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Introduction: best practical practice

Management accounting is a marriage of technical and non-technical skills. Delivering on the technical side – the use of a new accounting system or technique; taking a structured approach to running a business – is an essential part of the role. But equally important is an appreciation of the wider context within which these techniques and systems emerge, get designed and are implemented.

In other words, it's not enough to understand 'best practice'; management accountancy is also the art of the possible. That's certainly the conclusion of this finance director reflecting on his failure to implement a new accounting technique in a large UK retailer:

'The intellectual merit of [the technique] is hard to question. It's not that the thing was flawed. But you have got to be able to marry two things up. One is that something is intellectually robust and actually leads you to the right conclusion; and the other is that it is something that will work within the organisation that you are talking about.'

Management accounting innovations are often pitched using hype, rhetoric and hard-sell. Proponents of new systems and management fads promise quick-fix solutions for multiple business problems. In reality, however, such models rarely 'optimise' well in every situation. Scenarios differ across organisations; corporate objectives are a moving target.

A one-size-fits-all perspective often falls short in practical terms because it ignores the stuff of organisational life, such as culture, norms and politics. People ask 'will it work?', when perhaps they should be asking 'will it work here?'



Advertising aimed at management accountants 30 years ago emphasised the need to replace 'obsolete' people and processes with machines in a drive for efficiency.

Our approach: innovation in context

There's an established and well articulated need to understand the dynamics through which new management accounting tools and techniques appear and then become infused – or not – into organisations (Hopwood, 2005). The 'quick fix' is still a compelling idea for some corporate managers, but many management accountants want to understand innovations in a much more realistic context.

Our aim is to get closer to that contextual understanding, first by looking at new accounting software; accountants' developing roles; and innovative accounting techniques. To what extent do these innovations emerge from a hard sell or social rhetoric? And what influence is exerted by academics, consultants, professional associations and business media?

Main findings

Second, we want to know how these innovations actually affect organisations. What drives diffusion after an innovation has been launched? Why do some innovations disappear relatively quickly? What are the roles for management accountants?

Software advertising: de-skilled accountants

To understand the origins of management accounting innovations, our first main objective, we looked at three decade's-worth of advertising for accounting software in journals such as Financial Management, CIMA's member magazine. The images, headlines and copy used to sell these ideas to accountants tell us a lot about how both they, and the ideas being pitched, are perceived.

We found accounting software adverts have consistently presented efficiency as a core message. In other words, if you buy the software, you will become more productive and successful. But there have been other changes over the past 30 years. We've seen developments in the social context in which accounting software is advertised. The perceived roles of accountants have altered. And the nature of the management accounting systems has shifted (Baldvinsdottir et al, 2009a).

First, social context. Software adverts in the 1970s emphasised a need for organisations to replace 'obsolete' workers with machines. Technology would solve all manner of practical business problems. By the 1980s and 1990s, this had changed: the pitch was a need for accountants to achieve 'systems completeness' and 'competitive advantage' in global markets. Then in the 2000s, we see much stronger and more extreme images and copy, emphasising strict control and systems that 'do everything' for the accounting function (Baldvinsdottir et al, 2009b).

Second, the perceived role of the customer – the accountants the adverts are aimed at – also changes. In the 1970s and 1980s, the emphasis lay on the accountant's role as a responsible and rational person who provides accurate and timely information for business colleagues. By the 1990s, accountants were seen as communicators within business. Adverts encouraged them to become more adventurous and action-oriented in their roles. And in the 2000s, the messages got more extreme: accountants would hand over their controllership role to the systems, the implication being that eventually their main task would be to buy software and then sit back to enjoy the fruits of their smart decisions.

Finally we come to the systems themselves, and there's an obvious progression. We've gone from adverts about recording information; to informing rational decision-making; to presenting accounting analyses; to domination of the accountable workers; and to eradicating the routine work and ensuring a hedonistic work-style.

Many images of management accountants over the last decade show fast cars, sky diving, mountain climbing and other action-packed and exciting activities. They suggest a life where great heights and personal enjoyment can be easily reached, a hedonistic (or hyper-modernistic) society. With today's highly-sophisticated information systems, they seem to be saying, personal pleasure has become possible for management accountants without requiring much effort beyond purchasing a system to control employees and processes – while managers, including the accountants, can seek endless pleasure.



