noted that “professionals are expected to demonstrate competence, not merely knowledge. The primary concern at the date of qualification is what the person can *do*, not merely what they *know*. Thus, the profession's processes for qualifying CAs, (and, indeed, also its post-qualification education processes), should be competency-based and be driven by the outcomes that the learning is to achieve – thereby accomplishing a demonstrable link between learning and on-the-job performance.” ... “Rather than a syllabus of topics to be learned or courses to attend, the candidate is provided with a Competency Map outlining the competencies to be developed.”

In November 1998 the CICA Board of Directors approved the adoption of a competency-based approach to CA qualification and appointed a group to develop a Competency Map. Although the overall CA education reform process is still on-going, the draft Canadian CA Competency Map presented to the CICA Board of Directors and the provincial institutes/order of CAs in May 2000 indicated the importance of management accounting-type competencies in the technical expertise of the “Vision CA.”

The May 2000 Canadian CA Competency Map Overview said:

The qualities and competencies of the Canadian CA are divided into four categories, reflecting two general types of characteristics:

Pervasive Qualities

- CA Ethical Behavior and Professionalism**, such as integrity
- Personal Attributes**, such as initiative
- Professional Skills**, such as good judgement and communication

Specific Competencies

Technical Expertise

- Organizational Effectiveness, Control and Risk Management
- Finance
- Performance Measurement
- Taxation
- Information Technology
- Assurance

Pervasive qualities describe the attributes that a CA brings to any task. Specific competencies describe the technical expertise that a CA, in any walk of life, applies to a specific task.

As the CA education reform process continues, the Vision of CAs as “the leaders in creating, validating and interpreting information that measures and enhances organizational performance,” and as “the obvious choice for financial management, assurance and other specialized services” will continue as the process' guiding light.

REFERENCES

More information on new directions for the Canadian CA profession can be found on its web site at www.cica.ca. In particular, the Vision Task Force Report can be found in its entirety at www.cica.ca/cicawebsite.nsf/public/PROVision.

TRANSFORMING THE MANAGEMENT ACCOUNTING PROFESSION

Robert W. Dye*

Synopsis

1. The Roots of the Profession
2. A Profession Maturing
 What Employers Value from Management Accounting
3. A Shift in Management Accounting
 Impact on Management Accounting
 The Market Demand for Management Accounting
4. CMA Accreditation
5. A New Philosophy and New Syllabus for Accreditation of CMAs
6. Continuous Development of the Territory
7. Post Designation Learning
8. The Way Ahead
9. Conclusion

* Chief Executive Officer, CMA Canada. This paper was submitted on 31 December 2000

1. THE ROOTS OF THE PROFESSION

The Society of Management Accountants of Canada (CMA Canada), since its founding in 1920, has concentrated its efforts exclusively on the training and development of management accountants. The key to its continuing success has been the ability to determine and successfully provide its members with the competencies needed to meet the information needs of their employers when making future oriented decisions.

While management accounting had begun to develop before the First World War, this catastrophic event provided the urgency that accelerated its development in Canada, the United States and the UK. It was quickly recognized that organizations in Canada mobilizing for the war effort, needed more from the profession beyond historical reporting expertise. Wartime production required an emphasis on maximizing output at minimum cost. In support of these objectives, the early years of the management accounting discipline focused on the development of budgeting for financial control and cost determination for inventory valuation. These important early activities set an image of the profession that would last for many years.

As the Great Depression hit in the early 1930s, the attention of the accounting profession turned to regulatory activities and the role of the independent audit. The need for the development of external reporting standards now took centre stage. While such standards were needed, unfortunately developing external accounting reporting requirements absorbed most of the human and financial resources of the profession. For the next fifty years, the accounting standards setting process dominated accounting thought and the development of management accounting slowed dramatically.

In these early years, membership in CMA Canada was relatively small and financing was available only from member dues. The result was an organization with a group of highly knowledgeable and dedicated members but which lacked the financing to communicate the extension of the profession of management accounting beyond its early roots. Therefore for many years the initial scope of the discipline, as it existed during the First World War, was considered by many employers to be the total field of practice of management accounting.

As the world moved on, this narrow definition could have spelled the end of the management accounting story, as its core competencies were becoming increasingly identified with the management process and not the accounting profession.

Unlike the auditing branch of the profession, management accounting is not a restricted field of practice and so is open to anyone wishing to practice in this area. As the early tools and techniques of the profession merged with good management practice many were wondering by the late 1930's whether management accounting would become a distinct and vibrant branch of the profession or if it would disappear and be folded into the competencies of others.

To counter this threat, it was decided by the CMA Canada Board of Directors in 1939 that the organization had to become more than a fraternal organization. It was agreed that the best way to develop the profession of management accounting was to seek legislative approval for a professional designation. This designation would signify a level of expertise and differentiate holders from others practicing in the field. This new designation was called the RIA designation (Registered Industrial Accountant).

In Canada, control over the professions is the responsibility of provincial governments rather than the federal government. Thus legislation allowing for the awarding of a designation had to be sought in each province. The first legislation recognizing the Society of Management Accountants as a professional accounting body

with designation granting powers was approved by the Ontario legislature in January 1940. Quebec followed in March 1941. The remaining provinces also received legislative recognition with the last provincial Society, Newfoundland, being given legislative approval in June 1951. The designation was later changed in the early 1980's from the RIA to the CMA designation (Certified Management Accountant) through new provincial legislation to reflect the broadening of the discipline to activities beyond manufacturing.

The delivery of a body of knowledge that supported the management accounting profession was particularly challenging. Canadian universities in the early 1940s were not equipped academically to provide either full or part-time instruction in management accounting. In 1943, CMA Canada took upon itself to develop and offer distance learning courses. These early courses were Bookkeeping and Accounting, Industrial Organization and Management, Fundamentals of Cost Accounting and Advanced Cost Accounting.

Offering distance learning courses had significant implications that made CMA Canada unique among professional organizations. The courses were an effective means of maintaining a high and uniform level of content regardless of location which enabled the setting of nation-wide exams and facilitated studies when students moved about the country. The course materials were also used as outlines for lecture courses thus ensuring a minimum level of content coverage regardless of the quality of the lecturer. By 1946, the first revision of the curriculum was underway with new courses in Industrial Legislation and Business Mathematics being added.

CMA Canada's early contribution to the development of management accounting also ran beyond pre-accreditation issues. For example, there was the:

- launch of a management accounting journal in 1926 (*Cost and Management* now called *CMA Management*),
- offering of an executive development program in 1959 which was a series of ten seminars on management accounting topics, and
- initiation in 1960 of "Special Studies". These would be a series of management accounting publications that provided an in-depth treatment of a particular subject and would be intended as a practical reference work. The first release in the Special Study Series was entitled "A Practical Appraisal of Capital Expenditure". This action represented the beginning of CMA Canada's substantial effort to continuously push the knowledge envelope of the profession and to capture best practice for wide distribution.

2. A PROFESSION MATURING

The 1960s saw the start of the next phase of CMA Canada's activities in developing the management accounting profession. Initially this was a time for reflection, and discussion concerning the evolution of the profession. Specifically, how would the profession adapt to new issues such as automation and a host of environmental considerations?

This discussion differed from the earlier years in a very profound way. With a growing number of designation holders in place and a growing and vibrant Body of Knowledge, there was no longer a fear of an absorption of management accounting by another discipline. Rather, the discipline would be repositioned to incorporate advances in the business environment in order to do a better job of handling additional complexities and technologies. Of particular concern was the emerging role of the computer.

The 1960's, for the first time, saw control of the computer operations begin to move from the technical staff to the senior management level. The computer was becoming a potential strategic advantage rather than a way to process transactions more efficiently. This would have a profound impact on the practice of management accounting.

CMA Canada responded by developing two forward-looking documents. The first, released in 1968 was titled "The Nature and Scope of Accounting". The second, released in 1969 was titled "The Management Accountant's Body of Knowledge". Together, these publications laid out what would be the philosophical underpinnings of the profession for the next ten years.

This first major effort to strategically reposition the management accounting profession involved extensive consultation with employers and others interested in the discipline. Conferences and formal meetings with members and employers were held throughout the country to address two critically important questions – who are customers for Certified Management Accountants (CMAs) and what do they value about management accounting?

As a result of these consultations, the body of knowledge for the discipline was expanded to include:

- Material on management accounting as an information system for decision making.
- Knowledge of systems design and information theory due to the integration of accounting systems with other information systems.
- A course in computers in order to be aware of their capabilities and limitations.
- Knowledge of various computer models such as budget simulation models and inventory models.
- Greater communication skills so as to be better able to determine information needs and promote new planning and control techniques.

What Employers Value from Management Accounting

The primary customer for CMA Canada has always been considered to be employers. The logic of this decision is that if CMA members have the competencies required by employers, then holders of the designation will be able to add value to organizations that employ them and thus will be able to meet their own career ambitions through continuing membership in CMA Canada.

Defining employer expectations has not been a sporadic exercise but one that has become a continuous effort on the part of CMA Canada, for as markets change so does what employers value from management

accountants. Therefore, tracking employer expectations of management accounting has been a moving target with only one constant – the need to continually raise the competency bar.

The primary vehicle for monitoring the changing shape of the profession has been the presence of a large, multi-faceted and well-financed research program focused exclusively on identifying the strategic tools and techniques being developed by leading edge employers. The results of this research have been available to CMAs and non-members continuously since the early sixties. These efforts have formed a deep and expanding definition of the profession that has become the pointer for future changes in the CMA syllabus, accreditation and the nature of the management accounting discipline.

By continuously researching what employers expected of management accountants, CMA Canada was able to capture the increasingly powerful changes in organizational thinking that was beginning to occur in the late 70's. This would provide an opportunity for CMA Canada to assume a global leadership position in defining the impact these changes would have on the management accounting profession.

In the late seventies, employer research by CMA Canada identified at least three tectonic shifts in organizational thinking that continue to have significant impact on employer expectations:

- (1) ***Customer-Centered Organizations*** : The consumer market was coming into prominence with every organization increasingly competing on the basis of meeting customer needs. The result was a shift from a mass-market philosophy to one that saw markets as highly fragmented. Markets were now driven by “value” as defined by the customer not the seller.
- (2) ***Movement of Capital*** : The flow of capital began moving at a rapid pace. Capital, being free of social or cultural values, quickly moved towards organizations and economies that perform to expectations and rapidly moved away from those that languish. Capital rewarded those who were first to market which, in turn, required speed in decision making and exponentially increased the cost of making a wrong decision.
- (3) ***Knowledge Management*** : There started to be a profound change in the view of what constitutes strategic assets. While assets previously were defined as something that could be seen and touched, they were now increasingly being considered to include those that had no physical substance, whose ownership could be questioned, could travel at the speed of light and could disappear without a trace. This new asset was knowledge. However, like tangible assets, knowledge assets required management accounting skills in the identification and establishment of their value, as well as their protection and enhancement.

The above trends could not have occurred without a profound change in how information was being created and shared. As customers started to demand variety and customization in products and services, they created overwhelming situations for management operating in traditional organizations. Fortunately, technology, specifically the availability of computers and supporting software, began to change how people were able to work together and how organizations could redesign themselves to meet customer needs. Organizations structured on the basis of the traditional command and control triangle, which provides most of its employees with little customer contact, were starting to be reshaped into new, less rigid, decentralized structures that wrapped themselves around customers and markets. These new structures were flatter, more fluid and more responsive to shifts in consumer expectations. If employees were not serving a customer directly they were serving someone who was.

3. A SHIFT IN MANAGEMENT ACCOUNTING

In the mid-1980s, individual and group meetings with Canadian business leaders and CMAs in senior positions moved to a more strategic level. The purpose of these discussions was to define the high-level changes that Canadian organizations were experiencing and to determine the reasons for these changes.

While employers identified the customer-centred orientation, movement of capital and the importance of knowledge assets as three continuing factors significantly impacting their operations, another prominent theme was added. This new theme was globalization and the threats this presented.

In Canada, the trend to expand markets and global competition was particularly worrisome. Negotiations that led to the signing of a free trade agreement between Canada and the United States in 1989 signaled the elimination or reduction of many tariffs between the two countries. Those Canadian businesses, previously operating under tariff protection up until the mid-eighty's, now were faced with a lowering of these barriers and having to compete with U.S. companies that were already designed to serve a market many times larger than Canada. The choice for many Canadian firms was to restructure or go out of business.

Canada did have at least one advantage in the North American marketplace. Being smaller than its partner, its organizations had a less entrenched mass production philosophy. Bigger was not necessarily better in this emerging economy. Mass production technology had meant that virtually everything was becoming a commodity – with price becoming the major competitive factor. Customization to meet the needs of a myriad of market niches was the one thing that mass production could not easily do. By definition, creating “exceptions” added significant cost. Organizations that had become prisoners of scale could only respond to very large markets, leaving the high margin, niche markets to others. Mass producers were left with only “me too” undifferentiated brands in fiercely competitive markets.

The dilemma was to deliver flexibility and efficiency at the same time. But, in mass production systems operating under the “management by exception” principle, everything had become an exception. Organizations by the early 1980's were becoming paralyzed with endless meetings and the problems of trying to get people to work together across different functions. Senior management was bogged down trying to referee decisions on exceptions illustrating the adage that “the bottleneck was at the top of the bottle”.

CMA Canada research found in the mid-eighty's that leading-edge Canadian organizations (like many others throughout the world) were beginning to rewrite the rules of the game and nothing was sacred. Consultation with employers verified that Canadian organizations were rapidly hurrying away from the traditional economies of mass production to economies of “mass customization”- using flexible processes and workforces to provide variety at low cost. As a result, all management controls were being rethought. For example, work teams empowered “to do it right the first time” were replacing after-the-fact inspection and layers of supervision. These in turn had to be backed up by new information and accounting systems. Left behind was the traditional approach to control with layers of checks and balances. After-the-fact controls and highly standardized “one-size-fits-all” rules and procedures were being abandoned.

Throughout the 1980s, many Canadian organizations were struggling with how to come to grips with the impacts of these fundamental changes in market expectations. They first chose downsizing, in effect taking big chunks out of head office and middle management functions. Overheads were reduced, but the traditional management processes, accounting and other measurement systems largely remained intact. Often, like fast weight loss diets, the fat would creep back, because companies cut the people but not the work. The result was the basic rigidities in management processes largely remained intact.

Clearly, employers were expecting a more strategic contribution from their management accountants. When CMA Canada asked senior managers in the mid- 1980s to evaluate the contribution of accountants in management the gap between expectations and experience became startling. Here is a sample of what several of those interviewed said:

- “As members of the management team, management accountants should fill a catalytic role – they should be agents of change.”

- “We don’t need accountants to crunch numbers for us. Clerks and computers can do that. Rather we see our management accountant as a business advisor and part of the management team. His role is to bring forward and challenge those ideas brought forward by others.”
- “I ask for information, I get data. I don’t really want data. I need good business advice.”
- “They should be proactive in seeking out ways they can contribute to the financial success of the company. They should not just sit in their office waiting to be asked to produce the next report.”

Employers knew organizational change was needed but were not satisfied at how it was being undertaken. Thus by the mid- to late 1980’s, a second wave of restructuring initiatives was launched by Canadian employers. This was a fundamental transformation not based simply on cost reduction but a more strategic view of operations that included:

- Redesigning every business process to ensure that organizations focus externally on the customer and what they value rather than internally on the product being produced and what management thinks customers’ value.
- Reducing layers of management that were not adding customer value.
- Suppliers and customers became partners rather than adversaries, recognizing that most production costs are committed at the design stage and not the production stage. Information, managerial expertise and systems were now being shared.
- Moving many “head-office” functions out into the market so as to bring the organization closer to the customer and introducing employee empowerment and team-building programs to speed decisions at the customer level.
- Using just-in-time relationships with suppliers to reduce costs associated with maintaining and controlling inventories.
- Adopting flexible automation in both production and service industries.
- Capturing information only once by moving from centralized to decentralized information processing.

The CMA Canada Board of Directors concluded that the change in how work was being done in organizations would have a dramatic impact on management accounting. The question was “what would management accounting look like in a customer centered world of flexible automation?”

Impact on Management Accounting

Employers in “high-flex” organizations did not expect CMAs to create information but rather to define the types of financial and non-financial information required by management, analyze and apply it to strategic, tactical and operational decisions. In the new organizational context, the required skill set of the management accountant was much more strategic. The focus would be on understanding each organization’s value proposition, i.e., defining and improving the value of products and services the organization provides as seen from the customers’ perspective. It is the value proposition that would be the link between strategy formulation and the basis for defining the employer expectations of management accountants.

Management accounting, by the late 1980's to the early 1990's was now defined as the ability to identify and provide real-time, enterprise-wide financial and non-financial information that had strategic value for employers. This approach to the discipline formed the underlying philosophy of what would be known as the territory of management accounting.

Management accounting had evolved into an integral part of the strategic management process. Management accountants were now spreading throughout organizations. They were no longer confined to the Accounting or Finance departments but were moving into such areas as marketing, planning, human resources and IT. Their unique perspective on the alignment of resources to meet strategic objectives was welcomed in every new area.

Figure 1 depicts the migration of management accountants from traditional operational roles to more strategic positions in advanced organizational structures.

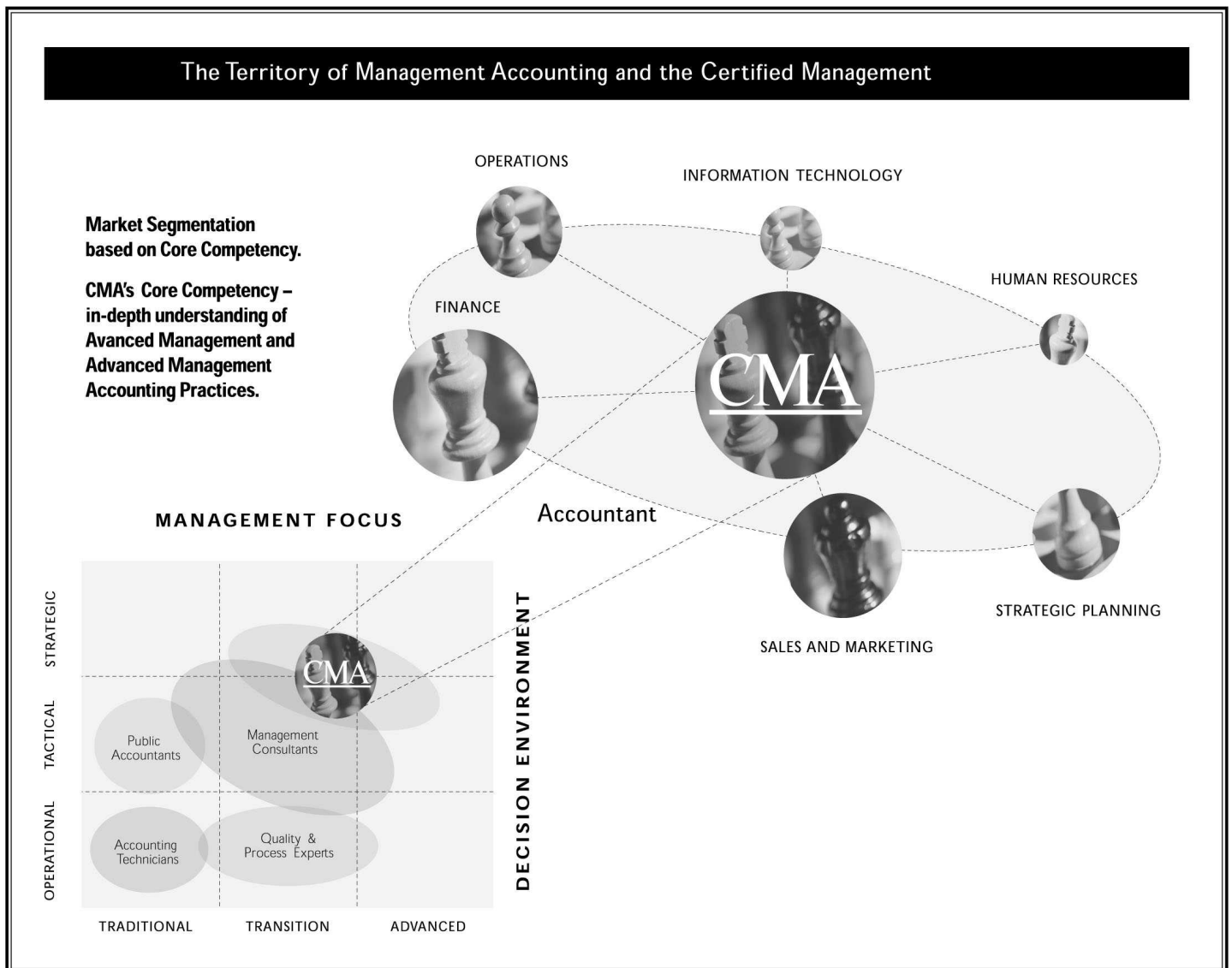


Fig. 1

The Market Demand for Management Accounting

While the new territory was not one exclusive to CMAs, it did delineate an expanded field of professional expertise where CMAs had a clear competitive advantage. The question was how large was the demand for people who could operate in this territory? A market survey conducted by CMA Canada in the mid-1980's using the new definition of management accounting, was undertaken to determine the size of the territory in Canada. Surprisingly, it was found that the new territory was not one made up of a few elite professionals but rather one of well over one hundred thousand people. Equally astonishing was that approximately half of those in the territory did not have an accounting designation. Some of these people had credentials from non-accounting bodies whereas others were MBAs and university business graduates. Clearly, there was an enormous demand by employers for these new skills and competitors in the territory were not necessarily other accountants.

In reality, the territory was new to some CMAs but not to others. Some were already positioned in the territory as they had either planned it that way or it was a matter of circumstance and personal initiative.

4. CMA ACCREDITATION

In the late 1980s the CMA Canada Board of Directors, armed with a clear picture of what organizations expected from their management accountants, initiated a number of new member programs and services to establish the preeminence of the CMA designation in this newly defined territory of management accounting. The first challenge was to implement a new set of competency requirements and a supporting accreditation program for those wishing to pursue a career in management accounting.

The CMA Canada Board of Directors determined that the new accreditation program would be based on achieving the following outcomes:

- Accounting skills would remain the technical base on which a CMA career was built.
- The expanded role for management accountants would see many more CMAs in the field of strategy and policy formation. They would bring to the management table a unique perspective by ensuring the alignment of financial and non-financial resources to meet organizational objectives to maintain a long-term competitive advantage.
- CMAs would be seen as internal consultants and thus needing a solid appreciation of organizational dynamics and design principles.
- Effective interpersonal communication skills would be critical to the CMA's success as a contributor to the management team.
- CMAs would need a broad business perspective in order to contribute to strategic and policy issues.
- Decision support and analytical know-how would be tools of the CMA's expanded area of concern.

5. A NEW PHILOSOPHY AND NEW SYLLABUS FOR ACCREDITATION OF CMAs

In 1989, the CMA Canada Board of Directors approved fundamental changes to both the content and delivery of the CMA accreditation program. By adopting a "value-added" approach, it was agreed that universities were partners, not competitors, in teaching the technical aspects of the management accounting discipline. Thus, the new CMA syllabus would add value to and build upon a typical university business

degree by creating a program that provided content on advanced management accounting and advanced management practices not available in university undergraduate programs (due to time constraints). The new program would provide leading-edge management accounting topics and integrate them with strategic management skills, communication and presentation competencies and team building exercises. This program became known as the Strategic Leadership Program. It was a two-year part-time studies program with assignments that had to be done at home and assignments that had to be done during weekend classroom time. Given the uniqueness of this program vis-à-vis a university business degree, no exemptions were granted.

There were also changes in the evaluation process that reflected new thinking about the education of professionals. Before entering the Strategic Leadership Program, students would have to pass a major examination known as the Entrance Examination. This was a traditional paper and pencil examination that was written over two days. It tested the technical knowledge students would have attained from their university studies. Its purpose was to ensure there was a uniform high standard of knowledge among those that succeeded and moved into the Strategic Leadership Program.

Setting a high standard at the entrance to the Strategic Leadership Program meant that applicants would know relatively early in their studies whether they would succeed in becoming a CMA. No longer would they have to invest a substantial amount of time and energy only to learn that they did not qualify for professional status. From the students' and CMA Canada resource perspective, there would be less "waste" in the production system and higher quality graduates at the point of accreditation.

The skill set expected by employers, however, did not lend itself entirely to the typical paper and pencil evaluation. The skills of team building, leadership, presentation and communication could only be developed and measured in real situations. Thus evaluation of student performance in the Strategic Leadership Program would be based on demonstrated competencies not traditional examinations. Evaluation would be continuous and involve program moderators, assignment markers as well as the students themselves.

The final component in the Strategic Leadership Program would require groups of students to make presentations based on a large case to a panel of CMAs who held senior positions in their respective companies. Preparing the case for presentation would take several months and require students to meet many times without the presence of a moderator. The evaluation of this final case would be made by the panel (for presentation and thoroughness), centrally located markers (for content) and by the students in each group (contribution to success).

Practical experience continued to be a key requirement for accreditation as a CMA. The new accreditation program saw the experience requirement upgraded to include a managerial component. The practical experience requirement would be 24 months duration but it was now required that at least 6 months would be at a managerial level. Ideally, all the practical experience would be gained during the time in the Strategic Leadership Program so as to enhance and enrich the skill set being acquired.

6. CONTINUOUS DEVELOPMENT OF THE TERRITORY

Restructured and energized employers were continuing to develop new approaches to strategic cost management and performance measurement. There was a need to rapidly capture these developments in a reader friendly format and bring these new developments to the membership.

Based on CMA Canada research in the early 1990's, employers identified eight major areas that would have an impact on their operations. These were:

1. Strategic Cost Management
2. Customer and Supplier Value Chain

3. Strategic Performance Evaluation
4. Change Management
5. Management Control
6. Stakeholder Reporting
7. Treasury Management
8. Information Technology

Each area was sub-divided into a number of topics where there had emerged generally accepted best practice. These topics were named Management Accounting Guidelines. Other topics that were emerging and might at some future point have an impact on the development of the management accounting discipline were named Emerging Issues Papers. The entire series of publications became known as the Strategic Management Series and were used extensively in the Strategic Leadership program.

In order to establish the preeminence of CMA Canada in defining the new territory of management accounting, the production of new Guidelines and Emerging Issues Papers would have to be accelerated. In the early 1990s, the CMA Canada Board of Directors approved a major change in the development process whereby staff, rather than volunteer committees, were assigned responsibility for identifying topics and developing material in the Strategic Management Series. An exposure draft process was put in place to provide feedback on drafts of the publications. The result was production of eight new publications per year resulting in more than 60 publications by the end of the decade.

As new management accounting techniques became more widely used, the CMA Canada Board of Directors felt that some of these approaches had reached the point where they were becoming accepted as a standard of practice. Unlike Generally Accepted Accounting Principles (GAAP) that are used by external audiences to compare financial performance among firms, the focus of a management accounting standard of practice would be on the tools and techniques needed to add value to internal decisions within individual organizations. The standards of practice would be narrower in scope than the Management Accounting Guidelines and Emerging Issue Papers. The content would be more operational than strategic and would contain definitions, a description of what constitutes good practice and a discussion as to why this was good practice.

These practice standards would not be mandatory as is required by GAAP. Their development would reflect a basic tenant of management accounting that organizations require different cost information for different decisions. The intent of the standards would be to identify which of the possible practice alternatives best meets the needs, and advance the strategic objectives of a particular organization in a particular setting.

In January 2000, CMA Canada launched a new publication “Strategic Management Accounting Practice Standards.” Twenty standards were released in 2000, with thirty more to be released in 2001.

Together, the Strategic Management Series and the Strategic Management Accounting Practice Standards form the basis of the most comprehensive knowledge management publications available in the territory of management accounting.

7. POST DESIGNATION LEARNING

As management accounting moved to a more strategic level, a need arose to move existing CMAs not already in the territory, into the territory and to provide educational material for those that were already in the territory and wished to keep current on future developments.

To assist members in evaluating their skills and abilities in the new territory of management accounting, a career skill assessment guide was developed. This self-evaluation, Internet based tool allowed members to evaluate their competency ratings and compare this with an aggregated database. Areas of skill deficiency would be highlighted with suggestions as to how to best address these.

Internet technology has also allowed post designation member development programs to be delivered continuously to members in a cost-effective manner and at a time convenient to participants.

Leveraging off the publications in the Strategic Management Series and the Strategic Management Accounting Practice Standards, a series of seminar programs on advanced management accounting topics has been developed. Participants can interact electronically with each other and course moderators. The programs developed in 2000 are:

- The Balanced Scorecard
- Strategic Cost Management
- Target Costing
- Redesigning the Finance Function
- Customer Profitability
- Environmental Costing.

8. THE WAY AHEAD

In 2000, CMA Canada launched its newest research effort to identify emerging issues facing employers in today's global marketplace. The research involves three stages:

- An e-mail survey to people listed in the *Who's Who in Canadian Business*.
- Focus group discussions organized across Canada.
- Interviews with senior executives in Canada and the United States.

The completion date for the final report is early 2001.

Preliminary results point to an expanded role for the management accountant in building revenues and strategically controlling costs with the following issues having been identified:

- The use of strategic cost management in identifying and implementing revenue growth strategies.
- The need for even greater communication skills among accountants.
- Managing risk and uncertainty.
- Project management skills.
- Strategic thinking and strategy implementation skills.
- Development, implementing and performance evaluation of strategic alliances.
- Managing in a global economy.
- Managing and evaluating the IT investment.
- Establishing control in an IT environment.

An analysis of these issues will be done to determine the larger changes in organizations reflected in these topics and the impact these larger changes have on management accounting.

9. CONCLUSION

Over its history, CMA Canada has been able to maintain a structured strategic focus with respect to program changes, and to transform itself into a high-flex organization. While change to the organization itself is a continuing process, the core attributes of these changes since its founding in 1920 have been:

Agility and Speed – in identifying and responding to new market opportunities. This refers to the time of moving from product concept to cash flow. It is about leveraging cooperation to configure the requisite human and physical resources into a total business capability.

Selling Solutions – this is about selling not just products and services but about selling total solutions that meet employer and member needs. It is about providing some combination of information and knowledge as well as goods and services that provide value for each customer.

Information/Knowledge Driven – this is about building intangible knowledge assets that provide real long-term. It required CMA Canada to develop collaborative relationships with employers, members, and suppliers, develop new processes, nurture inter and intra-organizational cooperation and create a highly flexible organization.

The above attributes required changes in the CMA Canada Board of Directors and management values, marketing strategies, operations practices and workforce recruiting, training, evaluation and reward.

As an organization solely dedicated to the management accounting profession, CMA Canada has been able to accomplish a great deal. It has developed a unique and value-added process of accrediting professional management accountants, established itself as a global leader in the continuing evolution of the discipline and has become an innovator in providing anywhere, anytime Internet access to all programs and services. The outcome of these efforts has been to meet and surpass customer (employer and member) expectations.

A PROFESSION ON THE WAY TO THE FUTURE THE DOTTORE COMMERCIALISTA IN ITALY

Rudolfo Di Dato and W.P. Birkett*

Synopsis

1. Introduction
2. Threats and Opportunities
 - Globalization and European Harmonization
 - Markets for Accounting Services
 - Corporate governance
 - Consequences for Dottore Commercialista
3. The Management Accounting Task Force
4. Mobilization and Momentum
 - The 1996 FMAC Seminar
 - Journal Articles
 - Commissioned Research
 - Local Initiatives
5. A New Educational Foundation
6. Problems and Progress

Endnotes

* Rudolfo Di Dato is Chairman of the Management Accounting Committee of the National Council of the Dottori Commercialisti; he was the representative for Italy on the FMAC until May 2000. W.P. Birkett is a Professor of Accounting, the University of New South Wales, Sydney, Australia. This paper was submitted on 1 February 2001.

1. INTRODUCTION

The Profession of Dottore Commercialista was instituted in Italy in 1924, and in 1929 was recognized and regulated by a Royal Decree for the provision of services in “matters of economy and commerce”. By 1953, the “general outlines of the profession” had been settled more definitely in terms of the following fields of service (Presidential Decree No. 1067):

- Administration and liquidation of businesses, estates, and individual assets;
- Technical expert assessments and consulting;
- Administrative inspections and audits;
- Verification and inquiries regarding the credibility of balance sheets, accounts, book entries and any other accountancy documents used by a business;
- Settlements and payments of damages;
- Functions as members of boards of auditors and as auditors in commercial companies.

Like other professions in Italy, that of Dottore Commercialista is “regulated by juridical norms that safeguard the public interest and seek to ensure the highest possible standards as far as professional probity and technical capacity and competence are concerned”. The Ministry of Justice is responsible for the supervision of the profession nationally, though practical regulation is delegated to local Orders of the profession whose jurisdictions coincide with those of local Courts of Justice. There are more than one hundred Orders, each headed by a Council elected from members on the local Roll; about forty-six thousand Dottore Commercialista are registered on local Rolls, according to their place of residence.

The local Orders register members of the profession (after ensuring that they comply with professional requirements, including university qualifications and the passing of State examinations), co-ordinate their activities, and exercise disciplinary functions and sanctions.

The local Orders are drawn together through a National Council of eleven members, elected every three years by a voting system that ‘weighs’ the relative membership of local Orders. Like the local Orders, the National Council is regulated by juridical norms designed to safeguard the public interest. It also acts as a ‘court of appeal’ for practitioners convicted by local Orders for unethical or illegal practice.

The National Council establishes policies for the profession generally, for ratification by the Presidents of the local Orders (at an annual meeting). It promotes education and research within the profession, and arranges representation of the profession at national or international forums. For example, the National Council:

- Has created a Foundation (Aristeia) to act as a Centre for Education and Research;
- Has created a number of Task Forces to research such fields as management accounting;
- Has created a number of Standing Committees to ‘assist’ government in solving problems relating to such matters as taxation or bankruptcy law and practice;
- Nominates representatives to international organizations, such as the International Federation of Accountants (IFAC), the Federation des Experts Comptables European (FEE), and the Comite de Integracion Latino Europa-America (CILEA);
- Nominates representatives of Dottori Commercialisti to government bodies or enquiries, such as a recent Special Commission established by the Ministry of Finance.

The fields of service of Dottore Commercialista have not remained static since 1953. They have adapted to the growing complexity of national and commercial affairs, to growing industrialization, fiscal and taxation reform, and innovations in company law introduced in compliance with EEC harmonization directions.

By the early 1990's Dottore Commercialista were offering a sophisticated array of specialized services to *business enterprises and companies* (origination, financing, taxation, accounting and administration, auditing, valuations and mergers, legal agreements, discontinuance), *public bodies and institutions* (financing, project planning, accounting and administration, control, taxation, and training), *private citizens* (contracts and juridical assistance, taxation services, and financial planning and administration), *safeguard the public interest* (through assignments in juridical proceedings or related matters). It was recognized, however, by the National Council of the Order of Dottore Commercialisti that this array of services itself would alter, because it represented “profession on the way into the future”.¹

2. THREATS AND OPPORTUNITIES

Globalization and European Harmonization

During the 1990's globalization (which for Italy also involved European Harmonization) and consequent shifts in the nature of competition progressively caused Italian firms to alter their organizational and management processes, so as to focus on waste reduction and value creation. The forces of competition caused a concern about the ‘value added’ by an enterprise, and lead to the use of management accounting technologies that could assist in managing under these conditions.

Both larger and small and medium enterprises (SMEs) were affected by these directional shifts.

Markets for accounting services

Over the same period, the traditional fields of practice for members of the profession (eg: accounting, taxation, and legal work) were becoming more contested and difficult, day by day, because different types of practitioners were authorized to act in these markets. For example, ‘taxation aid centers’ were created as a joint initiative of government and the trade unions to assist citizens and small firms in solving taxation and legal problems, and even accounting problems.

Corporate Governance

Italy's unique system of corporate governance, involving a mix of statutory audit and advisory internal control, was undergoing change throughout the period.

The traditional system involved a Board of Auditors (Collegio Sindacale) composed of three members, chosen from the Rolls of Dottori Commercialisti and/or the Ragionieri e Periti Commerciali (another body of professional accountants in Italy). Each Company was to name such a Board, and its function was to provide a form of ‘internal control’ over the Company's activities – by quarterly inspections, participation at meetings of the Board of Directors, and participation at annual meetings of shareholders. In addition, companies listed on the Stock Exchange had to be formally audited by a specialist auditing firm (such as, one of the ‘big five’). Relationships between these two forms of control were not clearly specified.

By 1996, however, a number of changes were in progress. To meet the needs of European harmonization, a new Roll of Auditors (Revisori Contabili) was created in 1997; this included people with skills established in the European Standards, and was not restricted to, or limited by the Rolls of the Dottori Commercialisti and the Ragionieri Collegiali.

In February 1998 a new Corporate Governance Law was issued for companies listed on the Stock Exchange. The auditing of these companies was divided between a Board of Auditors (Collegio Sindacale) and professional Auditing firms (such as, the ‘big five’ or others) registered in a special Roll maintained by the Italian Securities Commission (CONSOB). Without a deep analysis of the new law, it is possible to identify the duties of the Auditing firms as checking the accounts of listed companies, while the duties of the Board of Auditors are broader – checking the organisation of internal controls and the company’s accounting system, as well as ensuring that the law is enforced in all the activities of the company.

In addition, Italy needed to come into line with developing European and international models of corporate governance. This required a modification of the commercial Civil Code for companies *not* listed on the Stock Exchange, by simplifying the rules applying to these companies so that they could become more competitive in global markets. The project of modifying the law has been completed, but its approval has been postponed for political reasons – until after the next election.

These changes are placing strains on the traditional Italian systems of corporate governance, which in many respects were in advance of those now being proposed or imposed – with serious consequences for an accounting profession that had evolved in line with these traditions.

Consequences for Dottore Commercialista

The ‘Big 5’ and other large consulting firms were seen to be gradually monopolizing the market for services to larger and medium size enterprises, using their well developed auditing and consultancy services as points of entry. At the smaller end of the market, other entrants were being given a privileged position, and the traditional field of consultancy of Dottore Commercialista was under threat by shifts in corporate governance.

On the other hand, opportunities were seen by leaders of the profession for Dottore Commercialista to offer value adding consultancy services to managers of SMEs particularly. But this shift in the nature of professional work was seen to require new competencies and new modes of practice. Traditionally, the management of enterprises had not been the domain of members of the profession, and they were seen to lack the confidence and competency to be credible providers of such services. Notwithstanding their university studies and practical preparation, they had served mainly as taxation advisors. To grasp the new opportunities would require no less than a transformation in the nature of the profession.

3. THE MANAGEMENT ACCOUNTING TASK FORCE

By 1993 the National Council of the Dottori Commercialisti had taken a number of steps to move the profession in new directions.

It had sought, and gained representation on the Financial and Management Accounting Committee (FMAC) of the International Federation of Accountants – to gather insights from the representatives of other professional bodies world wide, and gain access to leading thought about management accounting and its use in enterprises. This involvement was continued for over seven years, until 2000.

The National Council also created a Management Accounting Task Force, following a meeting involving the Presidents of the local Orders. The Task Force consisted of nine individuals, who either were academics or international delegates of the profession. The Task Force was created with a specific goal: “To develop and create competencies for the members of the Dottori Commercialisti with respect to Management Accounting ” This was seen as a first step to “the Dottore Commercialista in the Year 2000”.

By early 1996 the Task Force was conducting three hour meetings across Italy at the invitation of the Presidents of the local Orders. These meetings were designed to sensitize members of the profession to the need for change, and build support for the change initiatives to be developed by the Task Force. The meetings were well attended, and aroused considerable interest. Indeed, some regional bodies (eg; Catania, Bologna and others) immediately decided to organize education programs for their members, dealing both with the technicalities of management accounting and the practicalities of offering such services to clients who only had expectations for traditional lines of service from Dottore Commercialista.

The Task Force took other initiatives to shift the momentum and ‘mentality’ of the profession, both internally and in the eyes of the public:

- It sponsored a FMAC Seminar in Rome in early 1996, and invited participation from across Italy;
- A monthly review about Management Accounting was begun in the profession’s journal (*Il Giornale dei Dottori Commercialisti*), with an editorial plan to deal with four topic areas –
 - methodological and technical articles;
 - articles on best practice;
 - articles reproducing the work of the FMAC (translated from English); and
 - news about meetings and seminars related to management accounting.

An editorial committee was appointed, reporting directly to the Task Force.

- Where possible, the local television news programs were used to herald or highlight the emerging transformation in the nature of the profession (eg; in Bologna);

By late 1996, the Task Force was ready to present a strategic plan it had developed to support its mission to a meeting in Rome involving the Presidents of each local Order (about 110 people). Four issues were addressed.

- The future of the profession in the next five years – threats and opportunities;
- The area of interest of the future – Management Accounting;
- The Task Force’s role in the development of this discipline, and its program to assist each local body;
- The organisation of an educational program about Management Accounting to be produced in each local body.

With very few exceptions, the Presidents found the ideas in the plan to be interesting and progressive. It was favourably received, and its implementation was encouraged.

4. MOBILISATION AND MOMENTUM

The 1996 FMAC Seminar

In 1996 a Joint International Committee of the National Councils of the Dottori Commercialisti and the Ragionieri e Periti Commerciali organised a Conference in Rome to expose the work of the Financial and Management Accounting Committee (FMAC) of the International Federation of Accountants to the

Profession in Italy. The intention was to expose leading-edge thinking about Management Accounting and the involvement of Professional Accountants with this area of practice. Appropriately, the Conference was titled *The Professional Accountant and the Area of Management Accounting*.

The Conference was introduced by the Presidents of the two Italian bodies, and Kenneth Biggs, Chair of the FMAC, spoke on international developments in management accounting, with specific reference to 'performance management in small businesses'. Professor Michel Lebas introduced the French experience, and Professor William Birkett spoke on the Australian experience. Jake Claret, representing the Chartered Institute of Management Accountants (UK), introduced a 'toolkit' that his body had produced to assist its members interact with small businesses in relation to financial management concepts and practices.

Rudolfo Di Dato, the Italian representative on the FMAC, gave the concluding address. He spoke of the opportunities of enlarging the scope of professional services offered to small business, and of the need to change the 'mentality' of small business towards an appreciation of the value of such services. The profession should move into this important area of service before others did; by 'enlarging' the field of the profession in this way, benefits would be received not only by its members but also by society generally – as small business became more capable and productive.

He also illustrated the value to be gained from experience internationally. Models for assisting small accounting practitioners add value to SMEs were available. These focused on the strategies and the future of firms, as well as past results. And they encompassed not only financial issues, but also information management and organizational issues. The need for SMEs to prepare Business Plans in seeking loans within the Italian banking system was given as an example of a service area that would be of great assistance.

Journal Articles

As noted above, a series of monthly articles was initiated in the Journal of the Dottori Commercialisti from January 1996. These articles have been wide-ranging, dealing with methodological and technical issues, enterprise guidance and management, the role of the Dottore Commercialista in supporting enterprise management, international best practice in management accounting and management, the management of the practices of Dottori Commercialisti, and the future of the profession in Italy and Europe. An illustrative, classified selection of articles over the period 1997 to 1999 is listed below:

Methodological and technical articles

- Warehouse and inventory management (January 1997)
- What is Benchmarking? (March 1997)
- Taxation Planning (April 1997)
- Feed-forward models for management control (May 1997)
- Analysis and interpretation of Financial Statements as a management tool (June 1997)
- Transfer of Shares : Valuation and Due Diligence (December 1997)
- Management of the Company Treasury (March/April 1998)
- Total Quality Management (May 1998)
- The Evaluation of Software (October 1998)
- Project Financing (November 1998)
- Analysis of Budget Variances (November 1999)
- Management of Trusts (November 1997)

Enterprise Guidance and Management

- Succession in Family Businesses (February 1997)
- Small Enterprises and the Stock Exchange (July 1998)

- The Company – between Economics and Ethics (August/September 1998)
- Company Ethics : The SA 8000 Standards (June 1999)

Dottore Commercialista and Enterprise Management

- Dottore Commercialista and Enterprise Change (January 1998)
- Dottore Commercialista and Company Management (August/September 1999)
- Management Accounting and the Rating of Enterprise Performance (June 1998)

Practice Management

- Best Practice consultancy services (July/August/September 1997).
- The practices of Dottori Commercialisti : Guided by Values and Social Responsibility (February 1999)

Best Practice Management Accounting

- The New Concept of 'Management Accounting' (February 1998)

The Future of the Profession

- Dottori Commercialisti, the profession and Europe : One Step Forward and Two Back (January 1999)
- Corporate Governance, Auditing, Management Accounting (December 1999)

Commissioned Research

In 1998 the National Council released the outcomes of two studies it had commissioned, dealing respectively with (A) a methodology for viewing a firm from a global, strategic perspective, and (B) a methodology for providing value adding consultancy services for firms in management as well as fiscal areas². The intent of this project was to provide frameworks for Dottore Commercialista to engage with the business realities facing the managers of Small and Medium Enterprises (particularly), both conceptually and practically. It was envisaged that the successful use of these frameworks would lead eventually to Dottore Commercialista being sought by their clients or customers as general business or management advisors.

The first study focused on an approach to strategic direction setting by an enterprise, that was global in scope and practical in effect. The methodology provides for a review of an enterprise's standing in the various product markets it services, and the clarification of policy options arising from the review. After this, a structured review of the enterprise's productive, managerial and financial capabilities is proposed – as potential inhibitors or facilitators of product market policy options. Check-lists and work-sheets are provided to guide and assist the analyses undertaken. A template of a Business Plan is used to structure the outcome of the exercise and to provide guidance to implementation activities. Throughout it is made clear *how* the Dottore Commercialista can add value to management in setting strategic directions for their enterprises.

The second study begins by recognizing the professional and economic dimensions of consultancies. High quality, value adding services need to be provided, but those offering the services need appropriate economic returns for their provision. In the area of business management, clients' use of consultancy services is discretionary – hence, the value they see themselves as gaining will be weighed against the fee they pay (in contrast, to the purchase of services related to obligatory fiscal matters or regulations). Hence, consultancy firms need to partition and price their services, so that the economic gains for both parties are clear. Guidance (with templates) on such partitioning and pricing is provided, along with advice on how to maintain relationships with clients and manage the consultancy process and its outcomes. Consultancy services are proposed in the following areas : strategic management, information systems, staffing and organizational structures, financing, management control, logistics, production, and business development. However, it is

stressed that the offering of consultancy services needs to be focused on clear areas of experience, knowledge and expertise. Not all can offer all services equally well, and so there is likely to be advantage in specialisation.

Local Initiatives

A number of local Orders have enthusiastically begun to explore the field of business management consultancies with their members – sometimes on their own, or with local commerce and finance groups or trade unions. For example, the Orders in Belluno and Salerno have collaborated with local trade unions to study such matters as management control and financial planning.

Some Orders have developed more or less elaborate educational programs for their members in this area, using their own resources and those of universities, special schools and the National Council of the Institute.

In many cases these research and educational initiatives have been combined with an exploration of the effects of the introduction of the Euro (a single European currency) on the economies and enterprises of local regions. For example, the Order in Vicenza collaborated with the local Chamber of Commerce and a Centre for Research in Finance and Taxation to undertake a study on the *Euro and the Management of Enterprises*³. An empirical investigation of the enterprises in the region sought to ascertain the impact of the single currency on the various functional areas of an enterprise – marketing, finance, information systems, and accounting, law and taxation. Specific attention was given to the impacts on small enterprises. While the study was focused around the introduction of the Euro, it opened up the full functional domain of enterprises as being of relevance to Dottori Commercialisti. The study was used as a focus for a Conference dealing with its subject matter.

Other educational conferences or seminars have treated such topics as : Reporting to Management; Activity Based Costing and Activity Based Management; Enterprise Financial Planning; and Management Control.

5 A NEW EDUCATIONAL FOUNDATION

To assist members of the Dottori Commercialisti in developing the capabilities necessary for providing value adding consultancy services to the managers of enterprises, the National Council has created a special Educational Foundation. The creation of the Educational Foundation enabled it to separate its public interest role from a role related to the ongoing professional development of its members. The Educational Foundation, established in 1998, develops training resources and oversees the conduct of training seminars. Its work is seen as a lineal continuation of the agenda for development promoted at the 1996 FMAC Seminar in Rome.

The training seminars are designed in a particular way. Usually they are in two parts. The first part is purposely designed to explain how Dottore Commercialista need to alter their focus to operate as managerial advisors and sustain successful consultancies. The second part introduces the notion of an enterprise's value chain, and demonstrates how different enterprise functions (eg; procurement, sales) interact with, and contribute to the value chain. Academic instruction is *not* provided; learning proceeds through involvement in practical case studies.

Because it is difficult to get an 'audience', when the need is not yet widely appreciated, the resources/seminars often are associated with more 'traditional' issues or emergent issues that will affect Dottore Commercialista irrespective of their inclinations or present fields of practice. Again, the Euro is an issue with widespread impact that has been used as a way of stimulating interest in new consulting opportunities. It is accepted that many would like to work in the new, management accounting related fields of practice – but this will involve

an outgrowth from traditional practice as a learned and incremental development. While such change is seen as progressive, it is accepted that progress will be grounded and gradual.

Recently the Foundation has reached an agreement with a group of Dottori Commercialisti in Torino that is using a new way of providing learning – by combining a televised conference with Internet interaction. Through the National Council and other channels they are developing programs on interesting, topical or important issues. The programs and their date and time of offering are advertised, and participation is organized through the local Orders. Up to 100 individuals may assist each transmission (as presenters or Internet advisors), and presently up to forty Orders are involved with each program. The plan is to publish a book containing the topics of the various programs, and during the tele-conference the audience may ask questions through the Internet. As an example, one recent program dealt comprehensively with the topic of Business Planning⁴.

6. PROBLEMS AND PROGRESS

Despite the increasing momentum developed during the 1990's, it is estimated that only 5000 of the 40,000 Dottore Commercialista in the year 2000 are fully equipped to function as managerial advisors as well as taking traditional roles. This, however, is seen as no small step in re-orienting the *image* of the Dottore Commercialista towards that of a consultant who has legal, accounting *and* managerial capabilities.