By the 1980s, 'innovation' centred on the need for system 'completeness' and competitive advantage – although efficiency remained key.

Implications: style over substance?

This kind of advertising could have an adverse affect on how organisational peers view accountants, bringing into question their accountability and trustworthiness. In particular, recent images suggest an approach where management control is achieved through the systems, not at the hands of accountants. If people come to assume that the value in the role is simply software procurement, they might wonder what today's management accountants actually do all day and whether it's worth listening to them.

How new management accounting innovations are sold to us can determine their success or failure. But accountants should beware the marketing rhetoric in their origins and promotion. The images of the profession they portray, influenced by broader trends in society and in-vogue marketing techniques, can send out damaging messages.

As consumers, they need to dodge bias, persuasive rhetoric and hard sell when mulling over innovations on the market. Perhaps in part to counter any distorted images, they need to rediscover their traditional cynicism and critical skills when making decisions about innovation. Traditionally, management accountants want accuracy and clarity in their advertising – and accessibility and integrated solutions from the innovations they adopt. But we'd argue they need (and have a responsibility) to be alert to lots more besides. Great new ideas and innovations can mean very little if the context they're placed in is rife with complexities and problems.

On a more positive note, tomorrow's accountants should try to understand the different opportunities behind innovative techniques and systems. Understanding these concepts – rather than specific products or services – can help them shape unique approaches that serve their own organisation's needs, not some notional idea of 'the market.' This means playing close attention to configuring new systems and teasing out a bundle of techniques that promise information which is commonly understood, trusted, embraced and useful. Good communication (letters, memos, pamphlets and presentations), training and education are all imperative to spread understanding of the change objectives, ensuring innovation is applied in context and to well-defined and agreed ends.

The role of the management accountant: what's changed, exactly?

We then looked at the organisational roles of management accounting innovations by analysing how accountants themselves have talked about the nature of their work over the last three decades. Looking at case studies and interviews with management accountants since the 1980s, we got an insight into how their own perceptions of the role have changed. We can also see whether these changes reflect any broader ideological shift in the profession.

In the 1980s, management accountants thought a large part of their role was the education of their managerial colleagues about the benefits of using financial information. By the 1990s, they had become more inquisitive about the information being



By the late 1980s and 1990s, advertisers clearly saw management accountants as part of a wider decision-making group helping their companies attain leadership in global markets.

used – and they were beginning to work alongside other business managers to ensure it was being used in the most appropriate way to enhance efficiency and profitability. Their role had become more pragmatic; it seemed to recognise both the complexities of the modern business environment and the limitations of using financial information for managing an organisation.

In the 2000s, the main concern for management accountants is the co-ordination of global business activities, helping everyone work together to reach corporate goals. Rational decision making and control are still fundamental aims. But recently there has been a greater focus on maintaining discipline to ensure that the centrally-determined strategic aims are achieved. Management accountants act as 'partners' to managers within a business. Yet in spite of changes in the way management accountants' roles are conceived and perceived (linked to broader developments and trends at society level, as we've seen from the way adverts sell to them), their fundamental role has remained consistent: to facilitate the production of information that can improve business competitiveness and long run profitability. The so-called 'new' management accountant of recent times is quite possibly just a fantasy of new image seekers. Our investigation shows that the core values and roles of traditional management accountants have never really gone away. (Baldvinsdottir et al, 2009c).

Implications: get back to basics

The job advertisements in magazines such as Financial Management or the content on web sites like www.extreme-accounting.com suggests the emergence of a more dynamic, adventurous, 'action-hero' type of management accountant. But whether or not the image has changed, we argue that their fundamental role within business has remained much the same over the past 30 years (Baldvinsdottir et al, 2009d).

The shift from being seen as bean counters to business partners (if that does, indeed, bear scrutiny) has much more to do with the increasing integration of management accounting in modern businesses and the improved

availability of information, rather than with deeper shifts in the nature of the accountant's traditional role. As the world economy faces its toughest phase for many decades, it may be time to re-emphasise their traditional qualities, rather than the more glamorous and adventurous aspects of 'business partnering.'