It has become clear that further progress will come from *linking* old skills (such as, in checking internal controls) to *new skills* (such as, instituting forward looking, business performance indicators), and *old roles* (such as, the statutory role of fiscal compliance or serving as an official receiver or trustee in bankruptcy) to *new roles* (such as, trusted and valued business advisor). Moreover, such progress is not straightforward. New skills need to be practiced, and this requires opportunities; and the new roles which are intimately involved with the *success* of management need to be brought into an appropriate alignment with old roles that are built on *independence* from management.

More than anything, future progress will depend on a growing *demand* for broad based consultancy services from the managers of SMEs. They need to see the value of Dottore Commercialista with requisite capabilities. But Dottore Commercialista need to have the capabilities to *supply* requisite value adding services. Aware of this crucial relationship between demand and supply, the National Council of the Dottori Commercialisti has made a number of strategic interventions to both enhance and promote the capabilities of its members as managerial advisors and social contributors. In doing so, it hopes to move with its members into a beneficial future.

Endnotes

- ¹ Consiglio Nazionale Dei Dottori Commercialisti *The Dottore Commercialista in Italy : A Profession on the Way into the Future* Rome 1991.
- ² This initiative was prompted by a parallel project of the Financial and Management Accounting Committee of the International Federation of Accountants *Setting Strategic Directions in Small and Medium Enterprises: A Guide for Professional Accounting Advisors*, March 2000. The studies were overseen by a Board of Study in Business Management of the National Council, and were undertaken in collaboration with the Research Institute of the National Council.
- ³ G. Giappichelli (Ed) *Euro e Gestione Delle Imprese* Torino 1998.
- ⁴ Eutekne *Il Business Plan*; see www.tutto.map.

TRANSFORMATION OF THE PROFESSION IN MALAYSIA

Malaysian Institute of Accountants*

Synopsis

1. Preamble
2. Management Accounting Today
3. New Role
4. Background of the MIA
5. Academic Recognition
6. The Practice
7. The Malaysian Scenario
8. Future of Management Accounting
9. Conclusion

* This paper was submitted on 31 December 2000.

1. PREAMBLE

This article explores whether there is a trend within the accountancy profession in Malaysia towards a management or management accounting bias. It has been prepared by the Malaysian Institute of Accountants, Finance and Management Accounting Committee and Technical Division. References to articles and interviews with selected persons in the profession, in industry and in academia were used to inform its preparation. The purpose is to determine if there is such a trend in Malaysia, and whether there should be such a trend.

2. MANAGEMENT ACCOUNTING TODAY

Management accounting itself needs to be elaborated. The way in which accountants work and the techniques they use have a bearing on this. Where traditional accountants take a financial accounting role they work as support staff. They are scorekeepers, using financial records and reports after the fact. They would provide information when needed to the other sectors of a business. Many earlier techniques of management accounting were just extensions of financial accounting, using available data to calculate ratios and indicators. The education of the accountant traditionally followed a very financial bias. At least, this was the case up to the 1980's.

But now different techniques, which need a new perspective altogether, have come into being. They involve wider calculations and wider interpretations, which dig deeper into an organisation's way of working and its strategies. Where balance sheet ratios, such as net assets, price/earnings or sales to head count were once the standard, these are not sufficient anymore. One now has to do further calculations to determine why the net assets are too high, the price/earnings is not attractive, and what the sales to head count ratio means to the profit. Is there an operational problem or a process going wrong that needs changing to give the desired result? A management report by the accountant is not enough to secure necessary change. All the units of a firm need to be involved or play a role. Changes in core processes may need to involve the entire organisation. The accountant cannot just churn out the figures to tell the past anymore. Figures are now used to prove the effectiveness of plans, and adjust the organisation as it goes along. More functions or divisions in the organisation are becoming responsible for their performance, so that accountability is becoming more important than accounting.

3. NEW ROLE

A 1999 study by the Institute of Management Accountants, USA (titled *Counting More, Counting Less, Transformations in the Management Accounting Profession*), has shown that there is a change in the role of accountants in management. They are now getting to be part of the business and operations. In the USA the management accountant or controller now is a partner with management in the routine of work. Their work still involves planning, analysis and interpretation; but with the new techniques and the increased use of information technology, it now is used by cross-functional teams and is part of the decision-making process.

Much of this new involvement is a result of early quality improvement programs. While these programs started off in the operational units, where the philosophy changed from giving the customer what the organisation decides to giving the customer what the customer wants; these units needed to be sure that the data they worked on were accurate, and they also needed refined interpretations to help make decisions or find out where the errors and wastes were in terms of costs. This caused accountants to change their role; they are now part of operational teams.

Thus, there is a growing awareness in the profession in the USA about the need to incorporate a management accounting perspective. In Malaysia, however, while bookkeeping is not part of the daily routine of accountants, the accounting function is still very much one of financial accounting.

Are professional bodies in accounting evolving from a focus on the traditional financial accounting role to that of a management accounting role? Are new bodies looking at this perspective from the outset? Are either type of body recognising, absorbing and disseminating this new intelligence to the accounting profession in the respective country? What is the scenario for Malaysia and the Malaysian Institute of Accountants (MIA)? This paper seeks to answer these questions from the perspective of the MIA.

4. BACKGROUND OF THE MIA

The MIA is the regulating body in Malaysia created by virtue of the Accountants Act 1967. It was set up to register and maintain the accountants roll, provide examinations, keep members up to date, discipline them and promote the profession.

Prior to the establishment of the MIA, a group of foreign qualified accountants had set up the Malaysian Association of Certified Public Accountants (MACPA) in 1964. The MACPA took the initiative to adopt standards (for financial accounting) and to give some form of direction to the profession. The MACPA also held examinations for its members.

In Malaysia, the development of the profession as such is rather recent. While the Act was in place in 1967, the MIA was dormant for 20 years. Its only function was to register those accountants who felt they needed to be registered. Therefore, there were no standards issued, no direction was given to the profession, there were no attempts to undertake research studies, and there was no participation in the world arena.

In 1987, the Council of the dormant MIA held open elections which resulted in a fresh Council. From this point on, the MIA started to play its true role as a regulatory body, while the MACPA continued its role as a professional body. A full time secretariat was set up to support the Council. This included departments to manage membership, technical research, members support, and other operational matters. The first function of the new Council was to register accountants, and establish a regulatory structure relating to its members. The membership grew from 4,301 in 1987 to 14,121 at March 2000.

With the growing membership base over the years, the MIA began to expand its services as well. The Technical Department undertook research, participated in world developments, kept in touch with what was developing in the country, and kept members abreast of professional developments. The MIA issued standards and guidelines. The MIA, via its Council members, actively participated in various bodies world wide over the years. For example, it has held the Presidency of the ASEAN Federation of Accountants and that of the Confederation of Asian and Pacific Accountants. Currently, it is on the Board of the International Accounting Standards Committee (IASC) and a Council member is the Chairman of the Steering Committee of IASC on Developing Nations and Emerging Markets. The future aspirations of the MIA are to participate in the world arena, as it is beneficial to stay abreast of developments. The effects of globalisation are being studied, to determine how this will affect the profession as a whole.

In 1997, the accounting standard setting role of the MIA was passed to an independent accounting standard setting body, the Malaysian Accounting Standards Board (MASB). The MASB was formed pursuant to the Financial Report Act, 1997.

5. ACADEMIC RECOGNITION

The MIA had a joint examination scheme with the Association of Chartered Certified Accountants, UK (ACCA), which conducted examinations on its behalf. This scheme has been in force since 1988, and will end in the year 2000. Therefore, during this time, the training provided by the MIA has been guided by ACCA.

The MIA itself has not instituted examinations. Thus, Malaysians who want to be accountants without doing the ACCA examinations have to take a university degree or obtain a professional qualification from associations or organisations which are specified by the MIA in a recognition schedule. These organisations could be Malaysian or foreign. This results in accountants in Malaysia being trained through two streams; the university stream which has a high academic bias, and the professional stream with a high professional and practical bias. Ultimately, of course, even the degree holder has to have practical experience before being accepted as a member.

The Malaysian universities will maintain their bias on financial accounting since they do not want to change their syllabus in case the MIA does not recognise the change. There are recommendations by the MIA that the universities will have at least 50% of their accounting academic staff being members of the MIA (ie. professional accountants). This partially helps infuse the professional aspect of accounting, and a practical management accounting bias to some extent.

6. THE PRACTICE

Work experience also has a role to play. In Malaysia, there is public practice and industry. Public practice is dominated by the Big Five and the local audit establishments of the major foreign practices are, of course, guided by their head offices overseas. All in all, however, this sector does not play a role in management accounting; it mainly audits.

Industry, where practical accounting otherwise takes place, can be split into two segments. The so-called large multinationals, as one segment, and the small multinationals and local companies as the other segment. This split is made because the large multinationals are guided by their overseas head offices in Europe and America, while the other companies will depend on the local management, and whether or not it wants to adopt management accounting techniques.

The Head Offices of the large multinationals guide the accounting process, and the adoption of management accounting techniques - perhaps in some modified way.

So where does a management accounting bias start? It should really start at the educational level on the one hand, and with the professional body on the other. But the examinations of both these parties are not geared for this in Malaysia. The professional and academic exams at present do not emphasise a management accounting perspective, even though management accounting subjects are taught and covered in examinations to some extent. The proposed exams that the MIA is to conduct after 2000 also do not have this directional focus. It should be noted, however, that the number of new members in the years 1998 and 1999 was 1,926 148 of which were from the Chartered Institute of Management Accountants UK. This is a mild indicator of a management accounting specialism, and many who qualify in this way do not register as members of the MIA (while registration is mandatory for anyone to use the label accountant, there are many who do not choose to do so even though they are qualified).

Should the MIA move into the management accounting sphere ? No, it cannot evolve into a management accounting driven organisation. However, it can take an active role in management accounting. And why is this so ?

7. THE MALAYSIAN SCENARIO

The MIA has been created as a regulating body, and it is the only body in the country empowered to do so. Therefore, it has a responsibility to all accountants, in public practice as well as industry. However, it needs to enhance its provisions for members working in industry. As at March 2000, there were 4195 public accountants and 9926 registered accountants. On the face of it, one may expect that the development of management accounting has a great potential. But does it, in Malaysia?

It is interesting to observe the use of management accounting techniques in Malaysia. A discussion with partners in two of the big five firms who do consultancy, revealed that the widespread use of such techniques is hardly likely. There is, of course, an incidental use of such techniques, but by and large it is minimal.

The major multinationals do, to some extent, use the techniques of Activity Based Costing, the Balanced Scorecard and its variations, and EVA. Even one small multinational has been seen to apply the balanced scorecard effectively, but this company is managed by an engineer.

Other smaller multinationals are supposed to apply the techniques, but do not do so regularly.

The majority of Malaysian companies do not bother about management accounting. The combination of the best final profit and the lowest tax payable is the ultimate aim, and all else does not matter. Many of these companies are listed on the stock exchange, and as long as a profit is registered neither the company nor its shareholders seem to worry how or where it came from.

Kaplan is quoted widely in Malaysia, to the effect that management accountants should become part of an organisation's value added team. But any organisation which uses management accounting techniques does not increase its number of accountants. What actually happens is that management itself is trained to use the techniques, and other non-financial employees are involved. Hence, it seems that a role for management accountants is being taken over by management itself as they use management accounting techniques.

Such management accountants as there are in fact become partners in the business process. Their role is thus enhanced, but they never take the lead nor do they become the most senior manager. They support management through the use of management accounting techniques - in the analysis of financial data, through reporting processes, and in operational work. They assist with information for pre-planning or budgeting, and the monitoring of projects to keep things on track. Thus, the role is enhanced.

Again, practice will differ between western and eastern organisations. To most senior accountants in Malaysia a blend of financial and management accounting is the standard. The principle of having Controllers in operational units is not fully embraced in the large local companies, although many of the large multinationals do so. Controllers are also administrators in such cases. In the local firms, the structure is one of holding companies and subsidiaries; the accountant in these will operate a blend of both financial and management accounting.

8. FUTURE OF MANAGEMENT ACCOUNTING

Is there any attempt to elevate thinking about management accounting in Malaysia? That, there is. Is the MIA empowered – to take the lead in promoting management accounting thought and practice? That, it is. The Act defining the functions of the MIA requires the MIA “to promote, in any manner it thinks fit, the interests of the profession of accountancy in Malaysia”.

The MIA has created a Financial and Management Accounting Committee with 20 members from industry and academia. The Committee's Terms of Reference are :

1. To study and/ or review the "practice guidelines" and "studies" issued by the Financial and Management Accounting Committee (FMAC) of the International Federation of Accountants (IFAC), to provide "forewords" and make changes to these documents as deemed appropriate, and to make recommendations to Council for their adoption and issuance to members;
2. To issue Malaysian Management Accounting Guidelines (MMAGs);
3. To maintain regular dialogue with, and organise seminars for members in commerce, industry and the public sector;
4. To create or select documents on current issues related to financial and management accounting for publication; and
5. To achieve increased recognition of the professional capabilities of financial and management accountants.

One could ask what motivates the MIA to further the cause of the management accounting perspective in such ways? The answer is that one of its aims is to keep members up to date. The MIA is bound to keep abreast of developments in all fields, and disseminate these as best as possible. It does so through its various Committees, as a means of advancing the profession.

The MIA Committees are renewed every two years. Invitations are sent to known members in the profession seeking their involvement, or volunteers are called for otherwise. Committee meetings are held every three months. The meetings decide on the activities to be carried out or to be participated in, so as to achieve the objectives of the Committee (which reflects its Terms of Reference). In some cases, sub-committees may be formed for a specific project. In Malaysia, the dominant objective is to make MIA members and others aware of management accounting as a field in itself, and raise understanding of what it is all about.

The following programs that have been carried out in order to meet this objective:

- The Committee has attempted to keep the academics involved in the field interested in the subject by inviting the submission of articles for publication. There has been participation in this, to an extent. Articles are published on the subject, but no articles have been forthcoming from the members in industry - an indication that there is a lack of interest from practitioners in writing and publishing articles.
- The MIA has conducted a dialogue session on management accounting with its members. The members present suggested the setting up of 'expert panels', which could be referred to for queries by members.
- In the annual national accounting conference, relevant management accounting subjects are addressed. For example, the subject of the balanced scorecard received good attendance, as did other sessions.
- There are good and steady sales of the Malaysian Management Accounting Guidelines. There are eleven issued as adaptations of those of CMA Canada, as follows:

MMAG 1	A Framework for Internal Control
MMAG 2	Cash Management
MMAG 3	Accounts Receivable Management
MMAG 4	Organisational Restructuring

MMAG 5	Selecting the Optimum Product Line for an Enterprise
MMAG 6	Managing Banking Relations
MMAG 7	Human Resources - Accountability
MMAG 8	Outsourcing Information Systems
MMAG 9	Managing the Human Aspects of Organisational Change
MMAG 10	Managing the Annual Financial Statement
MMAG 11	Implementing Activity Based Costing

- Continuing Professional Development courses are held regularly by the MIA, and management accounting subjects get a good response.
- Courses held by other organisations on management accounting topics also are quite successful. However, attending a course on management accounting and implementing management accounting practice are two different things.

Is the future good for management accounting ? The general opinion seems to be so. Continuous or persistent exposure of management accounting developments and issues by the MIA will help in this. The infusion of subject matter on management accounting in university courses will help a lot. It may take a while, but as awareness of management accounting developments is improved, practical applications may also improve, albeit in modified forms suited to Malaysia.

The liberalisation of trade and services across national borders in the near future will help to push management accounting, as it will mean that there will be an influx of foreign businesses (which will be allowed to set up in Malaysia). These firms could be banks, commercial operations, manufacturing concerns, and certainly providers of auditing and accounting services. This will result in greater competition and the introduction of new management techniques to assist in meeting it; undoubtedly management accounting practices will be included. The increased competition will require local business organisations to react, and hence they will need better management systems and techniques. Further, the profession also will have to adapt to these changes, perhaps by promoting management thought and practice; this seems to be the general opinion of those spoken to.

9. CONCLUSION

While management accounting (and its techniques) is a field that is known to the profession, it is still not fully applied - considering the opportunities available. The MIA itself will continue to create an interest in management accounting thought, and will persist in promoting awareness and competency in the field. No doubt, through its ongoing programs, the MIA will instil a greater feeling in Malaysians to more fully apply management accounting techniques as an integral part of the management process of organisations.

TRANSFORMING THE PROFESSION MANAGEMENT ACCOUNTING IS CHANGING

By Anita Allott, Paul Weymouth and Jake Claret*

Synopsis

1. Historical Background of the Chartered Institute of Management Accountants (CIMA)
 - A Profession Emerges
 - A Success Story
 - How has CIMA Become so Successful?
2. Underlying Factors Causing CIMA to Shift Focus Towards a Managerial Orientation
 - A Fundamental Tension
 - Management Accounting Progress
3. The Changing Process – How CIMA Changed Focus
 - Employer Focus
 - Research
 - Market Awareness
 - Support for the Qualification
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4. Future Aspirations
 - A Qualification for the Market
 - Management Accounting in 2000 and Beyond
 - Management Accounting for the Future
5. The Institute's Future

Annex 1 : Articles relating to the development of the profession

Annex 2 : Beyond 2000 – The Revised CIMA Qualification

* Anita Allott is a Research Analyst at CIMA; Paul Weymouth is Head of Education and Training at CIMA; until 2000 Jake Claret was Deputy Secretary, Chartered Institute of Management Accountants, UK. This paper was submitted on 31 December 2000

1. HISTORICAL BACKGROUND OF THE CHARTERED INSTITUTE OF MANAGEMENT ACCOUNTANTS (CIMA)

A Profession Emerges

In the late eighteenth century, the trade directories of Britain's major cities listed little more than a handful of accountants. Today, the major professional accounting bodies between them boast approximately a quarter of a million qualified members. The origins of this explosive growth lie in Britain's industrial history.

By the middle of the nineteenth century, the Industrial Revolution meant prosperous times for England. She was the financial centre of the world, as well as the leading producer of coal, iron and cotton textiles. Accompanying this surge of prosperity and productivity, was a burgeoning demand for accountants, stimulated further by those companies declaring bankruptcy in the midst of this fierce competition.

During the second half of the nineteenth century British accountants showed a determination to acquire professional status. A key feature in this process was the establishment of professional organizations, starting with the Edinburgh Society and the Glasgow Institute in 1853, (which, a century later, came together to become the Institute of Chartered Accountants of Scotland).

The development of companies and of how these should be accountable to shareholders who were separate from the management, and also because of the periods of large scale company failure, led to a series of developments in public reporting and to a need for audit to provide assurance to the shareholders. Consequently, the professional bodies constructed on the model of those Scottish precursors met this market demand for audit by being orientated towards public practice.

In spite of the impetus of the industrial revolution and the needs of businesses, these bodies tended to look down on 'cost accounting'. They were not concerned with the subject, except, perhaps, as a means of evaluating stocks for financial accounting, and did not regard cost accountants as professional accountants. Indeed, it was well into the 20th century before Chartered Accountants stopped referring to leaving public practice to go into business as 'leaving the profession'.

So, in business, outside the profession, the pre-World War 1 years were marked in the UK by an emphasis on controlling waste and improving efficiency.

In wartime, the government discovered cost accounting, and that it could be used as a basis for agreeing prices for war material.

The immediate post WW1 years were turbulent. Large numbers of demobilized soldiers swelled the labor force, there were shortages, a need for reconstruction and to transform manufacturing for peacetime output and, at the same time, heavily increasing prices. Building on their wartime experience, business people saw cost accounting a means of introducing order and control to this situation (Loft 1986).

The Chartered Institute of Management Accountants (CIMA) was founded, in 1919, as the Institute of Cost and Works Accountants (ICWA), to meet this market demand for accountants in business, to focus primarily on cost accounting rather than stewardship and public reporting. Additionally, many

of its early members were already employed in business and seeking a source of identity not provided by the bodies promoting public practice.

This was a time when similar bodies were founded in other countries. As these developed, they moved closer to the public accounting bodies. In some countries, Australia and New Zealand for instance, they merged with the public accountants. In others, like the USA, they remained separate, but had a tendency to take on the trappings of external financial reporting. ICWA in the UK was in this latter category.

During the inter-war period, ICWA members were joined in industry by large numbers of accountants moving from public practice. As early as 1926, the *Daily Express* argued that there were too many accountants in business (*Accountant* 1926). The trend continued after the Second World War, with accountants more prominent in general management positions, including that of the chief executive. Today, accountants outnumber other professional groupings in British top management.

A success story

In the UK today, only about 15% of the labor force are in manufacturing; this will go down to about 10% by the year 2010. Twice as many people now work in Indian restaurants than in coal mining, ship building and steel production put together.

What does this mean? The decline of manufacturing has been changing the skills and competencies that management accountants need. CIMA has anticipated this, and adapted the qualification to enhance the range of knowledge, ability and qualities of Chartered Management Accountants for the 21st century.

During the last decade, the CIMA qualification has gained wide recognition as the leading management accounting award. It is renowned for the exhaustive breadth and depth of knowledge coverage and the rigor of an assessment process designed to thoroughly test the professional competence of candidates.

But the most significant indicator of the pedigree of any qualification is the value placed upon it by employer organizations. In the Robert Half Salary and Benefits Survey for 2000, CIMA is the professional qualification preferred by 68% of employers in the UK; this was the fourth year running that this top position has been confirmed.

Growth has not been restricted to the UK. Members (over 50,000) and registered students (almost 70,000) now provide a total population of more than 120,000, and almost a third of these are outside the UK, located in almost every country in the world.

CIMA has long allowed student registration outside the UK and there are examination centres in almost every country in the world. Strong concentrations of members and students exist in countries long associated with the UK. Examples are Ireland, Hong Kong Malaysia, South Africa and Sri Lanka, where there are Divisional offices and local Councils.

The spread of the qualification originated in some markets with expatriates who were CIMA members deciding to train students in their businesses. In others, it started as an alternative to university where university places were limited either generally or for particular segments of the population.

Everywhere, CIMA works with local bodies wherever possible, to raise the profile of management accountancy and increase the service to business accountants. It maintains particularly close links with CMA Canada, ICA of Australia, and HKSA, ICAI, MIA and SAICA, in Hong Kong, Ireland, Malaysia and South Africa.

Recently, overseas growth for CIMA has been in new markets, in the former communist world and other non-English speaking countries elsewhere, in partnership with employers. These are multinational businesses that have training programs in the UK, in CIMA's TTP quality assurance system, and choose to use the CIMA qualification outside the UK. The relationship with employers is a significant feature for the future.

The tangible outcome of this employer endorsement is demonstrated by the demand within the employment market for CIMA members and part-qualified students. The demand for Chartered Management Accountants has never been higher than in the 1990s. The Institute has gone from strength to strength, with record student recruitment and conversions to membership. Since 1990, student growth was in excess of 40% and membership increased by almost 70%.

Irrespective of the success achieved so far, settling for what CIMA already had was never an option. It has always been progressive and forward-looking, with a culture that demands the best. This has meant building on the quality of the existing qualification and taking it forward into the new millennium.

How has CIMA become so successful?

The answer will be found by answering the following questions:

- What are the underlying factors?
- How has the organisation managed these factors to achieve success?
- What is its vision on the future?

The following sections address these questions. The thread holding it all together is how CIMA is taking itself and its members into a phase where management accounting is already mutating into management.

2. UNDERLYING FACTORS CAUSING CIMA TO SHIFT FOCUS TOWARDS A MANAGERIAL ORIENTATION

A fundamental tension

Professional bodies are always subject to two often opposing forces.

On the one hand, the market place for services creates pressure for change. It demands new services, techniques and products. These require the people in a profession to learn new skills, take new approaches and refocus their priorities.

On the other hand, there is a kind of inertia. This is often due to the fact that a large proportion of existing members inhabits a particular existing territory. This may be in traditional areas of accountancy or the use of particular established skills. This may be seen, negatively, as people getting used to particular ways of doing things and, as a result, failing to keep up with change. It is just as likely to be a function of success: obtaining recognition and status by applying current approaches

that have long satisfied business needs and are perceived as continuing to do so, and therefore failing to see the need for change.

Throughout its history CIMA has been subject to this tension.

Management Accounting progress

Management Accounting is continuously evolving. In the middle years of the 20th century. CIMA specialized in management accountancy but also included increasing amounts of financial reporting in its syllabus.

In general, the post war era was characterized by rational expectations about human behavior and beliefs in linear progress, upward mobility, and equal opportunity. The over and under absorption of cost in traditional cost accounting systems gave way to standard costing. This had roots in the control cycle with its mechanistic application in so many fields, for instance, in science and engineering, and it therefore fitted into this paradigm. It was viewed as the key accounting tool in cost control and few questioned its ability to provide effective managerial control.

Throughout the first two-thirds of the century, variance accounting, in the shape of standard costing and then budgetary control, was strongly promoted by both academics and professional organizations. Along with net profit and return on investment, cost variance became a primary financial measure for evaluating managerial performance.

The 1970s brought about a re-examination of most assumptions underpinning management accountancy. The effectiveness of large organizations that stressed individual accountability, measured through standard costs, was widely questioned. Standard costing's relevance was challenged. Its focus on efficiency rather than effectiveness was exposed. Management accounting was about to change again.

A constant theme in management accounting is that its role is to provide what the business requires, what managers need and want. This contrasts strongly with the way in which financial accounting is governed by external laws and standards.

This business centred approach has meant that management accounting has been willing to adopt techniques and approaches developed by other disciplines and to move into any area that offers the means of satisfying management priorities. As a result, a series of developments have led to an emphasis on management itself. For example:

- information management has succeeded information technology management, which developed out of computing, which itself originated in data processing;
- decision support models of all kinds started with investment appraisal, that included discounting, probability, and forecasting tools, after beginnings in general management mathematics with an emphasis on techniques like batch and order quantity;
- performance management builds on performance measurement techniques, enhanced by incorporating non-financial measures from early beginnings in financial ratio analysis and variance accounting for control;
- financial strategy has built on financial management, which started in treasury management, itself preceded by cash forecasting and working capital control;
- organizational and people management topics were taken on;

- business strategy, covering all aspects of the business, grew out of largely process based corporate planning.

Definitions of 'management accounting' started to reflect this migration into management.

The 1990s saw various factors, both internal and external to organizations motivating change. Externally:

- globalization of markets;
- increased competition;
- significant technological breakthroughs; and
- changes in methods of production.

Most organizations reacted during this decade by:

- downsizing;
- outsourcing;
- de-layering; and
- team-building.

More importantly, globalization of markets has been met by globalization of businesses. This led, on the one hand, to concentration of businesses within each industry into a small number of global players. On the other hand, these de-merged large parts of their businesses that did not fit a definition of the focus they wish to achieve, either to other global businesses seeking to consolidate their positions or through management buyouts.

Shaping global businesses required strategic management, organisation skills, communications as well as information infrastructures.

Information and information management were now key issues for the management accountant, with technology encouraging faster and widely dispersed information flows around the organisation. This gave rise to a 'de-centring' of accounting knowledge, with managers performing tasks previously in the accountant's domain; such as preparing budgets, analyzing performance and calculating variances (Scapens 1996). This might have been a threat to management accountants. However it became an opportunity and accountants began to play a broader role within the organisation.

This was largely due to the fact that management accounting education and training had broadened. It expanded from its base in financial and cost accounting into a wide range of business subjects. Additionally, in every subject in the CIMA syllabus there has been a trend towards 'trading up'. Subjects are treated technically at first, later they take on managerial aspects and, in turn, become strategic in emphasis.

There may also be an element of opportunism. Professionals trained to be flexible in their approach are those most likely to be the ones that move into new territories or who are asked to take on new remits. Additionally, the CIMA education and training programs have emphasized flexibility and, for their part, employers have recruited the kind of trainee who will be comfortable in a dynamic, changing environment.

In conclusion, Management Accounting is continuously evolving, with the emphasis shifting from a cost determination and financial control focus, to the provision of advice that results in addition or creation of value, to taking part in decision making and strategy formation.

3. THE CHANGE PROCESS – HOW CIMA CHANGED FOCUS

All these factors enhanced the emergence of the ‘new’ management accounting with its emphasis on management rather than accounting.

The last two decades of the century were marked by a number of threads that have substantially changed the nature of CIMA and its qualification. These included:

- employer focus;
- research;
- market awareness;
- support for the qualification; and
- reaching out.

Employer focus

The primary ‘customer’ for any professional body is the organisation that employs its members.

The 1980s saw CIMA moving away from a policy of almost ignoring employers, except as the people who validated the practical experience that supported applications for membership and the very few who ran recognized training schemes for students.

Instead, CIMA recognized the importance of its ‘customers’, creating quality assurance schemes training and CPD for them, involving them in consultations, creating an employers steering committee to work with the Institute to define priorities and implement policies and, generally, drawing employers into its operations and activities.

All the threads of research, market awareness and support for the qualification comes together in this focus on employers. Through each of these, CIMA has been able to progressively reduce the inertia of past approaches and take on the present and future needs of the market place.

Research

Management accounting research came of age in the early 1980s. It became a separate study and, with CIMA’s encouragement, expanded its scope. CIMA’s own research activity grew in size and stature. Major projects were commissioned and became the background for developments in CIMA’s technical output, its publishing and seminar programs and its educational presence.

When Johnson and Kaplan (1987) wrote about the crisis in management accounting, an initial reaction was to be dismissive and defensive. They were not saying anything new. They were describing a US phenomenon; it had no relevance to the UK or elsewhere. The solutions, like Activity Based Costing were not new; it was used here in the UK long ago. Traditional methods were still appropriate; it was the way they were used, or misused, that was the problem.

That gave way to a realization that it was necessary at least to test those statements. The research program started with work by Bromwich and Bhimani (1989), which established a view of the new management environment. From this platform, there followed a series of research projects that placed CIMA firmly as the authority on the ‘new’ management accounting.

Market Awareness

Research told CIMA much about what its members were doing and where they were working.

For instance, in the late 1980s, CIMA commissioned three studies, under the title, Management Accounting – the Challenge of Technological Innovation. These looked at the way in which new technology businesses were using their accountants. The results were mixed.

In small, fast growing businesses, Littler and Sweeting (1989) found that there appeared a mismatch between what managers wanted – fast, cash flow orientated information for rapid decisions as against the accountants emphasis on longer term budgets for control.

In more mature businesses, studied by Coates and Longden (1989), the accountants were averse to importing modern methods, citing the hard won acceptance by managers of the more traditional reports.

The exciting results came from the Innes and Mitchell (1989) study of electronics firms in southern Scotland, which described management accountants as working outside the traditional accounts department. They were often full members of project and product teams, not just responsible for the financial aspects but taking an equal part with people from other disciplines in taking decisions and driving operations forward.

Beyond this, a regular listing of new admissions to CIMA, a product of the qualification system, showed that, increasingly, these were in posts that could not be described as traditional accounting. Financial Analysts, Business Analysts and systems managers were joined by more general management roles like Logistics Manager and Operations Manager. This was not just the Finance Director (or CFO) moving over into the Managing Director's (or CEO's) seat in mid or late career. It is people trained as management accountants populating all levels, in management rather than accounting roles.

This illustrates the way in which management accountants, instead of being threatened by the factors driving change, such as downsizing, out-sourcing, de-skilling and 'de-centring' of accounting knowledge, are, in fact, taking the opportunities they offer by moving into broader roles.

The information gained from the CIMA admissions lists suggests that there has been rather more movement to work outside the traditional finance function than the academic research identified.

It is arguable that accounting academics, carrying out research sponsored by accountancy bodies, and studying accountants and what they do, tend to end up looking at the finance function in a business. They talk to the people in finance and the managers these interact with. Even when they approach a Chief Executive Officer (CEO), they are likely to be directed to the Chief Finance Officer (CFO) and his function.

It is natural that everyone's perceptions result in research findings about the people belonging to the finance function, rather than about accountants employed elsewhere in the business. These do not necessarily see themselves as doing accounting work and their colleagues do not perceive them as accountants and, frequently, do not even know that they are qualified accountants.

It may be said that a professional body is defined by its syllabus. Successive CIMA syllabuses have been developed in close collaboration with the market. The 1985 syllabus sprang from a competency

study that heavily involved employers; subject groups again brought in employers, together with a wider spectrum of academics than those who taught CIMA students or set its examinations. The 1995 syllabus development followed a similar pattern.

Each of these progressively increased the management content and created assessments that tested application rather than knowledge and skill.

For the 2001 syllabus (Beyond 2000) the Institute engaged the Industrial Society to conduct research, and gather the views of employers, members, students and educators. Their findings supported the vision: 'Management Accountants must play a wider role in business than ever before, making it necessary to acquire a broader range of management and technical skills.' (See the section headed Management Accounting for the Future, below)

It is significant that the tension between conservatism and the need to change is not resolved behind closed doors. CIMA's obsession with going out to the various 'customer' groups, and particularly the employers of its members and future members is the key factor in carrying it forward.

Support for the Qualification

The last two decades of the 20th Century were marked by CIMA's abandonment of 'hands-off' policies in relation to the qualification process. Quality assurance schemes for the training given by employers (Training through Partnership – TTP) and the education in colleges (Quality Through Partnership – QTP) raised the quality of the student experience. Staff representatives promoted and managed these schemes, bringing the personal touch to the relationships between students, employers, educators and the Institute. At the same time, these representatives, through their continuous contact with employers, were able to enhance CIMA's market awareness.

The increase in quality had an effect on prospective students' and employers perceptions of the qualification. A virtuous cycle was created, where higher quality students were recruited by prestigious employers, who provided a higher quality experience that attracted even higher quality students. A product of this cycle has been the way in which the roles of both students and members have developed.

Reaching out

While CIMA has been one of the few bodies that specialize in management accountancy, many accountants who are members of other bodies work in similar roles to those of CIMA members.

A significant consequence of CIMA establishment as an authority on the 'new' management accounting has been the way in which it has been able to reach out to those other accountants. Its publications, seminars and conferences on key topics attract people from a far wider population than the membership.

This has had the effect of enhancing the perceptions of employers and those who work for them. For CIMA, it has played an important part in positioning it as a preferred supplier of management accountants.

Another aspect of outreach was CIMA's willingness in the early 1990s to take part in discussions of a potential merger with the Institute of Chartered Accountants in England and Wales. There were many reasons why this did not occur.

Significant is the fact that when surveyed (Claret 1999), of 22% of CIMA members who responded, 87% said they were in favor, in principle – a similarly high percentage to previous surveys. 65% favored the new members' description of Chartered Accountant (subsequently CIMA members obtained the right to call themselves Chartered Management Accountants).

However, when it came to the specific structural and qualification arrangements that were outlined to them, only a minority was in favor: 16% favored the structure that was proposed, the best response was 46% for the education and training arrangements, and other aspects got even lower approval.

Equally significant, when, later in the decade, the Association of Chartered Certified Accountants proposed similar arrangements, 85% of the largest ever response to a survey (more than 35% of the membership) rejected the proposals.

The message is clear. The membership does not perceive it as desirable for the specialisation of management accountancy to be submerged in more generalized bodies for which the priorities of public practice and reserved functions will always threaten to take priority.

See Annex 1 for a selection of articles relating to the development of the profession.

4. **FUTURE ASPIRATIONS**

A qualification for the market

Across the world there are increasing pressures for institutions of every kind - governments, public bodies, professions and commercial organizations — to continue to flourish in a changing environment. They need to become more transparent in their activities, more relevant and responsive to those they serve. The internet is changing how business is done.

CIMA has anticipated this, and is making substantial investment to ensure that the qualification continues to be the premier international qualification for business. It is committed to maintaining its position as the world's leading authority on management accounting and progressive, innovative business management.

Management Accounting in 2000 and Beyond

At the start of a new century, a revolution in business practice is in progress. The revolution is the Internet, E-business, the WWW. The world business climate of the 21st Century will be more complex, demanding and rapidly changing than ever before. As the business climate changes, therefore, the rules of the competitiveness race are also changing. The management accountant's role is changing.

The pace of technology is challenging the very core of the finance function. Accountants must now fulfil diverse expectations, and possess a broad cross section of skills. They must understand the business if they are to thrive. Finance managers, more than any other, know that change is essential for survival.

As IFAC/FMAC's International Accounting Practice 1 (IMAP) established, the directions in which management accounting practices are developing involve a broad spectrum of cross-functional disciplines. Specific directions include:

- performance management
- asset management
- business control management
- environmental management
- financial management
- intellectual capital management
- information management
- quality management, and
- strategic management.

All of these reflect the way management accounting is becoming management. All the directions noted are in terms of management rather than accounting.

Flexibility and adaptability of management approach to business will be driven by the organizational context. There will be an increasing need to develop new business models to address the changing environment. Everyone is confronted with the power of E-commerce – businesses must adapt to interface with the Internet world.

The contextual features of the business, particularly the size and nature of the industry, and individual business needs, would be critical in determining the level of emphasis placed on each of these directions.

For example, in the public sector, there is increasing pressure for accountability, to be run on business-like lines and to achieve value for money. And, throughout organizations there is increasing attention given to corporate governance issues.

Today, a company's 'license to operate' and its competitiveness are closely linked. The process of maintaining confidence can be as positive for company performance as the loss of confidence can be detrimental. A company which undermines its 'license to operate' by the wrong behavior exposes itself to a range of sanctions. Whatever the issue – from animal rights to top executives' pay - companies seen to be insensitive to changing standards find themselves at the centre of media and public outcry.

The environment provides a compelling example. Companies which fail to accept responsibility for the environmental impact of their operations – production, consumption and disposal of their products, or the activities involved in providing their services - risk punitive regulation and taxation, as well as public hostility.

Some have predicted that there will be fewer accountants in the future but they will be able to take more senior positions (Anastas, Messmer and May 1997). Moreover, they will participate in cross-functional teams with different executives and they will give to them their strategies and recommendations. Management Accountants will function as internal strategists and consultants.

The predictions have to be accepted cautiously. There may well be fewer accountants in each organisation, but the increase in economic activity initiated by out-sourcing, globalization, privatization and deregulation in former controlled economies is demanding more business accountants, as is the growth of global consultancies. It is not so much the number that is required that may change but the role they will be required to play.

It is expected that the use of information technology and intellectual capital will increase in the future. In most companies even today, intellectual capital forms the greater part of their market value.

And this applies to manufacturing companies as well as high-tech and service businesses. In brand leaders like Coca-Cola, for example, intellectual capital forms an incredible 96% of market capitalization (Hope and Fraser 1997)! Intangible assets are fast become the most crucial elements of an organization's success. People, knowledge, brand and reputation are hard to value, they don't appear in the balance sheet, and are yet essential to the continued success of a company.

The financial accountant will continue to be concerned as to how such assets are valued and included in the balance sheet, and whether and how they are to be depreciated.

The key issue is how business cherishes these assets. The management accountant will be far more concerned with ensuring that there are strategies to create and maintain them and then managing the processes of so doing, monitoring progress against plan. Where the management accountant is concerned with evaluation, it will be on the basis of future earnings potential rather than cost.

Management Accounting for the future

In 1997, CIMA identified that significant changes in business were inevitable. Major development in information and communication technologies offered faster and more effective ways to manage and conduct business. The Industrial Society's extensive research and consultations with senior directors and managers in businesses of all sizes – from the huge multinationals to small and medium-sized enterprises operating in various locations around the globe were translated into a vision of what the future might hold for CIMA members.

This was a business world in which traditional trading boundaries would no longer exist, where international markets would be opened up and true globalization of business became a reality. In this new, fast-changing business environment, greater reliance would be placed on the quality of the strategic decision-making processes within organizations. Also, the speed at which organizational restructuring could be implemented in response to global market opportunities would be critical. The flexibility, creativity and innovative skill of senior managers would be paramount, offering the key to business success.

The research showed that the range of knowledge, ability and qualities required by Chartered Management Accountants in the 21st century is extensive. They need:

- a knowledge base that is comprehensive and wide-ranging, which is built upon a sound understanding of the principles of financial management and management accounting;
- first-class communication skills;
- a consultative approach, coupled with an ethos of team-building and teamwork;
- well-developed people management and leadership skills to maximize the contribution and performance of staff;
- an ability to manage information and apply technology tools to analyze complex scenarios, identify viable business options and recommend solutions;
- the skill to consistently formulate sound business strategy with ever-increasing regularity in a fast-moving economy;

- an ability to manage financial risk and maintain financial control;
- good commercial acumen; and
- the attributes necessary to deliver increased value to stakeholders, in keeping with expectations to secure long-term business success.

All these will move the management accountant far beyond the basic technical knowledge and skills, well into the realm of management.

Members will continue to be engaged in a diverse range of roles across all business sectors of the world economy. This versatility is essential as organizational structures become more flexible and adaptable, while business relationships become more complex, with the growth of international business networks forming key strategic alliances, more joint ventures with partner organizations and increased use of outsourcing and shared service centres.

The armory that members have at their disposal to meet these challenges will be formidable. They will possess the knowledge and skills to operate across a business as professional multi-disciplined managers, devising business strategy and controlling implementation and performance, to generate sustainable growth with increased value.

The CIMA qualification is designed to give Chartered Management Accountants a more holistic knowledge of their business's overall activity in order to work with other managers in running the business and, more importantly, in driving its strategy. The year 2000 saw the introduction of a revised CIMA syllabus to take management accountants into the 21st century, along with fresh practical experience requirements to complement it (see Annex 2).

Keeping members and the Institute at the cutting edge of the profession is likely to mean that both have to continue to expect constant change to be the norm. For the Institute, this means it expects to:

- maintain constant contact with employers, academics, members and students to understand and respond to their changing needs;
- enhance the qualification on the basis of research, updating the syllabus continuously;
- develop and encourage new methods of delivering education globally;
- enhance quality assurance processes in education and training;
- gear up the research program, through working with partners, to address global issues;
- emphasize to members their duty in continuing professional development (CPD) and help them to define their individual needs;
- extend provision of CPD from the current excellent seminar programs and publications, to enhanced local provision at branches (the CIMA equivalent of chapters) and periodicals;
- extend internet based access to services, information, communications and discussion opportunities;
- maintain as a first priority the business centred emphasis, enhancing the move of members into strategic management, while participating in the moves towards global approaches to corporate governance, with its increased regulation and standards;

- promote the new emphases in management accounting and the enhanced role of management accountants to existing and new markets;

The larger question for a professional institute is how it should develop as an organisation.

The Institute's future

Institutes are still largely run in ways with which their founding fathers would be familiar. Other organizations of all kinds have undergone continuous change and, throughout the new century, are likely to change even more under the impact of globalization, the internet dimension, other technological advances and social and political developments.

It is important to create new models of how a professional institute is governed and managed and continuously remodels itself.

CIMA has streamlined its governance, with fewer committees and a careful distinction of the roles of volunteer members on these and the role of the Chief Executive and employee managers and specialists.

The challenge is to maintain member involvement, commitment and energy while continuing to develop speedy decision processes that can be proactive in the fast changing environment.

Annex 1

ARTICLES RELATING TO THE DEVELOPMENT OF THE PROFESSION

Available from CIMA Technical Advisory Services (TAS) Tel: (+44) 020 7917 9259. E-mail: tas@cimaglobal.com

Available from CIMA Publishing Tel: (+44) 020 7917 9229. Email: Publishing-sales@cimaglobal.com

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Annex 2

BEYOND 2000 - THE REVISED CIMA QUALIFICATION

The syllabus

The most obvious change to the revised syllabus structure is the shift to three levels - Foundation, Intermediate and Final - instead of the current four stage structure.

There will be 17 examination papers with a total examining time of 48 hours.

	Foundation <i>3-hour papers</i>	Intermediate <i>All 3-hour papers</i>	Final <i>All 3-hour papers</i>
What is the revised structure?	<ul style="list-style-type: none"> -Management Accounting Fundamentals -Financial Accounting Fundamentals <p><i>2-hour papers</i></p> <ul style="list-style-type: none"> -Economics for Business -Business Mathematics -Business Law 	<ul style="list-style-type: none"> -Financial Accounting -Financial Reporting -MA Decision Making -MA Performance Management -Systems and Project Management -Business Taxation -Finance -Organizational Management 	<ul style="list-style-type: none"> -MA Financial Strategy -MA Business Strategy -MA Information Strategy -MA Case Study
What does it provide?	Basic fundamentals of accounting and business knowledge	The technical and managerial core of the syllabus	Strategic management accounting techniques
What are the Key Changes?	<ol style="list-style-type: none"> 1. Now consists of 5 examinations although the study and examination time will be no more than that required for the current Stage 1 2. The subjects are considered to provide a more comprehensive underpinning to later subjects 	<ol style="list-style-type: none"> 1. There are now eight subjects at one level equivalent to the current Stages 2 and 3. The eight subjects should all be recognized as being of equal status 2. The Management Accounting syllabuses mirror the key functions of performance management and decision making found in many organizations 3. There are two new subjects- Finance and Systems & Project Management – which reflect the increasing role played by CIMA members in these areas 	<ol style="list-style-type: none"> 1. An integrative Case Study has been introduced

The Case Study

One of the most important and new aspects of the revised syllabus is the introduction of a three-hour case study examination at the Final level.

The case study is designed to assess the higher level skills of analysis and synthesis of material, integration of knowledge from across the syllabus and the ability to communicate and present recommendations and proposed solutions.

Case study candidates will be sent some background material prior to the examination. This is to ensure that in the exam the emphasis will be on problem identification, analysis of options and recommending solutions rather than reading of material. Additional information will be provided at the start of the exam preventing anyone from gaining an advantage by being able to analyze all the material in advance.

Assessment

Each syllabus will now have learning outcomes attached, for clarification of what students should be able to do upon completion of their studies

The assessment objectives for each examination paper are also outlined in each syllabus. In summary the assessment structure will be as follows:

Foundation	Intermediate	Final
Objective testing for at least 50% of each paper	Objective testing in four papers (between 20% and 40%)	Scenario based questions
<i>Plus</i> Written questions	<i>Plus</i> Problem solving questions	<i>Plus</i> Case Study
	<i>Plus</i> Scenario-based questions	

Plans for a move towards computer based assessment are currently being explored. Initially this will be available only for Foundation level examinations. Paper based examinations will still be available for students without access to computer based assessment.

Credit Accumulation and Progression Rules

■ *Foundation and Intermediate:*

Credit accumulation will apply, as at present. At Foundation and Intermediate level, students will be able to retain credits for individual papers passed. The pass mark for each paper will remain at 50%.

The only progression rules that apply are for the Financial Accounting papers and the Management Accounting papers at Foundation and Intermediate level.

All exams at Foundation and Intermediate level must be completed before sitting the Final level exams.

■ ***Final Level:***

At final level, the three syllabus papers must be sat together at the first sitting and an aggregate of 150 marks reached. The following aggregate rulings will apply:

- provided that the aggregate of 150 is reached, it is possible for a
- mark in the range of 42 to 49 in a paper, to be compensated by a higher mark in another paper(s).
- students are able to retain as a credit any subjects for which
- they achieve 50% or more, provided that they sat and were
- awarded a minimum of 30% in all of the other papers.

The case study examination can either be sat alongside the three syllabus papers or afterwards and will be marked separately. The pass mark for the case study will be 50%.

■ ***Practical Experience Requirements***

The revised 'Practical Experience Requirements' (PER) were introduced for students registering from January 2000.

The current 'Record of Practical Experience' (RPE) will also be accepted during a transition period from January 2000.

The revised requirements have been re-grouped making it easier for students and their employers to plan training. Under each heading are examples of the activities in which students will be expected to gain experience.

BASIC	CORE	SUPPLEMENTARY
1a Preparing and maintaining accounting records	2a Preparation of management accounts	3a Financial strategy
1b Statutory and regulatory reporting	2b Planning, budgeting and forecasting	3b Corporate finance
1c IT desktop skills	2c Management reporting for decision making	3c Treasury management
1d Systems and procedure development	2d Product and service costing	3d Taxation
	2e Information management	3e Business evaluation and appraisal
	2f Project appraisal	3f Business strategy
	2g Project management	3g External relationships
	2h Working capital control	

These revised practical experience requirements have been developed in recognition of the fact that students are unlikely to be able to gain experience in every area. Instead, they will be expected to gain a broad balance of experience across the three different areas.

A minimum of three years relevant experience must be gained before applying for membership.

The current 'Record of Practical Experience' (RPE) is being replaced by a 'Career Profile' (a structured form of curriculum vitae), that will provide a more flexible method for recording experience.

■ *Interactive Learning For Students*

CIMA's analysis and design for the revised qualification did not stop at structure and content, but extended to consider the methodologies for learning and assessment. The desire to apply the new information and communication technologies to support interactive learning for students has been realized, with the publication in June of the CIMA Study Systems. Access to high-quality interactive learning materials will be dramatically improved for students, particularly those in the more remote locations around the world.

Similarly, 'assessment on demand' will be offered for Foundation level subjects - a wholly computer-based assessment system that will be available to students through both 'CIMA Approved Assessment Centres' within colleges, and in the work place at employer organizations around the globe. As the technology becomes more sophisticated, the application of flexible computer-based assessment will extend and migrate upwards to all levels of the syllabus.

LOOKING AHEAD TO 2008: CIPFA AND THE PROFESSION IN THE GOVERNMENT SECTOR

CIPFA*

Synopsis

1. Introduction
2. Looking Ahead: CIPFA in 2008
 - The Changing Shape of Society and the World of Work
 - Introduction
 - Consumerism
 - Globalization
 - Technology
 - Changing Work Patterns
 - Changes in Higher Education
 - The Shape of the Public Services
 - The Changing Nature of Financial Management
 - The Evolving Nature of Professionalism
 - Governance
 - Summary
 - The Implications for Accountants and CIPFA
 - Introduction
 - The Changing Nature of the Accountancy Profession
 - The Demand for Accountants
 - How can Accountants adapt to the New Environment?
 - How can CIPFA adapt to the New Environment?
 - Conclusions
 - Endnotes
3. Addressing a Changing Future
4. Conclusion

*This paper was submitted on behalf of CIPFA in December 1997 by Carole Hicks, Finance and Policy Manager.