That argument goes further: maybe business partnering is a fad, the fantasy of 'new image-seekers.' Perhaps the core values of a traditional management accountant have never really disappeared. Maybe, we argue, tomorrow's management accountant needs be less of an 'enabler' and more of a corporate brake; their goal should be to take a neutral or even 'pessimistic' view. We think accountants face some challenges to reconcile their more traditional, basic and 'unexciting' traits with the demands of being this 'business partner.'

We argue that maybe the 'dull' and 'boring' management accountant is not so bad after all. This is not to say that they must go back to being simple score-keepers. But in a global business environment that has been engulfed by high-profile corporate scandals and business failures, where markets can collapse overnight and there are myriad innovations and a continuous desire to change, management accountants should retain their role as a brake on unfounded corporate optimism. They need to be aware of, and alert others to, the potential dangers of innovation and change. Stewardship, internal control, integrity, ethics, governance and corporate social responsibility are all a vital part of the remit.

Tomorrow's management accountants can still drive fast cars, sky dive and pursue other exciting hobbies. But their fundamental role is still to be a logical analyser of management decisions and a provider of relevant information to enhance business competitiveness and profitability; and to ensure compliance with appropriate regulations.

New management accounting techniques: what makes them stick?

Finally, we explored why some innovative accounting techniques bed into organisations, while others quickly disappear. We did this by analysing past case study interviews and talking to present day accountants.

There has been significant expansion of the literature on 'management accounting change' over the last decade or so. Most of it, however, still offers rational behaviour (or static) perspectives that promise templates for optimal change. Much of this work still gives too little attention to the broader contexts within which the (re-)development of management accounting practice unfolds (Hopwood, 2002). We were particularly interested in the extent to which new management accounting tools are driven by 'fads' – often seen as a negative, but which are not necessarily a bad thing or always the result of non-rational behaviour.

Some have argued that because many of these new techniques are fads that emerge on the back of high-profile and overly hyped marketing campaigns (Hopwood, 2002), they are destined to peter out rather than bed in to organisations. Others have pointed specifically to the balanced scorecard, an innovation underpinned by a substantial marketing machine and a clear 'brand' image, both of which have made it very appealing and sustainable over a number of years.

In our research, however, we found that one of the main reasons the balanced scorecard has proved sustainable is its flexibility and malleability. The principles underlying a scorecard can be used in different ways across different organisations, as well as gleaned different interpretations of a variety of business issues (Baldvinsdottir et al, 2009e).

Scorecards attempt to instil a rounded view of business activity rather than focus on a small number of performance measures. This is popular with corporate managers – especially compared to the many alternative management tools that tend to be more rigidly defined and constrained in what they offer. Several people we interviewed commented positively on this attribute of scorecards. For example:

'As a management accountant, you help devise the right performance indicators for a particular business; and these things can change as the business matures. To some extent, what you measure and how you measure it will define successful behaviour. It might be margins, it might be sales, or it might be managing your cost base. But, the beauty about the scorecard is that it tries to do all of those things together.'

Another key factor in bedding-in innovations, it appears, is the means by which accountants try to bring their colleagues along with them, usually through careful and thoughtful communication. As one interviewee remarked:

'The language test needs to be passed. It needs simple language – which 400,000 workers can connect to – more than brilliant ideas.'

The same person reflected on some of the more important issues in implementing their scorecard:

'The reason why the scorecard has worked for us is that we got most of the implementation pointers right. It's all about how you capture the hearts and minds of people so that they realise this is something serious, and that they should take it seriously.'

Implications: smart decisions, intelligently applied

The results of this part of our study highlight the need for management accountants to be circumspect, discriminating and critical when considering the steady stream of accounting innovations.

A key barrier to new innovation adoption (and, more specifically, retention) is the inability of organisations and their people to discard embedded systems, techniques and existing ways of working (Burns and Scapens, 2000). Change requires not only a convincing argument for the virtues of any proposed new technology, but also a thorough understanding of the existing cultural and political dynamics of an organisation.