1. INTRODUCTION

The Chartered Institute of Public Finance & Accountancy (CIPFA) is one of the leading professional accountancy bodies in the UK and the only one that specializes in the public services. It is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. Uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government.

CIPFA's members work (often at the most senior level) in public service bodies, in the national audit agencies and major accountancy firms. They are respected throughout for their high technical and ethical standards and professional integrity. CIPFA also provides a range of high quality advisory, information, and training and consultancy services to public service organizations.

As such, CIPFA is the leading independent commentator on managing and accounting for public money.

Over the ten years from 1987 to 1997 CIPFA's active UK membership has grown from 7,621 to 10,147: a growth of 33%. In terms of where its members work, CIPFA's representation in each sector is summarized below:

	Jan 1987		Jan 1997	
	No.	%	No.	%
Local government	4,911	64	4,985	49
Health	580	8	1,395	14
National audit	564	7	1,040	10
Central government	124	2	267	3
Housing	45	1	123	1
Education	254	3	420	4
Utilities	570	7	222	2
Other public sector	156	2	290	3
Private sector/individuals	417	6	1,405	14
Total Employment (UK)	7,621	100	10,147	100

In December 1997 the Institute published a discussion paper entitled *Looking Ahead: CIPFA in 2008*. This reflected the work of a 'futures' working group chaired by John Scotford (formerly Hampshire County Council's Finance Director). It is reproduced in Part 2 below.

2. LOOKING AHEAD: CIPFA IN 2008

Introduction

This discussion paper sets out the analysis and conclusions from a report prepared for the CIPFA Council by a working party established by the Management Committee in February 1997 to envision the changes in the shape of society and the world of work that are likely to occur over the next decade, and their implications for CIPFA, as an organisation, and its individual members.

The working party comprised:

John Scotford – Past President (Chairman)	
Mike Collier – Past President	
Frank Hailstones – Partner, Price Waterhouse	
David Hallows – Chairman, Education and Training Committee	
Clive Holtham – Professor of Information Management, City University Business School	
Chris Hurford – Chairman, Professional Affairs Committee	
Roger Tabor – Chairman, Technical Committee	
Anna Green	} Policy and Technical Directorate
Martin Evans	

The year 2008 is not far away and, although making predictions about what the future holds is never an easy task when a 10 year time horizon is being considered, it is safe to assume that most of the seeds of significant change have already been sown, and indeed may already be making shoots.

The working party that put together the report recognized that, like any organisation, CIPFA must anticipate these likely changes and plan positively for them to secure its future wellbeing and that of its members.

The report was necessarily impressionistic, based as it was on the working party's members' own views and feelings about the future. The working party did not commission specific research to obtain hard information about likely future trends or canvass views outside the working party, so this paper should be read in that light.

The paper firstly looks at the changing shape of society and the world of work. It then goes on to consider how accountants will fit into this new world and looks at the implications for the individual accountant and for CIPFA itself.

CIPFA's objective in publishing this paper is to draw the working party's work to the attention of a wider audience and in particular to stimulate and inform debate within its membership about CIPFA's future development.

The Changing Shape Of Society And The World Of Work

Introduction

All organizations are affected by the nature of the society within which they operate and by the political and economic climate that prevails.

The 1980s has been characterized as the decade of the acquisitive individual, which emphasized conspicuous consumption at the expense of traditional social values. Some have suggested that the 1990s will come to be seen as a more 'caring' decade, but what will be the prevailing culture at the start of the new Millennium?

The tone set by the new Government in the general election campaign and during its first months in office indicates a communitarian belief in the role of the individual as a member of society. Individual rights are coupled with responsibilities towards others and everyone has a stake in society.

The rhetoric of government has also changed, with a renewed emphasis on 'public service' implying a more positive approach to the public sector generally, which potentially augurs well for CIPFA. (Although it is a paradox that CIPFA has experienced its greatest period of growth when the ideal of public services and the public sector were under the most severe challenge.)

Consumerism

The customer-oriented approach reflected in the new public management is based, at least in part, on a recognition that the public now expects, and will continue to expect, ever higher standards in all aspects of life. Not only does the public demand that politicians and public servants behave with propriety it also expects to receive high quality, good value products and services across both the private and public sectors.

The focus on the citizen as consumer first made explicit in John Major's Citizen's Charter looks set to continue – for example hospital league tables are to be extended with an emphasis on clinical performance, performance in schools is to be more closely monitored and a regime of best value based on published performance information is to be introduced for all local government services. The emphasis on enhanced accountability that these initiatives imply is set to continue.

The public is now far more aware of its rights and is prepared to ensure that they are exercised and fulfilled. This trend is likely to continue with the very real possibility that, as in the USA, citizens increasingly will use the legal apparatus and regulatory frameworks available to them to obtain redress or affirm their rights.

It is likely that between now and 2008 the trend towards greater involvement of the public in the way organizations are run will continue and that expectations about the performance of these organizations will rise still further. As a result issues of corporate governance, accountability, propriety and standards will remain high on the agenda. Linked to this will be an expectation that organizations will be open and accessible, that their dealings will be transparent and that the information they produce will be tailored to meet their stakeholders' needs.

There is also likely to be a growing interest in environmental and other major social issues that cut across organizational and even national boundaries and an increasing awareness that organizations must work together to solve problems in cost-effective and socially responsible ways.

Globalization

Operating across international boundaries is likely to gain momentum as barriers to trade disappear as a result of international agreements such as GATT and under continuing pressure from such organizations as the North American Free Trade Association and the World Trade Organisation. This trend will affect the private sector and public services alike – already there are healthcare providers and utilities operating on an international basis, and, over the next ten years, the number and range of services in which the same approach is adopted is likely to increase significantly.

This will be made possible by advances in technology, the extent and spread of deregulation and the tendency for countries to adopt similar approaches to the management and provision of services. In particular, the purchaser/provider approach is likely to be widespread by 2008 and other ‘good’ ideas will leap more readily across the public/private sector divide. OECD countries are also pursuing common public management reform agendas.

With deregulation becoming the norm, a truly global market place will be a reality from which the UK as a relatively open society will be able to benefit. As this trend gathers pace supra-national decision making forums such as the EU are likely to gain power relative to national governments. Developments within Europe will themselves pose new challenges and opportunities over the next decade, with potentially profound implications for the UK’s domestic political economy. We are also likely to see more international groupings such as the Earth Summit established to focus on particular issues.

At the same time, within the UK, there will be a dilution of South East-based central government power as responsibilities are devolved to Scotland, Wales and the regions. This will itself weaken further the significance of the UK’s national boundaries.

At an organizational level, we should expect to see an increase in the proportion of companies organized on a global basis and operating across traditional boundaries. As the pressures of competition increase there will also be a trend towards establishing strategic alliances to gain economies of scale and achieve ever-greater efficiencies.

For the professional accountant one very practical effect of these trends is the drive to harmonization of accounting, auditing and ethical standards, in response to the globalization of both capital markets and the major auditing practices. The ‘internationalization’ of professional standards may sideline national standard-setters and further diminish the role of professional bodies in defining the professional standards their members are required to adopt.

Technology

A key factor which facilitates the globalization of economic activity is the availability of information and communications technology. IT has made the world a much smaller place and advances in its capabilities are unstoppable. Technology has advanced significantly over the past ten years and changes between now and 2008 are likely to be even more dramatic.

IT has revolutionized both the way we work and the way we live and will continue to be a defining influence over the next decade. Organizations will be able to adopt any structure they desire and, should they choose, will be able to operate from locations dispersed around the world. Already

organizations are outsourcing activities to low cost countries thanks to the reliability and availability of IT – for example, British Airways' accounting functions are being relocated to India.

Apart from altering the nature of organizations, IT will continue to 'take over' more and more routine (and not so routine) tasks which will mean that, at the lower levels of an organisation, there will be less need for clerical, junior and technical staff. The way in which information is accessed and gathered will also be revolutionized by the Internet – it is predicted that, even by the year 2000, the number of users will have increased from 60 million to around 450 million. These two influences will result in the traditional pyramid structure within organizations being replaced by a diamond, with the emphasis shifting towards acquiring middle level managers who are able to analyze and interpret the information generated by IT – information management will be a key skill.

Although the most advanced IT systems will not be available to all for reasons of cost, even the more basic technology already has the capacity to affect dramatically our working patterns. By 2008 all organizations will be able to benefit from the greater flexibility IT provides. The more user-friendly nature of technology, with touch screens and voice-based systems, will also mean that technophobia should become a thing of the past.

Of course there will still be problems of security and, where a 'virtual' organizational structure is adopted (with all staff working independently of one another with little social contact), there will be new dangers of staff isolation and lack of motivation.

Changing work patterns

As far as the way we work is concerned, there are three key trends which are likely to continue and gather pace over the next ten years. Firstly, traditional job security will no longer be the norm – employers will increasingly take on staff to fulfil a particular task or provide a particular skill. They will effectively become consumers of a range of products that are offered by workers and will use a range of tenures, including fixed and short term contracts, to satisfy their needs. People will be recruited on the basis of the skills and competencies they possess and for the value they can add to the organisation.

This will mean that potential employees will need to build up a portfolio of skills and an ability to apply them in practice. A paper qualification will no longer be sufficient in itself to secure permanent employment. As a result, for many, the relationship between employers and employees will change – where employers appoint people on a shorter term basis to fulfil a particular need, employees will inevitably feel their primary loyalty is to their own careers. Others, in organizations where intellectual capital and the need for continuous experience is valued, will continue to have career prospects within a single employer.

The second key trend centres on employee flexibility. In part this links to the role of IT which means that people who work for the same organisation no longer need to be physically close to each other. Teleworking and home working are already a reality in many organizations and are likely to become more widespread over the next ten years.

There is also likely to be greater flexibility for employees in working patterns – part-time work will continue to grow in popularity and secondments, job shares or partnership arrangements are also likely to increase.

The third factor likely to affect our working patterns is the longevity of the population. For some this will mean that they are able to secure, through pension rights, an acceptable standard of living at a relatively early point in their lifespan. Many of them will feel inclined to continue working for a lower level of earned income, doing work which interests them and which uses their accumulated skills and experience: a second 'portfolio' career. Others, who have not been able to build up adequate continuous pensionable employment, will have to work longer to secure an acceptable standard of living in their old age, perhaps past the current normal level of retirement. They will then find themselves competing with those pursuing second 'portfolio' careers for whom pay may be a secondary issue. All of this could lead to a very competitive market in some areas and emphasizes again the need for a constant updating of skills in order to secure job contracts.

Changes in higher education

The report of the National Committee of Inquiry into Higher Education (the Dearing Committee), *Higher Education in a Learning Society*, observed that the general trend across the developed world over the past 35 years has been for increasing participation in higher education. This trend is set to continue. In the UK there was particularly rapid growth in participation in higher education in the period 1988 to 1993 and now one young person in three enters full time higher education straight from school (compared with 1:18 in the early 1960s). Forecasts suggest that if current patterns of participation continue, 50% of today's school leavers will experience higher education at some time in their lives.

The report pointed out that, subject to funding and capacity constraints, the number of entrants to full-time first degree and sub-degree programs could rise significantly in response to demographic and social changes, concluding that 'the returns will be such as to stimulate continuing significant demand from young people for full-time initial higher education' and that 'a participation rate of 45% is achievable over the next 20 years'.

The report also projected an increase in demand from those who already have a higher education qualification but want to update their skills and knowledge in higher education. In its evidence to the Committee, the Committee of Vice-Chancellors and Principals (CVCP) noted that this category 'could grow at a much faster rate as a consequence of the need for lifelong learning and continuing personal and professional development'. The report concluded that there is scope for an increase in employer usage of higher education to meet requirements for continuing professional development, including tailor-made courses and company sponsorship of employees.

In summary, the Committee concluded that 'in the longer term, demand for higher education in the UK from the economy and individuals for initial qualifications and lifelong learning is likely to be higher than it is today' and, therefore, that 'higher education will shape individual lives, the economy and society'.

Increasing participation in higher and further education will have profound implications both in terms of the skills of the workforce generally (and, in particular among those looking to join the traditional professions) and individuals' expectations of what they should derive from 'work' and/or a 'career'.

For some, readier access to higher education will provide the opportunity to acquire a portfolio of qualifications through their adult life. Together with the development of national vocational qualifications (NVQs), this trend may undermine the perceived need for, and thereby the status of, traditional professional qualifications. For those who hold professional qualifications there will be

both opportunities for, and indeed – given the pace of change and the needs of employers – an expectation that, individuals will both maintain and augment their knowledge and skills through continuing professional development. Lifelong learning will be an accepted part of working life for both organizations and individuals.

Furthermore, one specific recommendation of the Dearing Committee was that students (and their families) should bear a higher proportion of the costs of their higher education. This recommendation has already been accepted by the Government. The fact that future generations of graduates face the prospect of joining the workforce with potentially significant amounts of personal debt will inevitably affect students' approach to and demands of the education process itself and, subsequently influence graduates' career choices and their attitude to the world of work, with implications for employers and the professions.

The shape of the public services

Over the past twenty years the differences between the public services and private sector have gradually been eroded as a result of developments such as compulsory competitive tendering, the creation of the purchaser/provider split and discrete business units within internal markets and the introduction of a more 'commercial' style of management generally, all characterized as the 'new public management'. It is unlikely that this process will be reversed so that, by 2008, the distinction between the two sectors may be further blurred.

Nevertheless, the essential differences between the public and private sectors will remain and there will be a continuing need for financial managers and accountants who understand, and can cope successfully with, the special and distinctive problems and pressures involved in working in an essentially 'political' environment, with its emphasis on probity, propriety and regularity and on accountability for process as much as for outputs.

Whilst the rhetoric of the new Government suggests that the role of public services, and in particular local government, may be strengthened in some limited respects, it is unlikely, given the continuing constraints on public spending, that there will be a dramatic increase in their coverage over the next ten years. Instead, the emphasis is set to shift towards obtaining 'best value' from the activities they already carry out.

In line with this need to achieve best value it is likely that externalization will continue; that partnership working with other public services, voluntary agencies and the private sector will become more prevalent; that the purchaser/provider approach to service delivery will become entrenched; and that public services generally will become more customer-focused.

Public services will be affected particularly by consumerism and the likelihood that members of the public will be more assertive when it comes to exercising their rights. In particular, fear of litigation may constrain the freedom with which health and social care professionals operate.

The development of a more 'commercial' style of management and service delivery and the rising expectations of consumers may be reconciled by the development of a new form of public sector regulation, based on the review and reporting of performance in the wider sense, in place of the traditional, more rule-based systems of bureaucratic control. Thus the rise of the public sector regulator to 'police' more broadly-based frameworks designed to ensure the delivery of high quality, value for money services that meet the needs of consumers may be the key development over the next decade and this will have significant implications for the sorts of skills that accountants, whether

employed as financial managers or as auditors (internal or external), will need to develop and demonstrate in practice.

In terms of culture, public services will be more open organizations which, like their private sector counterparts, will need to be flexible enough to respond to change; able to learn from others and be more aware of the need to value and nurture their own intellectual capacity. The trend will be away from departmental structures towards a cross-functional, inter-disciplinary style of working which values creativity and motivation as much as, if not more than, narrow technical and professional skills.

The emphasis will be on managing through performance and breaking down old barriers between professions. The successful public service body in 2008 will be a 'learning organisation' that thinks strategically and can, as a result, anticipate change and prepare for it.

The changing nature of financial management

The nature of financial management in the public services has changed radically over the last fifteen years or so, and these changes are likely both to become entrenched and to develop further over the next decade. Responsibility for financial management has now largely been devolved to service managers – to the extent that the concept of a 'non-financial manager' is now widely recognized as a contradiction in terms. That trend will not be reversed over the next decade and, indeed, the development of new user-friendly, more powerful IT tools will mean that the new breed of service manager will be both much more self confident and much more demanding in terms of the services provided by professional accountants. Public services will also have to develop, and become more sophisticated in applying in practice, new skills in managing outsourced financial management functions and building long term relationships with facilities management suppliers.

The widespread application of the 'balanced scorecard' concept of reporting organizational performance means that finance will become simply one of a number of key measures in reporting and evaluating organizational performance. Nevertheless, finance will continue to be a key, if not dominant, element in organizations' strategic planning process, and accountants and financial managers will be expected to make an effective contribution to the development and delivery of strategic plans designed to achieve organizational objectives. There is likely to be a greater emphasis on forward looking financial information and forecasting, as opposed to backward looking financial reporting, a trend likely to be reinforced by the growing use of expert systems which will be capable of capturing and modeling the financial and non-financial activities and transactions of the organisation as an economic entity.

The evolving nature of professionalism

The historical roots of the professions rest on an agreement between society and the practitioners of a defined discipline – whether accountancy, medicine or the law – whereby society gives those 'professionals' certain privileges – to regulate entry to the profession and the conduct of their own affairs – in return for recognition of certain obligations to act in the public interest (a similar relationship also exists between the professional body and the individual member, who exchanges certain obligations for the privilege to conduct his/her business as a professional).

Professional activities are unusual in that users are not always in a position to assess the quality of the service which they receive. The regulation of quality cannot, therefore, be left solely to the marketplace. This, in turn, creates an important role for the professional bodies in advancing the

standards of work in the public interest. In so doing, the bodies also help to maintain the reputation of the profession, to the benefit of all their individual members.

However, the principle of professional self-regulation – the right of professional bodies to conduct their own affairs, to define entry standards, to set professional standards (both technical and ethical) and to discipline members who do not comply with those standards – has progressively been eroded.

Today, the public tends to be skeptical of all professionals and much more questioning of received wisdom. A less trusting and deferential, more consumer-oriented society is less ready to accept the historical privileges accorded to professional bodies, which are seen increasingly as self-serving trade associations. The professional, whether an accountant, doctor or lawyer, is no longer automatically deemed to know best and there is a much greater propensity to challenge professional judgement and performance. Professionals generally have to account for and justify themselves and their actions much more today than in the past and a professional qualification is seen as a sign of competence rather than quality. What the profession might regard as 'informed commentary' or 'educating the public' tends to be perceived as special pleading by a privileged group seeking to maintain its privileges. The bodies need to be aware of who their stakeholders are and of their needs.

The tendency to erode – through statute and regulation – the principle of self-regulation will therefore inevitably gather pace.

Governance

At the same time that the public has become more skeptical and questioning of professionals in general there has been a steady growth in the level of concern about standards of governance of organizations both in the private and public sectors.

This concern was first crystallized in the Cadbury Report which laid stress on the individual and corporate responsibilities of the managers of businesses and their accountability to their key stakeholders, placing emphasis on the three fundamental principles of openness, integrity and accountability, reflected in transparent financial reporting and effective internal control. In the public services these themes have been developed by the Nolan Committee which reaffirmed the traditional ethos and values of public service and their emphasis on propriety and regularity.

The immediate results of this emphasis on standards of governance is a renewed interest in getting the basics right – returning to more 'conservative' financial reporting; having effective internal controls; developing a systematic approach to risk management; establishing effective audit and remuneration committees and generally showing stakeholders that an organisation is being run effectively. Over the next ten years, this trend is likely to continue and, as a result, the role of audit is likely to strengthen and broaden.

In addition the breakdowns which have given rise to the concerns about governance have highlighted the need for new mechanisms of control appropriate to the new and emerging range of financial techniques and instruments, the implications of which have yet to be properly understood.

Linked to this is an expectation that finance directors themselves, in taking on a wider corporate, managerial role, should not neglect their traditional finance specialism. Again, this attitude is likely to continue well into the next century.

Summary

The key changes that are likely to take place over the next decade are summarized in the following table. The next section looks at what they will mean for the accountancy profession, for accountants as individuals and for CIPFA itself.

Table: Summary of Anticipated Key Changes over the Next Decade

Consumerism	<ul style="list-style-type: none"> ▪ greater expectations/higher standards ▪ expectations of enhanced accountability ▪ greater awareness of rights ▪ growing interest in social issues ▪ need to satisfy stakeholders' requirements
Globalization	<ul style="list-style-type: none"> ▪ deregulation ▪ common approaches to service provision ▪ devolved structures ▪ organizations operating and competing across boundaries ▪ internationalization of professional standards
Technology	<ul style="list-style-type: none"> ▪ making the world a smaller place ▪ virtual organizations ▪ replacing staff ▪ information management is key
Changing work patterns	<ul style="list-style-type: none"> ▪ traditional job security no longer the norm (change in employer/employee relationship) ▪ flexibility in working patterns ▪ development of second 'portfolio' careers supported by pension
Changes in higher education	<ul style="list-style-type: none"> ▪ higher participation rates ▪ lifelong learning ▪ changes in attitude
Shape of the public services	<ul style="list-style-type: none"> ▪ further erosion of public/private divide ▪ emphasis on best value ▪ more partnership working ▪ development of new styles of regulation ▪ more open and flexible
Changing nature of financial management	<ul style="list-style-type: none"> ▪ devolution to service managers ▪ outsourcing financial management functions ▪ the balanced scorecard: 'finance' in its place ▪ emphasis on forward-looking financial advice
Evolving nature of professionalism	<ul style="list-style-type: none"> ▪ public skepticism ▪ increasing need to satisfy stakeholder needs ▪ erosion of self regulation
Governance	<ul style="list-style-type: none"> ▪ emphasis on governance and standards ▪ emphasis on risk management and internal control ▪ broader/wider role for audit ▪ reaffirmation of traditional role of finance directors

THE IMPLICATIONS FOR ACCOUNTANTS AND CIPFA

Introduction

The changing shape of society and the world of work over the next decade suggests that the role of accountants will continue to change and develop. The skills of professional accountants will need to be upgraded in response to these changes. In particular, there will not be such a demand for 'basic' accountants performing routine technical tasks, as technology will increasingly replace these activities. Instead the need will be for more flexible financial managers with the skills necessary to analyze and draw conclusions from the information provided by IT.

The continuing emphasis on high standards of governance and probity and the need to satisfy stakeholder requirements also have implications for the type of work accountants will be expected to do.

The changing nature of the accountancy profession

In international terms, the UK accountancy profession is unique, by virtue of its:

- size – with over 200,000 accountants the UK has a higher ratio than any other country;
- influence (arguably) – in the extent to which accounting and related financial disciplines dominates business processes and decision-making
- diversity – the six bodies which comprise the profession have different specialisms and values.

However, the diversity of the UK accounting profession, which arguably has been its strength over the years, is also a weakness. Underlying the relationship between the bodies is the crude economic fact that they are in direct competition with each other for students, members and influence.

Over the years, the professional accountancy bodies have taken on – in response to public pressures – an expanded role in regulating their members, through the setting of technical or ethical standards, monitoring their professional conduct and disciplining them where they fall short of defined standards. At the same time, members of the bodies are looking for more and more services, in the form of practical support, technical guidance and advice, and lobbying on their behalf. The costs of regulation and member support are rising rapidly, generating pressures to increase revenue by 'growing' the membership base. Hence the competition for students – the future lifeblood of the accountancy bodies.

Competitive pressures have blighted attempts to rationalize the profession. Although the most logical – perhaps appropriate – response to the pressures facing the profession is some form of rationalization, there is no prospect of mergers between the bodies, either now or in the foreseeable future. Whilst the proliferation of accountancy bodies in the UK may confuse the users of accountants' services and frustrate those in government who have to deal with a fragmented profession, there is no apparent prospect of any serious external pressure being applied to rationalize the existing structure. Nevertheless, the bodies will need to explore and develop new forms of co-operation and harmonization if they are to respond effectively to the external pressures they face individually and collectively.

The competition between the bodies has given rise to a curious paradox, in that the professions, in their Victorian origins, were established to regulate (ie, at its most basic, restrict entry to) a particular trade, yet the position has now developed whereby the bodies are doing all they can to increase the numbers of students they register and the numbers of their members.

Reflecting the general trend towards the erosion of professional self-regulation, significant elements of the work of large numbers of professional accountants – at least those who work in private practice – are now subject to statutory regulation: investment business under the Financial Services Act 1986, insolvency practice under the Insolvency Act 1986, and auditing under the Companies Act 1989. Even the education and training requirements for company auditors are prescribed in statute and regulation, while the bodies' ethical guidelines are subject to review under the Restrictive Trade Practices Act 1976.

The fact that the accountancy bodies have increasingly taken on the role of regulator of their own members in key areas of their professional work, in effect on behalf of government, has also created tensions within the bodies. This new role appears to conflict with their traditional role of 'members' friend', representing their members' professional interests.

In response to public concerns the accountancy bodies have adopted proposals for an independent Review Board to oversee their regulatory and disciplinary arrangements and to consider and review the extent to which those arrangements serve the public interest.

The creation of the Review Board will itself add to the escalating costs of regulation to be borne by the profession, which may exacerbate the internal tensions between the bodies and their members and competition between the bodies for new members. Paradoxically, it will also exert a powerful influence towards convergence on standards and processes, by highlighting unjustifiable differences between the bodies, and thus reinforce the external pressures towards rationalization. Quite clearly, therefore, it will have significant practical implications for the professional accountancy bodies.