In the 2000s, more conceptual advertising appears, showing how perceptions of management accountants are to an extent defined by wider social trends.

Tomorrow's management accountants, we argue, should endeavour to understand the different opportunities innovations offer. This allows them to shape the design and use of the innovation for their own organisation. Making sensible choices about which innovations to pursue, and driving those choices to the implementation stage, is likely to become a key role for management accountants. This role might well stretch their technical capabilities, but will also require an understanding of the broader (for example, social and behavioural) issues involved in implementing those innovations.

Sustainable change in management accounting approaches requires an underlying stability. For example, management accountants must retain a critical eye and a degree of prudence, including adherence to various professional norms and regulatory needs. And, as mentioned above, management accountants need to have skills that enable them to identify their organisation's information needs, as well as be alert to the potential rhetoric and hard sell behind innovation approaches.

Concluding remarks

Our research makes clear that management accountants often seem to follow (or in some cases adapt) to wider changes in society – whether that's changes in personality types coming into the profession or changes in business structures. For instance, we discussed the balanced scorecard as a response to changing corporate structures and business practice, as well as the emergence of new types of individuals in the business and accounting environment.

The images projected about management accounting are often ahead of practice. Some of the more recent changes in the general perceptions of wider society, and hence management accounting perceptions, are towards a hypermodernity that may challenge the integrity of accountants.

Given that there appears to have been significant changes in the social (and personal) identity of management accountants over recent decades, we might also question whether accountants today are really different to accountants of, say, 30 years ago. Moreover, do today's accountants view new management accounting innovations in a different way to their more 'traditional' contemporaries?

Management accountants must design their 'bundle' of systems, techniques and roles in a way that sits comfortably with their organisation's unique informational needs. Inevitably there will be features that are specific and peculiar to one organisation. Some writers have pressed the importance of matching management accounting tools to corporate strategy; indeed several go much further and argue that strategy should entirely drive management accounting design.



In stark contrast to early images emphasising the sober and conservative side of accountants, many modern innovations are pitched in ways that suggest overly exciting aspects of the role, partly reflecting changes in society. We ask: is that sensible?

But we would argue that the design of an organisation's management accounting function should first and foremost be driven by the specific informational needs that it is intended for, as well as being placed and fully comprehended in the broader context. As one interviewee remarked:

'Everyone wants an instant cure. But you must steer away from that kind of instant fix and get more into 'how you take the techniques that you have learnt and apply them practically', in the most appropriate way for your business.'

This requirement to adopt the appropriate new management accounting tools (or, alternatively, to choose an existing path) according to specific local informational needs is all the more harder due to the volatile, fast changing nature of today's global business environment. Strategic goal posts shift, technologies advance with unprecedented magnitude and speed, new regulations appear (and old regulations are re-formulated) – and much more. It is becoming increasingly difficult for decision makers, including management accountants, to base their decisions for the future on past events.

But tomorrow's management accountants must still strive to continue to provide useful information for business decision makers. They must anticipate the financial implications of any likely future change and the uncertainties that a volatile environment entails, as well as facilitate the intra- and inter-organisational collaborations that seem to be synonymous with business in the digital environment. Management accountants need to be adaptable, but they must also remain decisive.

References and further reading

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For CIMA's work on the future of finance function, see www.cimaglobal.com/decisionmaking

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Additional outputs

'*The Image of Accountants: from Bean Counters to Extreme Accountants*', *Accounting, Auditing and Accountability Journal* (with G. Baldvinsdottir, H. Nørreklit & R. W. Scapens), 22(6), pp.858-82.

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Methodology

To arrive at the findings in this report, we relied on a mixture of complementary activities to achieve our research objectives, namely: (1) the exploration of accounting software adverts in over 30 years' publications of CIMA's professional magazine; (2) archival review of over 30 years' interviews with management accountants; and, (3) interviews with present day management accountants. Activities (1) and (2), above, particularly drew on rhetorical and discourse analysis (Nørreklit, 2003), paying attention to the extent to which management accounting innovations become infused in, and driven by, dominant ideologies, texts and communication.

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