The demand for accountants

The ICAEW, in its consultation paper *Added Value Professionals: Chartered Accountants in 2005*, concluded that by 2005 there is a risk that there will be an over-supply of accountants, in terms of jobs in accountancy itself. The ICAEW expects market forces to work to correct this surplus. For audit jobs the picture was rosier – the report predicted that, although there would be competition from new sources there will also be opportunities for diversification, particularly in relation to internal audit and assurance reporting. This reflects the continuing emphasis on governance and internal control over the coming decade which will also apply across the public services.

CIPFA's own data, collected across the public services, suggests that the overall market for accountants in the public services may be reducing. This is partly as a result of advances in technology, partly due to outsourcing of financial management and accounting functions and partly due to the increasing ability of other professionals, as a result of developments in IT, to carry out at least part of an accountant's traditional role. It is also a reflection of the fact that, with tough public expenditure constraints, training tends to be accorded a lower priority.

CIPFA is meeting challenges from the other CCAB members, as the public/private divide blurs and their skills are being marketed as more relevant and attractive. However, the profession as a whole faces challenges from:

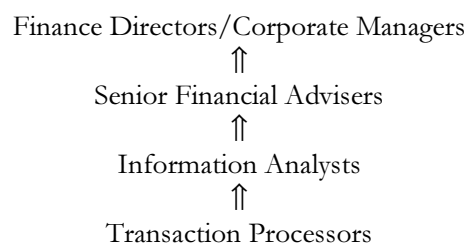
- holders of MBAs and HNDs – who will be well equipped for senior management roles, although the lack of emphasis on monitoring and control skills means that they are unlikely to supplant accountants at lower levels
- business studies graduates – between 1988/89 and 1992/93 the number of full time undergraduates studying ‘business and finance’ related subjects has grown by 67% from around 70,000 to 117,000. The HEFCE forecasts that by 1999/2000 there will be around 125,000 ‘business and management’ students
- AATs – at present there are 44,000 AAT students in the UK (including just under 9,000 in the public services) who are well qualified to carry out basic accountancy functions and of which around 25% will go on to complete a professional accountancy qualification
- holders of specialist technical qualifications, such as in internal audit (IIA) or treasury management (ACT), who can offer specific and more narrowly focused sets of skills in particular functions.

In addition to the challenges it faces from those holding specific academic or para-professional qualifications, the profession arguably also faces challenges from service and other managers who have developed relevant skill sets enabling them, through the power of IT, to retrieve and analyze information, both financial and non-financial, which will be the key to organizational success in the future.

The danger is that an over-supply of professional accountants will lead to a gradual decline in the status of the accountancy profession, particularly if the skills of other professionals are seen to match better the requirements of senior jobs. Ultimately such a decline could result in professional accountants being seen as technical specialists rather than as potential senior managers.

In thinking about these issues, it is possible to construct a simple model of the finance function of the future. The model on which this paper is based has four levels, ranging from the finance director/corporate finance manager at the top to transaction processors at the bottom:

Model: Key Financial Functions



In future, it is likely that professional accountants will tend to occupy only the top two levels, whereas in the past it has been quite common for accountants to carry out basic information analysis roles. In future, such lower level roles may be filled by holders of para-professional qualifications or managers with specific skills, both on grounds of cost – as accountants can be seen as a relatively expensive commodity – and in response to the changes already described.

To adapt to these changes it is essential that professional accountants are seen to offer more than technical skills. They must also be viewed as strategic thinkers whose disciplined approach to problem-solving and information analysis, and understanding of management processes makes them

invaluable members of any management team. Generally accountants need to be high calibre individuals who not only understand and can deal with technical accounting issues but also have a wider understanding and the skills to engage with general management and policy-making processes at a senior level. In short, they need to be ‘corporate professionals’.

How can accountants adapt to the new environment?

In the new millennium successful accountants will need to possess a range of skills and competencies which build on, but are not constrained by, their professional training.

The most significant change is already underway as technology takes over the more routine technical tasks that accountants have traditionally carried out. As a result there will no longer be as great a need for accountants to advise on basic bookkeeping, budgeting or forecasting.

Instead the emphasis will shift to being able to add value by using, understanding and analyzing the information generated by IT to support decision-making. This in turn places greater importance on the ability of an accountant to communicate effectively at all levels. The accountant’s mission must in future be to understand and explain!

As well as providing a decision support capability accountants and auditors will continue to play an increasing role in the analysis of risk; the establishment and maintenance of effective systems of managerial and organizational control; the enforcement of corporate governance standards and the fulfilling of regulatory roles. This ties in with the increasing emphasis on satisfying stakeholder needs and the general need for assurance reporting, and is likely to lead to both a broadening and strengthening of audit activity

For those accountants who want to be specialists in a particular area, such as internal audit or treasury management, opportunities will still exist, but even here it will not be enough simply to be qualified – skills and knowledge will need to be updated and maintained continually.

The key to success will be up-to-date skills, a commitment to lifetime learning and a focus on outcomes rather than historical data. The professional qualification will increasingly be regarded as a starting point rather than the ultimate goal and accountants will need to be flexible and maintain learning, both individually and organizationally, in order to stay ahead of the game.

The skills that accountants will need to demonstrate will focus far more on the ‘softer’ management skills. In particular they will need to be able to:

- think creatively
- innovate
- show entrepreneurial flair
- develop a ‘corporate professionalism’
 - looking at issues from a broader perspective (ie not just financial)
 - being aware of and responding to an organization’s culture
- build teams
- negotiate
- develop partnerships, within and between organizations
- solve problems
- communicate effectively at all levels
- have the ability to analyze and explain complex financial data.

At a personal level accountants will have to:

- show integrity
- market themselves and their abilities
- be willing to move between jobs/employment/sectors/locations to further their career
- pay more attention to establishing and achieving goals
- develop networks of contacts
- learn new skills and improve old ones
- learn to be influential
- have broader horizons.

Above all accountants will have consistently to add real value to the organizations they work for and actively demonstrate the worth of their training, experience and skills.

How can CIPFA adapt to the new environment ?

CIPFA's unique selling proposition is its public services expertise and the emphasis within the qualification on general financial management skills, particularly in the case study and project. The qualification covers all key technical areas and is based on a high quality program which produces rounded financial managers rather than bookkeepers. Thus, the overall combination of skills acquired by CPFAs can be regarded as significantly greater than the sum of the component parts.

In combining formal academic study and practical work experience, the CIPFA qualification already goes some way towards equipping its students with the skills they will need to be successful at the start of the next century. However, the emphasis is rather more on acquiring technical competence than on personal development.

As the expectations of new members rise in line with consumers generally, they are likely to expect more from CIPFA both during their training and after qualification. CIPFA may need to respond to these raised expectations by offering a portfolio of products to support its students and members.

At a student level the emphasis on acquiring technical skills needs to be supplemented by a greater focus on the 'softer' management skills and an early emphasis on how to learn. This would then foster a positive attitude towards lifelong learning and ensure that, on qualification, CPFAs are competent both technically and on an interpersonal level.

From qualified CPFAs the demand is likely to be for access to further learning experiences. In particular, there is likely to be a higher demand for training in management skills, which could be provided by specialists in the relevant field, with CIPFA acting as the facilitator and adviser. CIPFA could take steps to actively encourage and stimulate this demand by making clear to members that unless they continue to develop the range and depth of their skills after qualification they risk losing out to other better equipped professionals.

Higher expectations will work both ways and it may be that, as with the Law Society and other professions, CPD should become compulsory so that CIPFA as a professional body can have confidence in the 'quality' and currency of its members' skills. Linked to this, and bearing in mind the enhanced expectations of consumers both in terms of ethics and competence, a practicing certificate for members working in private practice could be developed.

As working patterns change and opportunities open up across the globe, CIPFA's members are likely to need more support with their career management strategies. CIPFA is well placed to provide this support and as a starting point, could analyze the skills needed for different types and levels of job and provide practical tips and suggestions on how to acquire any learning experiences that are lacking.

In considering these issues, it is important that CIPFA should not only be reactive in responding to the challenges of the next decade, but should also be proactive and attempt to shape the future and seize the opportunities it offers. It is important to recognize that a number of the changes identified will present opportunities for CIPFA and its members. The emphasis on performance measurement, non-financial as well as financial, will place a premium on the analytical skills that accountants have traditionally brought to bear. Whilst the developments in IT have provided service managers with powerful tools enabling them to manage their finances, organizations will still need to look 'beyond the spreadsheet' at the bigger picture – the development of more sophisticated, model-based forecasting tools provides an opportunity that professional accountants can and should exploit. Professional accountants also have the skills to advise organizations on the management of risk, in its wider sense, and to help them develop the new forms of information-based relationships that will be so important in an environment where basic financial functions are contracted out.

Conclusions

The key messages from this section of this paper may be summarized as follows:

- the role of accountants and the skills they will need will continue to change and develop over the next decade; the quality of professional accountants will need to be upgraded in response to these changes
- there is no immediate end in sight to the potentially damaging competition between the professional accountancy bodies
- there will be a continued erosion of professional self-regulation, to which the professional accountancy bodies will have to adapt
- within the economy as a whole there may be an over-supply of professional accountants, with implications for both the bodies and their members
- in response to any over-supply of accountants and other specific financial pressures, the number of accountants being trained in the public services may reduce
- CIPFA not only faces competition from the other professional accountancy bodies but, together with them, from holders of other qualifications and those with specific skills
- if accountants are to adapt to the changes foreseen, they need to offer more than technical skills; they need to be 'corporate professionals'
- within the new environment CIPFA members will have to demonstrate that they can 'add value' to their employers, by using, understanding and analyzing information to support decision-making
- CIPFA members will need to develop and maintain up-to-date new skills, and in particular management skills, over the duration of their careers

- CIPFA as an organisation may need to develop a new portfolio of products and services to support its members as they adapt to change, in particular providing access to a range of further learning experiences
- the idea that continuing professional development is an ‘option’ is likely to become untenable
- CIPFA may need to consider offering help to its members specifically to enable them to better manage their careers in a working environment where ‘portfolio’ careers may be the norm
- in addition to responding to the future CIPFA should be proactive and seize the opportunity that the emerging agenda will offer.

3. ADDRESSING A CHANGING FUTURE

The Institute has now revisited the 1997 Report, as input into its Development Strategy for the next three to five years. Some of the issues affecting the public services that appear to have changed since 1997 are examined below.

- **Consumerism** : Focus on the consumer has intensified since 1997, for example the ‘patients first’ emphasis of the health reforms and the emphasis on consultation with citizens that permeates the best value initiative in local government. In central government, public service agreements (PSAs) have placed ‘consumer driven services’ in sharp focus.

Consumers of public services are increasingly expecting a ‘24 x 7’ service availability, and are becoming more accustomed to the concept of the ‘virtual organisation’.

- **Globalization: CIPFA in 2008** anticipated that the purchaser/provider approach would be widespread by 2008 on an international basis. This model has not been taken forward as rapidly as was anticipated, with other service delivery vehicles such as partnerships becoming more prevalent.

The importance of devolution was correctly anticipated by ‘*CIPFA in 2008*’ but the full implications of devolved government are not yet manifest. In particular, the extent to which regionalism in England will become a big issue for public service provision is yet to be determined.

- **Changing Work Patterns**: New employment legislation since 1997 has created tensions by pushing in opposite directions, partly increasing flexibility in working patterns and partly reinforcing the traditional employer/employee relationship.

The Human Rights Act 1998 places wide ranging obligations on employers with respect to the terms and conditions of employees, which do not always harmonize easily with European Union Directives that tend to be detailed and specific in their requirements.

- **The Shape Of Public Services**: To a significant extent, constraints on public spending identified in ‘*CIPFA in 2008*’ have been reversed with, for example, increased public spending on health and education. The drive for value for money or best value continues, bringing issues of performance management to the fore. There is less acceptance that an overtly commercial style of management and thinking can be directly applied to public services.

Two further significant changes have occurred since 1997. Firstly, there has been a massive expansion of public sector regulation and inspection. Secondly, the long game for public services has been openly declared by the present administration through its 'modernizing government' agenda.

The modernizing government agenda is presently manifest in several initiatives:

- emphasis on joined up government and partnership working between the public, private and voluntary sectors
 - a reduced role for local government and an increase in the influence and role of quangos, non-departmental public bodies (NDPBs), regions and the private sector
 - experimentation with cabinets and elected mayors at local government level
 - increased emphasis on corporate governance within public services.
-
- ***Nature Of Financial Management:*** The finance function continues to play an increasing role in the review, scrutiny and performance management of public services. In relative terms, a lesser proportion of financial management time will be devoted to the stewardship function.
 - ***Governance:*** Governance issues across public and private sectors cover much more than accountability through financial reporting. Outcomes, ethics, and environmental considerations are now firmly established on the governance agenda.

4. CONCLUSION

Much of the original analysis in ***'Looking Ahead: CIPFA in 2008'*** remains valid and provides a valuable context for CIPFA's development strategy. The intention is that the paper will be reconsidered and updated on a regular basis.

THE EXPERIENCE OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

C. D. Jackson*

Synopsis

1. Overview
2. Historical Development
3. The Signs of Change
4. Adding Value
5. BCAB Response to 2005 Paper
6. The Faculty of Finance and Management
 - Technical Leadership
 - Member Services
7. The Centre for Business Performance
8. The New ACA
 - Professional Stage
 - Advanced Stage
 - Learning Materials
9. The Business Members' Focus
10. Conclusion

References

* Head of the Faculty of Finance and Management, ICAEW, UK. This paper was submitted on 30 November 2000. The author is grateful to his colleagues at the ICAEW, especially Clive Lewis and Kristin Watson, for their help in researching the content for this paper. He is also grateful to Associate Professor Chris Poullaos of the University of Wollongong, Australia for his input to an earlier version.

1. OVERVIEW

In this article, we discuss the actions the Institute has taken to respond to the changing needs of its business members and the business world. We begin by reviewing the recent history of the Institute, and then look at several studies which identified areas of potential change. We report on the development of The Faculty of Finance and Management, The Business Members' Focus, The Centre for Business Performance and the new qualifying exam syllabus.

2. HISTORICAL DEVELOPMENT

The ICAEW is in the forefront of the world's leading accountancy bodies. In the 1970s, the ICAEW led the development of accounting standards in the UK and pioneered the development of auditing standards.

The excellence of the qualification attracted high calibre applicants. Once gained, the qualification became a passport to senior positions in British industry. As the years passed, more and more ICAEW members moved into industry and now the majority of members are working outside practicing firms of accountants. In 2000, the ICAEW had 54,000 members in business.

The needs of practicing accountants and the public interest are relatively clear. Financial reporting requires accounting standards; capital markets and investors need audits and auditing standards; and the Inland Revenue provides a regular diet of Revenue Law. To be able to practice competently a practitioner must keep up to date. The ICAEW's role in developing standards, and its expertise in these areas enabled it to serve members' technical needs and the public interest.

The needs of business members were less easy to define and deliver and consequently the links between the ICAEW and its business members became weaker. The service to business members until the 1990s consisted principally of the issue of advisory booklets on business topics, including a series of publications from the Management Information Advisory Panel and the Business Support Group.

In 1985, the ICAEW Council decided to find a more structured way of identifying the needs of members and to provide for their needs. A committee recommended the creation of faculties and boards and, as a result, one board — the Board for Chartered Accountants in Business (BCAB) — was established to represent the views of business members, and one faculty — The Faculty of Finance and Management (FFM) — was set up, aimed primarily at business members.

3. THE SIGNS OF CHANGE

From 1985 to 2000 there were a number of studies which, *inter alia*, examined the changing environment and suggested how the Institute should adapt to become more relevant to its business members. The role of boards was to listen to the views of members and represent them to the ICAEW council.

The most important work of the BCAB was a survey and report entitled 'The Changing Role of the Finance Director' (1993). This publication concluded that:

- the finance director has a role of central importance in the management of companies, often second only to that of the chief executive, and the weight of the job in company decision making is tending to increase;

- the job of the finance director is becoming more complex and more demanding, partly because increased competition is creating the need for faster change within companies, and partly because other developments, including changes in corporate governance and accounting regulation, are putting greater weight on the finance director as watchdog and monitor;
- the various pressures on the finance director — helping to promote change within the business, contributing to corporate strategy, playing a larger and more visible monitoring function, and presenting the company to the outside world, particularly the City — are creating some conflicts and tensions, which are reflected in a degree of uncertainty and disagreement about how the role may evolve in the future; that the role is changing, however, finds widespread agreement;
- the broadening of the financial director's role is focusing attention on the appropriate training and experience for the job and, in particular, on the relevance of the traditional accountancy route; accountancy disciplines are widely thought to be still valuable, but they need to be reinforced by other non-financial skills, including general management and market awareness;
- a majority of chartered accountant-trained directors feel that their professional training was adequate (irrespective of age), but a significant minority do not. Given the near-universal agreement about changes in the future, vigilance will be needed to ensure that training remains appropriate; and
- the future for the finance director is seen as a member of an integrated management team, working more closely and in a more 'pro-active' way with other staff and line managers, while retaining a special responsibility for monitoring and control.

4. ADDING VALUE

In 1997 an Institute working party issued the 2005 report examining the future for all chartered accountants ('Added-Value Professionals. Chartered Accountants in 2005. A Consultation Document'). This concluded that the most successful accountants in business will be those who are willing to learn new specialist skills — some of which will be outside the scope of traditional finance and accountancy. They will only reach senior corporate positions by making a major contribution to the strategy and success of their organizations. It expanded on these conclusions.

The number of chartered accountants employed in business has risen steadily over the last 10 years. But there are several factors suggesting that this trend will not continue, for example:

- general pressures to reduce overheads — which will affect the number of reporting lines in all functions, including finance;
- outsourcing of certain types of finance work to accountancy firms and, for high-volume, data-crunching activities, competitors from outside the profession;
- competition for jobs from other parts of the profession;
- competition for jobs from MBA graduates;

- growing corporate demands for staff with relevant experience and broad business skills — which will become more important in winning senior positions than candidates' original qualifications; and
- technology — which will simplify back-office management accounting work, and allow much of the remaining work to be done in low-cost countries. As a result the number of professional accountants employed in management accounting, in its narrow sense, will fall.

The report suggested that the effects of these factors were already being felt: 38% had experienced redundancy over the last 10 years; and, on average, accountants in business now spend only 41% of their time on accountancy work, compared with 51% five years ago.

Another key issue was the growing divergence of the strategic and control functions within business. Historically chartered accountants have enjoyed fast-track careers by straddling the two areas. But the fast track is not an inalienable right and will only continue if accountants can adapt to the new demands.

To claim their place as senior business managers accountants must take a leading role in change management, make a major contribution to corporate strategy, and be highly efficient in their supervisory and monitoring roles. For some this will involve acquiring additional skills — perhaps by studying for an MBA or other specialist qualifications.

Those that stay within the accounting function, especially in large organizations, will find their roles becoming more specialized. But specialist knowledge will not last an entire career - so accountants must be willing to retrain and adapt to new roles to guarantee their long-term employment prospects.

5. BCAB RESPONSE TO 2005 PAPER

The BCAB published a response to the 2005 report, which suggested that accountants in business needed to be:

- able to adapt to changing world markets;
- a strategic business manager;
- the custodian of the business assets; and
- a provider of financial services.

Finance professionals would be team-players providing added value activities for the business, whose value would be increasingly measured by benchmarking activities.

In seeking to ensure that the ICAEW maintained its traditional eminence BCAB proposed that by the year 2005 the ICAEW needed to address the following issues:

- training for the global market: the ICAEW's membership must be able to demonstrate that they are competent to deal in the global market for business and accountancy services;
- post qualification training: ICAEW business members would be required to demonstrate post-qualifications specialisms and the ICAEW must devise qualifications of MBA status for the business market;

- information and communications management: ICAEW business members must be perceived as the experts in information systems and information management;
- products and services delivered by accountants: the ICAEW would enhance its value by assisting its members to provide additional products and services for the business market;
- the marketability of our membership: the ICAEW should demonstrate to the market that its members have the best technical and business skills to provide businesses with added value services from within;
- portfolio careers: the BCAB response predicted that by 2005 many more members than now will develop portfolio careers and this sector would need more professional help from the ICAEW;
- the role of the Institute: In addition to providing member services the ICAEW's value to its members would be to articulate their concerns to other audiences;
- services for members: the ICAEW's member services offering (including pricing policy) need to be more coherent and better marketed to members; and
- a model profession: BCAB called for the development of a more effective model of mutual co-operation between the different accountancy bodies.

The report suggested that the Institute review its qualification, ACA , to ensure that the training reflects the changing needs of business. The value that people attach to the ACA is the result of two factors.

The first is the academic rigour and quality of the syllabus and the second is its relevance in a rapidly evolving business world. To retain and build on the respect the ACA engenders, the ICAEW is prepared constantly to reappraise itself against those criteria ensuring that we meet the exacting standards expected of our profession.

This means ensuring the highest standards of education and training, professional conduct, technical competence and service - the hallmarks of the profession. The modern professional has to be flexible, able to contribute across business issues and prepared to cross the borders between traditional disciplines; to see the big picture as well as understanding the detail; these are all now required of modern business advisers.

The Institute reform program is about being accountable to the needs of the business community and about the need to continue to attract the best students to the profession.

6. THE FACULTY OF FINANCE AND MANAGEMENT

In 1991 the Institute launched The Faculty of Finance and Management (FFM), the third of five faculties. Its purpose was to be primarily a centre for business members' technical needs. The initial plan was for a 'Faculty of Financial Management', but the group that set up the Faculty agreed that members wanted a broader base, one that not only kept them up-to-date in their core financial skills, but also educated them and kept them up-to-date in wider skills, such as marketing, strategy and people management.

This strategy was later to be confirmed by the findings of the reports described above. It was also shown to be the right approach because the Faculty grew from an initial 2,000 members to 10,000 in the year 2000. Membership of the Faculty requires an additional subscription. Other faculties offer services to members with particular specialisms in business, eg taxation, internal audit, IT and corporate finance (the raising of finance).

The work of the FFM falls into two overlapping areas:

Technical leadership

The Institute's 1948 supplemental charter states that one of the principle aims of the Institute is to advance the theory and practice of accounting in all its aspects, including in particular auditing, financial management and taxation. It is a role of the Faculty to fulfil that objective in respect of financial management. This is achieved by:

- identifying leading edge issues through research, high level focus groups and liaison with other leading professional accountancy bodies worldwide;
- active participation in FMAC; and
- writing or commissioning papers on leading edge issues to further debate and disseminate knowledge.

The Faculty plans to undertake a wide ranging review of what is meant in 2001 by the above objective, given that it was written in 1948. The results of this research may open new avenues of activity for the Faculty and perhaps the Institute as a whole.

Member services

The Faculty determined its own prime objective in member services as:

To provide members with the facility to learn and maintain the knowledge and skills needed to be an effective member of, or advisor to, the management team. This is achieved by the provision of the following services:

- Finance & Management: a monthly newsletter containing a range of articles and analysis of current topics, as well as Faculty news and events;
- Management Quarterly: published in association with Cranfield School of Management, this provides a concise summary of much of the basics covered in an MBA including: 'Strategy', 'Human resources management', 'Marketing' and 'Finance';
- Manager Update: a quarterly publication providing a high-level look at the latest management developments and concepts again in 'Strategy', 'Human resources management', 'Marketing' and 'Finance';
- Good Practice Guideline: a more in-depth study of popular management techniques;
- Directory of Expertise: this allows members to discuss technical and practical problems with fellow Faculty members;
- lectures;
- half-day conferences;

- web site: all Faculty output is available online, plus online lectures; and
- audio and video tapes: recordings of Faculty lectures are available to all who cannot attend.

7. THE CENTRE FOR BUSINESS PERFORMANCE

The Centre for Business Performance was formed in 1999 by the ICAEW and has a wide-ranging mission to promote thought leadership in the business and wider community on performance-related issues of immediate and long-term importance, with an emphasis on their financial aspects. Disseminating information through publications, seminars, and conferences, the centre aims to promote corporate performance in key areas and to bring together the business, professional and academic worlds in their consideration of these issues.

Improving performance is today high on the agenda of businesses of all sizes from the largest international corporation to the smallest owner-managed enterprise. The impact of global competition, the market changes brought about by new technology and the quest for increasing returns by shareholders and other stakeholders are all leading to pressure for continually enhanced performance.

Chartered accountants occupy a pivotal role in measuring, managing and reporting on business performance. More than half of the finance directors of the UK's leading listed companies are members of the Institute and many chartered accountants also occupy seats in the boardroom as chairmen, chief executives or non-executive directors. In addition, firms regulated by the Institute act as auditors or advisers to nearly all listed companies. We have a similarly prominent role in helping entrepreneurial businesses to grow. This places the centre in a unique position to be able to supply thought leadership throughout the profession and the wider business community.

The centre's principal themes are:

- developing the world-class business;
- the strategic finance function;
- intellectual capital;
- risk management;
- governance;
- taxation;
- the future shape of corporate reporting and regulation;
- promoting successful entrepreneurship;
- drivers of SME growth;
- barriers to growth including those linked to financing and taxation;
- causes of business failure; and
- ways in which chartered accountants and business advisers generally can assist owner-managed SMEs.

Other subjects include:

- public sector management: the public sector has been transformed over the last 20 years with the reform of the National Health Service, the devolution of budgetary controls to schools, the creation of executive agencies in government and the establishment of the Private Finance

Initiative. Following on from the inaugural lecture of the centre in September 1999 on 'The Public Sector: Is it for the 21st Century', the centre plans further initiatives in this area in 2000 and 2001; and

- the future of the professions: the impact of changes in the market place and the broader business and political environment on the future role of chartered accountants and the wider profession will be kept under review. Many of the principal issues affecting accountancy are the same ones facing many of the other leading professions suggesting the benefits of a multidisciplinary approach to this theme.

8. THE NEW ACA

On 5th September 2000, the ICAEW launched the benchmark qualification for those seeking the most highly respected professional business training the market has to offer, the new ACA.

The qualification contains a variety of new features:

- a 'Professional' stage covering concepts and principles and which ensures core technical content is dealt with at an early stage;
- a revolutionary 'Advanced' stage, which moves away from the dated traditional subject approach and concentrates on business issues. It has two elements: a test of advanced technical competence and a major multidisciplinary business case study; and
- Institute-provided learning materials serving to integrate the content of courses and examinations.

Businesses will benefit because of the strong commercial orientation within the new qualification, which encourages students to apply concepts and principles to different business scenarios, producing well-rounded professionals.

Professional stage

The Professional stage provides students with an understanding of the concepts and principles that underpin accountancy and business. It includes examinations in accounting, financial reporting, audit and assurance, taxation, business finance and business management and devolved assessments in company and commercial law. Completion of the Professional stage leads to a new qualification in its own right, the Professional Accountancy Certificate (PAC). Many students will see the PAC as the first phase of their route towards the full ACA. It will also however appeal to those students who wish to pursue a career in business but do not want to become chartered accountants. They can develop their careers in other directions, in the knowledge that they have something of real value to present to employers.

Advanced stage

The Advanced stage has been completely redesigned to meet the requirements of today's business world, and is based on the following principles:

- study will be driven by business issues;

- there will be a holistic approach by business issue, involving the integration of tax, assurance and risk, and financial and stakeholder reporting; and
- examination study will be relevant to, and build on, workplace experience;

The syllabus will be topic-based and organized as follows: business environment; corporate governance; digital economy and information systems; business strategy; financial strategy; performance measurement; business life-cycle; start-up; corporate restructuring (mergers/acquisitions); corporate recovery; change management; and recent developments and current technical issues.

The Advanced stage assessment will have two components: the Test of Advanced Technical Competence (TATC) and the Advanced Case Study (ACS).

The ACS will assess the whole of the syllabus — all topics and the professional skills of analysis and evaluation — but with an emphasis on the higher skills.

The TATC will assess the knowledge and application of knowledge of technical areas relating to the business environment and life-cycle topics. Recent technical developments will appear in the ACS syllabus, since for many candidates there will be a gap between passing the Professional stage and the TATC and sitting the ACS.

There are also significant practical benefits to the new ACA. An increased emphasis on online resources has been designed to add value to face to face teaching methods without detracting from the crucial training and mentoring provided by experienced accountancy tutors.

Learning materials

For the first time the ICAEW will provide teaching materials as part of a broader thrust towards closer integration of the courses and the examinations. The amount of study leave required has also been cut. This will enable students to spend more time productively applying their learning to real business situations and will encourage smaller firms and TOPP organizations (those training chartered accountants outside public practice) to train chartered accountants. In developing the qualification the ICAEW has consulted widely with those training chartered accountants with just such an aim in mind.

The new ACA retains all that is good in the existing qualification but also takes the evolutionary approach required by ever changing technology. Those starting the new ACA in September will be at the forefront of the business world in 10 years' time. The new qualification will give those who hold it the intellectual tools to be able to adapt to what the future has to offer.

The new qualification is developing in line with the needs of the business community and enhances the competitiveness of the profession. The letters ACA or FCA signal a degree of professional expertise which is unrivalled.

9. THE BUSINESS MEMBERS' FOCUS

The ICAEW Members' Directorate announced to members in May 2000 that it was setting up four 'Focuses' to represent them according to the different ways they work in their own environments. The Focuses – 'Business', 'Practice', 'International' and 'Younger Members' (under 36 years' old) – aim to get closer to what members want by improving two way communication with them.

Comprehensive research had highlighted a need for some organizational change in order to more closely meet the requirements of members. In particular, the research identified the need for more interactions between the Institute and specific groups within the membership. Four implementation groups made up of staff and key volunteers were then set up to establish the areas that needed to be addressed.

The concept is that all members will get the opportunity to get involved with their Focus by participating in various consultation processes. These will be carried out on a continuous basis, using traditional research and electronic methods. They now have the power to be able to tell the Institute what targeted quality services they need and how they would like them delivered. Three new Focus Executives have been recruited for these positions. One Executive will look after the International and Younger members.

Consultation panels will be created to seek members' views and input on specific issues that impact on the Focus(es) that they belong to – they can belong to more than one. This will ensure that the Institute meets their needs and reflects their views in our policies both internally and externally.

Specifically, the Focuses will:

- allow members to directly influence formulation of Institute policy intended to influence government and business;
- enable the Institute to target members with accurate and timely information relevant to them and their particular focus; and
- provide accurate feedback from members to monitor and enhance the services supplied.

There is an extensive program to promote and raise awareness of the Focuses.

10. CONCLUSION

Having identified the need for change in some perceptive research in the early 1990s, the ICAEW has developed:

- the Faculty of Finance and Management;
- the Centre for Business Performance;
- the new ACA; and
- the Business Members' Focus.

These collectively train future business members, serve current business members' technical needs, create an effective dialogue with business members and advance thought leadership. Firm foundations are in place to support the constantly evolving needs of the business world and ICAEW business members.

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A TRANSFORMATION FOR THE U.S. CPA PROFESSION

J. F. Morrow*

Synopsis

1. Background
2. The Defining Trends
3. The New Finance and the Center for Excellence in Financial Management (CEFM)
4. Forces Impacting the CPA Profession
5. The Vision Project
6. The Top Fives – Values, Services, Competencies and Issues for the Profession
7. Top Five Issues of Concern to the Profession
8. Implications for Segments of the Profession
9. Where do we go from here?
10. Enter the XYZ

Endnotes

* J. F. Morrow is Vice President – The New Finance, American Institute of CPAs, New York, USA. This paper was submitted on 31 December, 2000

1. BACKGROUND

The U.S. CPA profession has a long history of independence, objectivity, integrity, high quality, reliability, and trust. In the CPA's traditional markets (financial accounting, auditing, reporting and tax) the CPA has no peer, due in part to the monopoly the profession holds on the auditing function. That monopoly is effectively conferred by the fifty-four boards of accountancy throughout the United States that grant the CPA license in their jurisdiction.

Along with this reputation and service monopoly comes a down side. The CPA is so identified with these traditional functions that the market does not give the CPA permission to go very far beyond the traditional services – that is, the CPA brand is not stretchable. As a result, many CPAs give up the designation by letting their license lapse, or by not making the designation known to those with whom they work – to avoid being pigeon-holed in the traditional services.

However, many CPAs have been able to leverage their background and grow into much more diverse and dynamic roles in their companies and firms. Today, CPAs are advising their companies and clients in areas such as cost management, business valuation, forensic accounting, financial planning and investments. Many have leveraged the core CPA skills even further, into technology, distribution channels management, supply chain management, etc. They are CEOs, CFOs, CIOs, and consultants, working as business partners in the organizations they serve either as employees or outside contractors.

This describes many leading CPAs but regretfully, not the whole U.S. profession or the American Institute of CPAs (AICPA) a short six years ago. At that time the Institute and the profession were in need of leadership and change. But where to begin, and how to make it happen?

Around the same time, AICPA members in business and industry – those that work for a company as opposed to a public accounting firm – became the largest single membership constituency in the AICPA, surpassing the number of members in public practice. However the AICPA remain focused on the historic competencies at which it excelled: financial accounting, auditing, reporting and tax.

2. THE DEFINING TRENDS

Beginning in late 1993, the AICPA's Management Accounting Executive Committee, a committee of volunteer members charged with developing an action plan for the AICPA with respect to its members employed in business and industry, began intense discussion to shed light on the forces driving change in the corporate finance function. These discussions, led by John S. Fisher, CPA, a retired executive of Digital Equipment Corporation (DEC), identified eight trends that seemed to define the demands being placed on CPAs employed in business and industry (hereafter referred to as "CPA in management"). The trends were first exposed to AICPA membership in late 1994.

1. ***Finance has changed*** – The emergence of global markets and innovative business practices has created new demands on finance to manage and measure value, risk and return.
2. ***Decision Support Information is a Crucial Competitive Weapon*** – An acute and growing demand was placed on accountants to supply strategic decision support information as a crucial competitive weapon.
3. ***Technology is an Enabler and Driver of Change*** – Rapid acceptance of desktop and network information technology is both the enabler and driver of change.

4. ***Fundamental Activities are Changing*** – Fundamental and massive changes were taking place in how transaction processing, record keeping and basic financial reporting are accomplished.
5. ***Business Partnering is Our Future*** – There were greatly enhanced expectations regarding the role of finance professionals as overall business leaders and business partners.
6. ***New Enterprises and Management Systems*** – There were dramatic shifts in organization and human behavior systems toward flat management structures with informed, thinking, empowered and accountable workers.
7. ***Professionals Must Reinvent Themselves*** – Almost entirely different professional tools, skills, roles, and behavior were required.
8. ***Heightened Anxiety and Challenge*** – With all of the above change, the crucial issues of accountability, control and governance remain with the accountant.

Seven years later, many of these defining trends as we knew them at the time seem almost trite, though many parts of the world are just beginning to see their emergence. But even now, we see new meaning in each of the trends. For example, where the first trend once pointed to the emergence of global markets and innovative business practices, now we would see the emergence of the “dot coms” and the roller coaster ride that has been their market capitalization with little or no revenue and certainly no bricks and mortar. Technology is no longer confined to the desktop; it has become the basis of enterprise resource planning systems and the internet – to say nothing of the PDA and wireless technologies. Fundamental activities no longer refer to transaction processing and record keeping; now these activities are considered “errors” as companies adopt the culture of continuous improvement and quality initiatives.

Following the identification of the defining trends, and the presentations and discussions that followed, it became more and more clear that the skill set of the CPA in management would later become the skill set of the CPA in public practice. Companies began demanding more *value* from their outside accountants to justify fees charged for routine accounting and auditing. The skill sets of the different segments of the profession were converging!

3. THE NEW FINANCE AND THE CENTER FOR EXCELLENCE IN FINANCIAL MANAGEMENT (CEFM)

The mid-to-late 1990s was a time of great change for the AICPA and still the leadership struggled with how best to engage and serve the CPA in management. The Institute recognized that it must become relevant in the professional lives of these CPAs at the risk of losing the new majority from its membership rolls. Taking its cue from the defining trends, the Industry and Management Accounting Team within the AICPA began to create programs, products and services focused first on CPAs in management. All this started to develop in 1995/6.

The first step was to understand the varied body of knowledge which the CPA in management practices. A scan of this body of knowledge indicated significant breadth incorporating:

Strategic cost management – The concepts and techniques relating to the analysis of financial information. Some specific topics in this area include: activity-based costing, competitive intelligence, just-in-time production systems, cost of capacity, target costing, benchmarking, etc.

Strategic performance measurement – A portfolio of key performance indicators from across the business that monitor the organization’s progress in achieving its strategic objectives. A balanced set of measures should include measures that are financial and non-financial in nature, and internal and external in focus.

Customer and supplier value chain – The concepts and practices utilized for maximizing the relationships with customers and suppliers along the value chain to lead to a more successful product or service and improved profitability.

Information technology – The maximization of technology as an enabler to enhance the information flow, drive value in the organization, and realize a sustainable competitive advantage.

Treasury Management – Satisfying capital needs and maximizing return on financial assets in accordance with the organization’s strategic plans.

Change Management – Management of human resources in an era of extensive change is a continuing challenge. Specific topics in this area include: self-directed work teams, workplace flexibility, diversity, organizational restructuring, collaboration and innovation, managing people in an environment of change, etc.

Management control – The roles and responsibilities of various levels of corporate governance, the system of internal control and the practice of ethics within the culture of the organization.

Stakeholder reporting – The preparation and reporting of financial and non-financial information to meet accountabilities to internal and external stakeholders of the organization.

This collective body of knowledge came to be known as *The New Finance*¹, acknowledging that the body of knowledge will continue to develop and remain new, yet had its foundation in the financial expertise of its practitioners. The term originally was coined by Mr. Fisher, the retired DEC executive that led the defining trends initiative. A task force of AICPA members created a description for this body of knowledge as follows:

The New Finance is a term coined by the AICPA that consists of the emerging, multi-disciplinary body of knowledge essential for today’s accounting and financial professional to meet the challenges of a rapidly changing business environment. This broad, cross-functional body of knowledge encompasses the management of process, technology and resources. *The New Finance* will require an emphasis on technical competencies, innovation, teamwork and broader business issues.

Finance’s traditional roles of reporter and asset custodian will expand. As an advisor to core business process owners and a provider of technical expertise for strategic and tactical decisions, *The New Finance* professional will be a business partner to their organization.

In 1997 the AICPA created the Center for Excellence in Financial Management (CEFM) to be the centerpiece for AICPA activities oriented to members in management, and *The New Finance*. CEFM was created as a virtual center, located only on the AICPA website, at a time when most people did not understand the power and possibilities of the internet. CEFM is the AICPA’s first on-line center and

provides information and support on the programs, products and services offered by the AICPA in *The New Finance*. Plans to further develop CEFM continue at the AICPA, though it will likely be under another name.

4. FORCES IMPACTING THE CPA PROFESSION

Around the same time, the AICPA began to recognize that major change was taking place throughout the profession. Under the leadership of a young and dynamic president named Barry Melancon, in 1996 the AICPA began a process to understand the issues impacting the profession as a whole. During 1996, the AICPA conducted internal and external research that identified the forces impacting the CPA profession in the United States, and possibly in other parts of the world:

Decline of New CPAs – The number of students and young people electing to join the profession was declining dramatically.

Non-CPA Competitors – The number of new non-CPA competitors that are not bound by the profession's code of standards and ethics was increasing at an alarming rate.

Technology Displacement – Many of the traditional, essential skills of CPAs were being replaced by new technologies that are increasing in number and developing rapidly.

Leadership Imperative – Corporations were conducting business in a world of commerce that is global, technological, instantaneous and increasingly virtual. This requires leadership from internal and external advisors having new insights, new skills and extraordinary abilities.

Pressure to Transform Finance from Scorekeeper to Business Partner – The CPA employed in management was being challenged to deliver value to the organization and to help create a sustainable competitive advantage.

Technological Advances – Technology continued to challenge and reshape our lifestyles, work patterns, educational experiences and communication styles and techniques; these advances were rewriting the rules of business and leaving behind those who would not harness and integrate it.

Borderless World – As the world became borderless, the marketplace was demanding more complex, real-time advice and services presenting unlimited opportunities for CPAs to expand their skills, competencies and services.

Individually, any of these factors should indicate a need for change. Considered together, they cry out for a major reinvention of the CPA profession. Recognizing the need, AICPA leadership created the CPA Vision Project. Looking ahead fifteen years to the year 2011, the profession considered its ideal future state, then built a bridge back to the present, focusing on desired long-term outcomes. Underscoring this initiative was a profound realization that change is a constant of the future.

5. THE VISION PROJECT

Similar to the work that culminated in the defining trends, but on a much larger scale, in 1996 the AICPA embarked on a major undertaking known as the CPA Vision Project. The Vision Project created an unparalleled, nation-wide outreach to all segments of the profession – an opportunity for the profession to speak to itself about its concerns, viewpoints, issues, needs, and hopes for the future.

The process brought some surprises and some important insights. It confirmed that CPAs have far more in common than they realize regardless of where they practice the profession. For example, the issue of continuing education is the same for a sole practitioner in public practice as for the CFO of a company. Further, meeting the demands of the public, customers, employers and clients are founded in the same driving forces across the profession.

Rather than the Defining Trends discussed above, the CPA Vision Project identified global forces that were driving change in the profession, the economy, and world commerce. Through a grassroots process involving over 3000 CPAs across the country, the global forces were analyzed to determine how they might impact the CPA profession going forward. Facilitated sessions were designed to bring the participants to consensus on the values, services, competencies and issues of the profession. Later, a national forum was attended by representatives from all disciplines of the profession to analyze the output of the grassroots sessions and identify the top five values, services, competencies and issues for the U.S. CPA profession:

6. THE TOP FIVES – VALUES, SERVICES, COMPETENCIES AND ISSUES FOR THE PROFESSION

<i>Core Values</i>	<i>Core Services</i>	<i>Core Competencies</i>
<p><i>Continuing Education and Life-Long Learning</i> - CPAs highly value continuing education beyond certification and believe it is important to continuously acquire new skills and knowledge.</p>	<p><i>Assurance and Information Integrity</i> – Provide a variety of services that improve and assure the quality of information, or its context, for business decision-making.</p>	<p><i>Communication and Leadership Skills</i> – Able to give and exchange information within meaningful context and with appropriate delivery and interpersonal skills. Able to influence, inspire, and motivate others to achieve results.</p>
<p><i>Competence</i> – CPAs are able to perform high quality work in a capable, efficient, and appropriate manner.</p>	<p><i>Technology Services</i> – Services that leverage technology to improve objectives and decision-making including business application processes, systems integrity, knowledge management, system security, and integration of new business processes and practices.</p>	<p><i>Strategic and Critical Thinking Skills</i> – Able to link data, knowledge, and insight together to provide quality advice for strategic decision-making.</p>
<p><i>Integrity</i> – CPAs conduct themselves with honesty and professional ethics.</p>	<p><i>Management Consulting and Performance Management</i> – Provide advice and insight on the financial and non-financial performance of an organization’s operational and strategic processes through broad business knowledge and judgement.</p>	<p><i>Focus on the Customer, Client and Market</i> – Able to anticipate and meet the changing needs of clients, employers, customers, and markets better than the competition.</p>

<i>Core Values</i>	<i>Core Services</i>	<i>Core Competencies</i>
<i>Attuned to Broad Business Objectives</i> – CPAs are in tune with the overall realities of the business environment.	<i>Financial Planning</i> – Provide a variety of services to organizations and individuals that interpret and add value by utilizing a wide range of financial information. These include everything from tax planning and financial statement analysis to structuring investment portfolios and complex financial transactions.	<i>Interpretation of Converging Information</i> – Able to interpret and provide a broader context using financial and non-financial information.
<i>Objectivity</i> – CPAs are able to deal with information free of distortions, personal bias, or conflicts of interest.	<i>International Services</i> – Provide services to support and facilitate commerce in the global marketplace.	<i>Technologically Adept</i> – Able to utilize and leverage technology in ways that add value to clients, customers and employers.

7. TOP FIVE ISSUES OF CONCERN TO THE PROFESSION

- (1) The future success of the CPA profession relies a great deal upon public perceptions of CPAs' abilities and roles.
- (2) CPAs must become market-driven and not dependent upon regulations to keep them in business.
- (3) The market demands less audit and accounting and more value-adding consulting services.
- (4) Specialization is critical for the future of the CPA profession.
- (5) The marketplace demands that CPAs become conversant in global business practices and strategies.

Reviews of the values, services, competencies and issues identified through the Vision Project indicated a realization that the profession is moving away from the compliance work that had been its lifeblood of the past. In fact, the profession is moving on to a model of business partnering, higher value-added services, globalization, all the while maintaining the core values that helped the profession build its reputation.

Holding the Vision Project output next to the Defining Trends one can see the similarities. It is clear, upon review of the Vision Project output, that the AICPA is taking more steps in the direction of management accounting than it had in the past.

8. IMPLICATIONS FOR SEGMENTS OF THE PROFESSION

To better understand how the Vision Project output would impact each segment of the profession, implications were identified at a national “future forum” with representatives from every state, and all segments of the profession, along with many of the leaders of the profession, as well as consultants that specialize in future issues. These implications were as follows:

CPAs working in industry will solidify their base of business operational and tactical skills, their understanding of operations and markets, and expand their roles in corporate strategy, performance management and decision-making processes. CPAs will become critical members of the management team focused on processes, desired results and outcomes.

CPAs working in education will accelerate change in faculty development, revitalize curricula to meet the Vision, expand recruiting efforts to focus on the profession of the future, and expand methods of delivery – including distance learning programs, virtual classrooms, and on-line courses.

CPAs working in government will influence regulations, standards, and structures to enhance the interface among constituencies, and the responsiveness to demands of economic realities and performance expectations.

CPAs working in public practice will expand markets and services, focus on the ever-changing needs of their clients and the public, as transactions and structures are increasingly more complex. To attract and retain quality staff, CPAs will align their structures and culture, address capital and human resource needs, and identify appropriate sources of training and education leading to enhanced competencies and solid skills.

As the process continued, the draft Core Purpose (which defines the CPA profession's reason for being) and the Vision Statement (the profession speaking to itself about the mandates for a successful future) were discussed, dissected and debated. This activity was undertaken by members of the profession who had been involved in the Vision Project at various stages and those who had not. Eventually, these elements were finalized as follows:

CPA Vision Statement

CPAs are the trusted professionals who enable people and organizations to shape their future. Combining insight with integrity, CPAs deliver value by:

Communicating the total picture with clarity and objectivity,

Translating complex information into critical knowledge,

Anticipating and creating opportunities, and

Designing pathways that transform vision into reality.

Core Purpose

CPAs...Making sense of a changing and complex world.

9. WHERE DO WE GO FROM HERE?

In spite of the results of the Vision Project, CPAs were still faced with a challenge identified early in this paper: would the market (that is, the buyer of CPA services) accept the expanded role of the CPA? Can the CPA brand be stretched to give the CPA permission to expand into other areas? In addition, in an era of increasing pressure from the public sector, would regulators accept a new role for the CPA?

Further, since the AICPA does not “own” the CPA designation, how far could we take it? This last fact is one that many in the world might find troubling; but the truth is, the CPA designation is awarded by the state boards of accountancy (legislated bodies in each state) and not the AICPA. Membership in the AICPA is largely voluntary, though some consider it mandatory for auditors of public companies. Finally, only about 10% of AICPA members are involved full-time in the activities that the CPA license permits us to perform.

10. ENTER THE XYZ

Considering the professional issues cited above, as well as other marketplace issues including:

- globalization of the world's economy,
- overlap of services being offered by various professions, and most importantly,
- the desire of CPAs as expressed in the CPA Vision to be significant players in the new environment,

the AICPA and seven sister bodies throughout the world² formed a global task force to explore the creation of a new international business professional designation, currently known by a placeholder name: XYZ. A high-level definition of the XYZ is “one who helps people or organizations achieve their objectives through the strategic use of knowledge or knowledge management systems.” The proposed designation will enable professionals from a wide range of disciplines (read: beyond the CPA/CA) to build on their ethical standards, traditional skills and expertise. To gain market acceptance, the global credential must encompass and complement a range of established professionals in recognized fields, and will not eliminate any existing credential.

The XYZ credential is a generalist designation, and it is not a rebranding or renaming of the CPA/CA profession. Rather, it brings any business-oriented profession to a global level. Market research in 11 countries in late 1999 indicated that the concept has broad appeal both with buyers of a broad range of professional services, as well as potential credential holders. Eventually, it will become part of a transnational professional foundation credential supported by a system of specialties. The AICPA believes that this will *enhance* the CPA designation because a holder of both the XYZ and CPA designations will bring two complementary set of skills to their employers and clients. However, a fundamental difference between CPA and XYZ is that XYZ will be protected by intellectual property law, not by legislation.

Just as the medical profession in the U.S. has the MD (medical doctor) as a sort of generalist designation, so too will be the XYZ. The medical profession has created specialties by body part (e.g., neurology, ophthalmology, orthopedics, cardiology), by disease (e.g. oncology, infectious diseases), and course of treatment (e.g., surgery, radiology), by type of patient (e.g. pediatrics, geriatrics). So too can the XYZ profession create specialties like: strategic cost management, business law, predictive accounting, consulting, information technology, business process design, global trade, economics, performance measurement, etc.

For US CPAs, and the AICPA, this credential signals a move, not away from traditional competencies, but certainly towards a body of knowledge that we know as management accounting, and even beyond. While the execution will take some time, and the education will take even longer, the trail is being blazed for the current CPA profession, and the future profession (whatever it is called), to follow.

While this paper has oversimplified the processes leading to this point, as well as the issues to be resolved in the coming months and years, the very fact that this has been identified and is now being acted upon is monumental to the CPA profession and the business community.

Endnotes

- ¹ When discussing what to call the body of knowledge, there was consensus among the AICPA committee NOT to include the word “accounting” in the name to avoid having the body of knowledge limited by perceptions. But many on the committee were also concerned that if we go too far away from the CPA comfort zone that the term might be rejected by the membership. As a result, “finance” was the compromise. In mid 2000, there is some concern that including the word “finance” might create a different perception that also does not adequately describe the breadth of the body of knowledge, and so “the new finance” brand will likely be replaced by a new term, not yet identified.
- ² The seven bodies that worked with the AICPA in creating phase one of the global XYZ designation include: Canadian Institute of Chartered Accountants (CICA), Institute of Chartered Accountants in England & Wales, Institute of Chartered Accountants in Scotland, Institute of Chartered Accountants in Ireland, South African Institute of Chartered Accountants, Institute of Chartered Accountants in Australia (ICAA), and the Institute of Chartered Accountants in New Zealand (ICA-NZ). However, only four of these bodies remain as part of the coalition at this writing: AICPA, CICA, ICAA and ICA-NZ. In addition, sister bodies in a number of non-English speaking countries have expressed significant interest in joining the coalition.

MANAGING CHANGE: THE CASE OF THE INSTITUTE OF MANAGEMENT ACCOUNTANTS

Priscilla Payne and Chris Poullaos*

Synopsis

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2. The Education Connection
3. The Practice Analyses
 - The 1995-6 Analysis
 - The 1999 Analysis
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* Priscilla Payne is Managing Director, Institute of Certified Management Accountants, USA and Chris Poullaos is Associate Professor in Accounting, University of Wollongong, Australia. This paper was submitted on 30 September, 2000.

1. INTRODUCTION

The Institute of Management Accountants is the largest educational, not-for-profit association in the world devoted exclusively to management accounting, finance, and information management. It was founded in 1919 in New York as the National Association of Cost Accountants by a group of business people to expand the knowledge and professionalism of those specifically interested in cost accounting. Subsequently its name was changed to the National Association of Accountants and then in 1991 to the current name, Institute of Management Accountants (IMA). These changes were made to reflect the changing nature of the profession and IMA's broadened mission to serve those professionals employed in public and private companies as well as governmental and educational organizations.

The IMA has been actively monitoring the changing nature of management accounting work in the USA throughout the 1990s. The macro-drivers which it sees as impinging upon management and management accounting are similar to those cited by other participants in this project: rapid and sweeping change in the business environment, fuelled by intense global competition and information technology.¹ In examining their impact on its members, the IMA has utilized its links with corporate America and academia, been prepared to work with other associations, and sponsored research into management accounting practice. It is thus a good example of a proactive specialist body that has acknowledged the shift in management accounting and promoted the managerial roles taken by its members.

During the 1990s the IMA has been the major sponsor of three research projects undertaken by the Gary Siegel Organization (GSO).² The research captures the shift in management accounting towards strategic management. The IMA's objectives in sponsoring the research and the actions taken by the Institute in response to the findings illustrate how it has supported its members' involvement in managerial work. Sections 2 and 3 below provide the details. Section 4 notes how the transformation in management accounting work is reflected in a debate as to what its practitioners should be called. Section 5 contains a brief conclusion.

2. THE EDUCATION CONNECTION

By the beginning of 1994, the education requirement for licensure as a Certified Public Accountant had increased from 120 to 150 semester hours in many states.³ What would be the implications for the educational preparation of management accountants? From the IMA's point of view, this issue overlapped with concerns within the corporate sector about the capacity of accounting courses at American colleges and universities to produce adequate entry-level corporate accountants. While two thirds of accounting graduates worked for corporations, teaching institutions were geared to producing CPAs for public accounting firms. One result was that graduates did "not hit the ground running" and were not "well-prepared for business".⁴ Previous studies, furthermore, had found that successful accountants "within the corporate finance function are becoming more creative and innovative in applying analytical tools and information dissemination techniques to satisfy the needs of upper management" (*What Corporate America Wants*, p. iii). In this context, would the "new hire" be capable of fulfilling this "corporate advocacy role" by being able to think broadly and work with cross-functional teams to "support cost-effective and revenue-generating solutions" (*ibid.*)? In short, "how well [were] learning centres preparing newly minted accountants for a career in the corporate world", in the view of corporate America (*ibid.*)?

Because the issues raised were "so crucial both to management accounting education and to the development of tomorrow's financial executives, as well as to the future of the profession" the Financial Executives Institute (FEI) was asked to participate in the study.⁵ Responses were received from 800⁶ high-level accounting and financial executives drawn from the memberships of the IMA, FEI and the AICPA in

February-April 1994. The respondents had had contact with entry-level accountants through involvement in the hiring decision (84% of respondents) and/or contact on a daily or weekly basis (60%) and/or supervision or review of work (50%) (*ibid.*, p. 3). As previous research had “consistently ... shown that employers value a broad educational background and good social and communications skills ... the primary focus ... was on accounting knowledge and skills” (*ibid.*, p. 1). The major results most relevant to us are as follows:

- Of 15 broad accounting knowledge and skills areas (AKSAs) selected from the content specifications of professional accounting examinations, those most highly rated by respondents were, predictably, those “typically ... viewed as the essence of management” while those receiving the lowest scores “generally do not fall in the domain of management accounting” (*ibid.*, p. 4).⁷
- The respondents used a 0-100 scale to rate universities in the areas of teaching key AKSAs and preparing students for careers in management accounting. Scores in the 90s are ‘excellent’, scores in the 80s, 70s and 60s are ‘very good’, ‘good’ and ‘not so good’ respectively. Scores below 60 are ‘poor to bad’. The respondents rated universities in the 50-60 range with the highest score (68) for teaching computer literacy and the lowest (47) for teaching team building (*ibid.*, p. 4).
- For each AKSA, respondents’ perceptions of expected and actual entry-level preparation were compared, allowing identification of negative and positive preparation gaps. The former indicates ‘under-preparation’ (actual preparation lower than expected) and the latter ‘over-preparation’ (actual preparation in excess of expectations). According to the respondents, entry-level accountants were under-prepared in 12 of the 15 AKSAs, with all the management accounting AKSAs falling into this group. Worse still, the AKSAs with the highest negative preparation gaps (Budgeting and Product Costing) were also rated as the two most important. In short, “university accounting programs do not emphasize the appropriate AKSAs for management accountants” (*ibid.*, p. 5).
- To further emphasize the point: 63% of respondents felt there was a difference in the AKSAs “necessary for entry-level accounting positions in corporations vs. public accounting firms”, with 55% believing “that university accounting programs place too much emphasis on public accounting and not enough emphasis on management accounting” (*ibid.*, p. 6).
- “There were no large or consistent differences” between respondent sub-groups (differentiated on the basis of level of involvement with entry-level accountants, size of organisation, position in organisation or membership of professional association) (*ibid.*, p. 3).

Not surprisingly, the press release prepared for the public launch of *What Corporate America Wants* proclaimed that “colleges are not adequately preparing accounting graduates for first jobs” (IMA press release, 12 August 1994). The researchers recommended, among other things, that a separate educational track for management accounting be identified in university accounting programs and that corporate America and academia work more closely together to restructure university accounting programs “to better meet Corporate America’s needs for entry-level management accountants” (*What Corporate America Wants*, pp. 8-9). Subsequently the IMA supported these recommendations and pledged to work with academia and the corporate sector to improve management accounting education.⁸ A four-part action plan was developed. First, the IMA would organize corporate-academic conferences to bring educators and corporate employers together. Second, it would sponsor a profession-wide educational consortium with a mission to improve accounting education. Third, the IMA would improve academia-corporate communication to exchange curriculum-related information. Fourth it would document management accounting work through a practice analysis (*1996 Practice Analysis*, p. 2).

As a result of the action plan, IMA implemented the following initiatives, all of which continue today:

- A consortium of accounting organizations was established in 1994 with a membership that included representatives from the major professional associations as well as representatives from educational

organizations such as the American Assembly of Collegiate Schools of Business and the Federation of Schools of Accountancy. This consortium has evolved into the Accounting and Financial Education Roundtable whose mission is to facilitate communication and co-operation among those interested in accounting financial education and to identify emerging issues in the field. This body remains active and provides an arena for a healthy exchange of accomplishments and ideas.

- In 1995, IMA established the position of Professor-in-Residence to provide a consistent interface with the academic arena and assist universities with curriculum issues. This position has been filled by outstanding university professors each serving a two-year term. To support this position and further the discussion of the challenges facing accounting education, a network of campus mentors was established. This network now interfaces with approximately 600 colleges and universities.
- At the IMA Annual Conference, one-half day has been devoted to Educators' Roundtables. These forums provide the opportunity to discuss diverse issues that face both accounting educators and their corporate customers.

Before moving to the practice analysis (section 3), it is worth emphasizing that *What Corporate America Wants* stands as a clear assertion of the significance of management accounting and its autonomy from public accounting. Action taken subsequent to its publication indicates the capacity and willingness of the IMA, in concert with others, to promote the management accounting agenda within the institutions producing entry-level accountants. The later studies discussed in section 3 go further in highlighting the changing nature of management accounting work.

3. THE PRACTICE ANALYSES

The 1995-6 Analysis

Like *What Corporate America Wants*, the practice analysis was concerned with the AKSA set required by management accountants. However, where *What Corporate America Wants* had captured the perceptions of senior corporate executives about the AKSAs of entry-level accountants, the *1996 Practice Analysis* asked all levels of 'management accountants', from entry level to CFO, about their own work.⁹ In addition, the intention was to include 'typical' as well as leading edge companies. Thus some of the management accountants surveyed were doing "traditional accounting work (cost accounting systems, financial reporting, resource management, etc.) while [others were engaged] in activities that are relatively new to the profession (internal consulting, process improvement, customer and product profitability, etc.)", (*1996 Practice Analysis*, p. 7). Thus the innovations in the leading edge companies may have been washed out in the findings.

The researchers developed a list of 30 work activities (functions performed by management accountants)¹⁰ and 162 KSAs (knowledge, skills and abilities, regarded as competencies) (*1996 Practice Analysis*, pp. 5-6). 4000 members of the IMA, AICPA, FEI were surveyed via a questionnaire which asked them (inter alia) to identify their own work activities. They also identified the KSAs they considered important in their own work and to the work of entry-level accountants. About 800 questionnaires (a response rate of 20%) were completed in the second half of 1995 (*ibid.*, pp. 3-4). Not surprisingly the work activities identified as 'most frequently performed' were a mixture of new activities (internal consulting) and traditional (accounting systems and financial reporting).¹¹ Similarly, the work activities identified as 'most critical to company success' included, on the one hand, accounting systems and financial reporting (considered critical by 47% of respondents) and managing the accounting/finance function (29%) and, on the other, long term strategy planning (32%), internal consulting (27%) and process improvement (24%).¹²

The list of highest-ranked KSAs for entry-level accountants — commitment to work and interpersonal/communications skills aside — include a number of traditional KSAs (e.g., accruals & deferrals;

relationship between balance sheet, income statement & cash flow statement). The AKSAs regarded as ‘the essence of management’ in *What Corporate America Wants* are not obviously apparent.¹³ This point applies to some extent to the KSAs identified by the respondents as important for their own work. However, items such as ‘understanding the business’, ‘understanding the bottom-line implications of day-to-day business & accounting decisions’, ‘familiarity with business processes’ and ‘leadership skills’ are rated more highly (than for entry-level accountants) (*1996 Practice Analysis*, p. 10).

A stronger sense of transformation comes from interviews with management accountants in leading edge companies and from the respondents’ views of anticipated changes in their work. The background is that over the previous 5-10 years, competitive pressures and corporate restructuring, coupled with improvements in information, had liberated accountants from number-crunching transactional work and financial statement preparation (*1996 Practice Analysis*, p. 14). They could now spend more time on interpreting and analyzing information and providing decision support to managers. They could become more involved in financial planning and modeling. They could become more business oriented, more strategy oriented, more like business partners (members of cross-functional teams) rather than corporate cops (*1996 Practice Analysis*, p. 14-15; see also *1996 Project Analysis Report*, chapter 4). These trends were expected to continue into the near future spreading from leading edge to ‘typical’ firms (*1996 Practice Analysis*, p. 17-18; *1996 Project Analysis Report*, chapter 4). Consistent with these views, the survey respondents’ list of work activities likely to increase in importance in the next 2-5 years includes (for example): customer and product profitability (59% of respondents), process improvement (56%) performance evaluation and long-term strategic planning (52%), educating the organisation (45%), internal consulting (44%) and performing financial and economic analyses (42%) (*1996 Practice Analysis*, p. 16).

The 1999 Analysis

Subsequent to its publication, the *1996 Practice Analysis* was used “by educators [to develop] curricula, by corporations [to develop] skills-based training, and by the ICMA ... and other associations [to develop and modify] certificate programs”.¹⁴ To illustrate the impact of the *1996 Practice Analysis*, the following summarizes some resultant activities:

The IMA/ICMA developed a new certification program, Certified in Financial Management (CFM), that was first offered in 1997. Recognizing the changes in the profession, the CFM program broadened the scope of competencies examined by adding in-depth coverage of corporate financial management (e.g., long-term financing, financial markets, dividend policy), risk management, and the external financial environment. Additionally, the content specification for IMA’s Certified Management Accountant (CMA) program was reviewed and revised to ensure that the appropriate competencies were being examined.

With IMA’s assistance, several colleges and universities implemented changes in their accounting curricula, some initiating separate four-year programs for management accounting students and others revising curricula to satisfy the requirements of IMA’s certification content specifications. Early adopters of these changes included Worcester State College, Louisiana State University, and the University of Washington.

To raise the competency level of accounting and finance employees, many multi-national companies adopted the CMA and CFM programs as part of their corporate training activities. Recent additions to the growing list of corporations are DuPont, Applied Materials, Motorola (China) and Sun Microsystems. In addition, basic management accounting skills are being learned on-line by Motorola employees in China, India, and Malaysia through a program facilitated by IMA.

In the meantime (1997) the IMA was being told by its members that change was accelerating (*1999 Practice Analysis*, p. 2). Another practice analysis, again undertaken by the GSO, was duly arranged, again with AICPA

involvement. The aim was “to determine how the work of management accountants and their corporate roles have changed over the past five years and what further changes will occur in the next three years” (1999 *Practice Analysis*, p. 4). A random sample of 300 members of the IMA and AICPA with at least 7 years experience in management accounting were interviewed over the phone, and in-person interviews were conducted with 5 leading-edge companies.

The results support the perceptions of the IMA members and confirm the trends anticipated in the 1996 *Practice Analysis*. The 1999 *Practice Analysis* is upbeat. Management accountants are painted as winners in the new information economy, more in demand and more highly-valued by non-accountants inside their organizations (p. 4). Respondents felt they had shaken off the number-cruncher/bean-counter stereotypes and, having shifted from accounting departments into operating departments in substantial numbers, were now perceived as communicators and business partners (pp. 4-5, 9-12). While many respondents still performed tax, treasury or traditional accounting functions:

- 79% were more involved in decisions (in 1999 compared to 1995); 79% did more interpretation of information; 47% spent less time preparing standardized reports (only 17% were spending more time); 35% spent less time collecting and compiling data/information (only 32% spent more time) (1999 *Practice Analysis*, p. 7). This trend was expected to continue (pp. 16-17).
- 56% of respondents now worked in cross-functional teams, up from 48% in 1995 (p. 10). Two thirds of those involved in teams said their role had changed, the most frequently cited changes being “that they are more involved in decision-making and are more likely to take on leadership roles on the teams” (p. 10).
- On the whole, respondents spent more time on internal consulting, long-term strategic planning, computer systems/operations, managing the accounting/finance function, process improvement and performing financial/economic analyses; and less time on accounting systems/financial reporting, consolidations, accounting policy, short-term budgeting, project accounting and compliance reporting. This trend was expected to continue (p. 17).
- Respondents felt that the management accounting activities most critical to their company’s future success were long-term strategic planning, financial/economic analyses, customer and product profitability, computer systems/operations and process improvement (p. 17).
- The overwhelming majority of respondents felt that the rate of change in their role had been more rapid in the 1995-1999 period than it had been in the 1990-1995 period. This trend was expected to continue (p. 15).
- Some respondents anticipate that in the future they will move beyond business partnering to strategic partnering. “Management accountants will need to be more strategic, be better visionaries, and be more proactive. They will share organizational decision-making with the CEO” (p. 18).

The IMA has responded to these latest findings by revamping its flagship journal to better reflect the changing needs of its members. The journal was renamed *Strategic Finance* (previously *Management Accounting*), and the editorial content now addresses leadership strategies in accounting, finance, and information management. Initiatives to implement curriculum changes continue with approximately 30 universities currently involved. IMA has also become more involved with accounting and finance students to raise the visibility of management accounting and the career potential of professionals in this field. Lastly, IMA has revised the roster of its continuing education offerings to better address the leading edge issues that are facing its constituents.

4. A ROSE BY ANOTHER NAME?

Another indicator of change is the debate about what American ‘management accountants’ should call themselves. In highlighting the changes in management accounting work, the *1996 Practice Analysis* used the term “new accounting” (p. 15). However, it also reported that:

The management accountants we interviewed refer to themselves not as accountants, but as members of the finance function. In fact, in many companies you seldom hear the word “accounting”. When asked why they use the word finance instead ... most interviewees (who tend to hold degrees in accounting) said that finance has a broader connotation than accounting. Another explanation is that accounting reports on what happened in the past while finance focuses on the future.¹⁵ In two companies we visited, the management accountants shun the word finance and call themselves decision support specialists; their reasoning is that it is a much better description of what they do (p. 16).

The name issue was revisited in the *1999 Practice Analysis*, but with a twist. While the authors used the term “management accountant” to be consistent with the literature (p. 4) they also noted that “it is rarely used in practice. Respondents refer to themselves as working “in finance”, as analysts, business partners, business managers, or controllers” (p. 6). P. 12 reports that 39% of respondents described their work as ‘finance’, 33% use ‘accounting’¹⁶ and 28% use some other term. While ‘accountant’ is still appealing in that “only accountants have the training to understand financial information and the analytical skills to explicate the financial implications of alternative business initiatives” (p. 13), it also has its drawbacks:

- Finance is forward-looking, while accounting is backward-looking
- Finance is more all-inclusive
- Accounting refers to debits and credits
- Accountants are number crunchers (*ibid.*).

Not surprisingly, given the power of labels, one of the recommendations in the *1999 Practice Analysis* is that “a universally acceptable title” be developed (p. 7). In the authors’ view, ‘finance’ is “not really descriptive ... may be limiting or may be confused ... with ... the treasury function” (*ibid.*).

It may be that a universal label will not be achieved unless and until:

- (1) the work stabilizes and
- (2) either (i) one old-school occupational group (e.g., ‘accountants’) dominates and agrees on a name or (ii) work stability is achieved at a time when practitioners from different backgrounds have forged a new identity around one (potentially new) name.

5. CONCLUDING REMARKS

A recently published monograph, *Accounting Education: Charting the Course through a Perilous Future* by W. Steve Albrecht and Robert J. Sack,¹⁷ echoes many of the concerns raised in 1994 by *What Corporate America Wants*. While some progress has been made to implement changes in accounting education, the progress has not kept pace with the changes in the profession. As one of several sponsors of this new book, the IMA plans to continue its efforts to assist universities in “fixing” the challenges posed in this new book. An ad hoc committee has been convened to recommend a further course of action to IMA’s Strategic Planning Committee.

The IMA is also in the process of expanding its reach into the global management accounting arena. In recent years, the CMA and CFM certification programs have been made available throughout the world and approximately 30 preparatory training courses are in operation outside the U.S. Other projects have included

co-operation with accounting reform projects sponsored by USAID and OECD in Eastern Europe and the CIS countries. For example, IMA members and staff supported the USAID accounting reform project in Macedonia by providing on-site assistance with university curriculum reform and the development of a certification program for auditors. This project resulted in Macedonia's acceptance of International Accounting and Auditing Standards and eventual IMA sponsorship of Macedonia for membership in IFAC. IMA firmly believes in the promulgation of management accounting education in these areas and will continue to seek appropriate opportunities to further the profession.

The IMA is operating in the dynamic American economy in a period of triumphant laissez-faire capitalism. The tone of its literature is optimistic. It is apparent that the IMA is presently attempting to reengineer its professional mandate around the contribution of its members to the management function in the era of globalization. Nevertheless, the IMA's view of the transformation of management accounting remains framed within, or in relation to, the finance function. One wonders what it would take for the transformation now taking place to be organized around some generic notion of 'management'.

Endnotes

- ¹ See the documents cited below and R.F. Randall, “New Challenges in Finance”, *Strategic Finance*, March 1999, pp. 31-37.
- ² The GSO is self-described as “an independent opinion research and behavioural accounting firm serving clients [by providing] strategic information about what key individuals think about any subject that affects organizational performance” and “a global network of university-affiliated behavioral scientists”, GSO, *What Corporate America Wants in Entry-Level Accountants*, Executive Summary, 1994, (hereafter ‘*What Corporate America Wants*’), p. vii. A version of this document is available in *Management Accounting*, September 1994, pp. 26-31.
- ³ A typical college course is equivalent to 3 or 4 semester hours. Thus, the increase from 120 to 150 semester hours generally translates to an additional year of college preparation. U.S. university programs offering a 150-hour accounting track often result in both a Bachelors degree and a Masters degree.
- ⁴ *The Wall Street Journal*, August 12, 1994. The first quote is from the senior vice president of finance of Citgo Petroleum Corp. and the second is from the vice president of finance at Johnson & Johnson.
- ⁵ The IMA’s then-president (Keith Bryant) and managing-director of Professional & Technical Services (James Bulloch) are attributed as providing “the initial vision” for the project, while a joint IMA/FEI project committee provided “guidance, critical insights and many valuable suggestions” (*ibid.*, p. vi).
- ⁶ Out of 2700, a response rate of 30% resulting in a sampling error rate of plus-or-minus 3.6%.
- ⁷ The 8 highest scores were for Budgeting, Product Costing, Asset Management, Consolidated Statements, Working Capital Management, Strategic Cost Management, Control & Performance Evaluation and Information System Design. The lowest scores were for Individual Income Taxation and Accounting for Government & Not-for-profit Organisations. The other AKSAs (not necessarily in order of perceived importance) were Internal Auditing, Long-term Financing, Corporate Income Tax, FASB Pronouncements and External Auditing.
- ⁸ GSO, *The Practice Analysis of Management Accounting, Results of Research*, March 1996 (hereafter ‘*1996 Practice Analysis*’), p. 2.
- ⁹ The IMA sponsored the research. The other organisations involved were the FEI, the AICPA, the AAA, the Accounting Education Change Commission (AECC), the American Assembly of Collegiate Schools of Business, the Association of Collegiate Business Schools and Programs, the Association of Government Accountants, the Financial Management Association, the Institute of Internal Auditors (IIA) and the Society of Management Accountants of Canada (SMAC). A project committee which included 4 academics (one of whom represented the AAA), an AICPA representative, and 4 corporate representatives was also involved. Three of the corporate representatives were also representing the FEI, the IMA and the AECC (*1996 Practice Analysis*, p. 21).
- ¹⁰ In doing so they surveyed the conventional wisdom as well as potentially more innovative sources. They looked at: “controllership handbooks; management accounting textbooks; the content specifications of the CMA [IMA] and CPA examinations; CPE catalogs and skills inventories published by the [IMA, AICPA and state CPA societies; SMAC]; the Certified General Accountants Association of Canada and other professional associations; outlines of university accounting courses; and the results

of several research studies on educational needs of management accountants published in academic and professional journals”. This quote is from a project analysis report prepared by the GSO in February 1996, hereafter ‘1996 Project Analysis Report’, pp. 27-8. For a detailed description of how the work activities were constructed see *ibid.*, pp. 27-9.

- ¹¹ 1996 Practice Analysis, p. 8. Some of the work activity descriptions listed there (e.g., ‘Computer systems and Operations’) cannot be easily classified exclusively as either ‘new’ or ‘traditional’.
- ¹² 1996 Practice Analysis, p. 9. Note that each respondent was asked to identify up to 5 activities as ‘most critical’ thus the percentages sum to more than 100%. See *ibid.* for a fuller listing of critical KSAs.
- ¹³ 1996 Practice Analysis, p. 11. This seems to be the result of differences in the construction of KSAs.
- ¹⁴ GSO, *Counting More, Counting Less — Transformations in the Management Accounting Profession: The 1999 Practice Analysis of Management Accounting* (hereafter ‘1999 Practice Analysis’), August 1999, p.iii. The quote is from the foreword by IMA President C.S. Kulesza. A summary of this document is available in K.A.Russell, G.H. Siegel and C.S. Kulesza, “Counting More, Counting Less — Transformations in the Management Accounting Profession”, *Strategic Finance*, September 1999, pp. 39-43.
- ¹⁵ Yet another explanation is that some of those working closely with accounting numbers to do management work did not come from an accounting background. See the quote from the Boeing analyst on p. 97 of *1996 Project Analysis Report*.
- ¹⁶ Nevertheless no respondent used the term ‘management accountant’ (*ibid.*, p. 13). In light of these numbers, the quotation above from the *1996 Practice Analysis* overstates the prevalence of the ‘finance’ label and understates the persistence of ‘accounting’.
- ¹⁷ Published in 2000 by the American Accounting Association (AAA) and sponsored by AAA, AICPA, IMA, and the “Big 5” public accounting firms.

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