



# The future of the Accountant in Business A Trip that Never Ended

CMA International Centre



Hugues Boisvert, Ph.D., FCMA

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# Outline of the presentation

1

20 years ago, we started a journey

2

We have not yet arrived

- *What were the key developments that impacted on this journey?*
- *Where are we now?*

3

Why?

- *What are the factors likely to influence future developments?*

4

What shall we do now?



# Evolution expected 20 years ago

1

**From a Bean Counter**

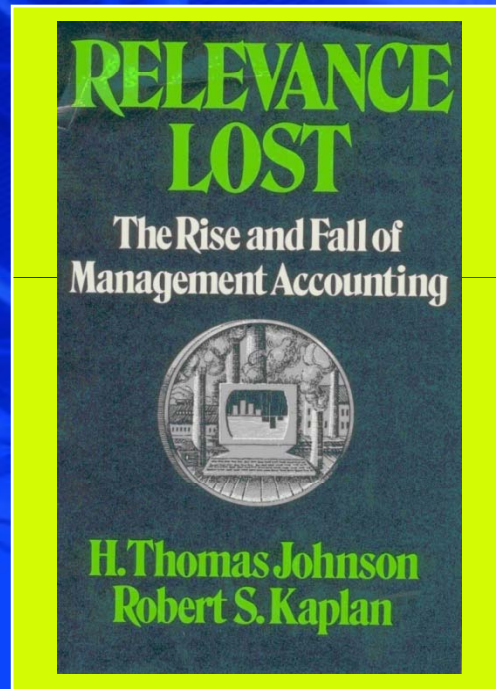
A much greater role in  
organizational performance  
analysis and management

**To a Business Partner**

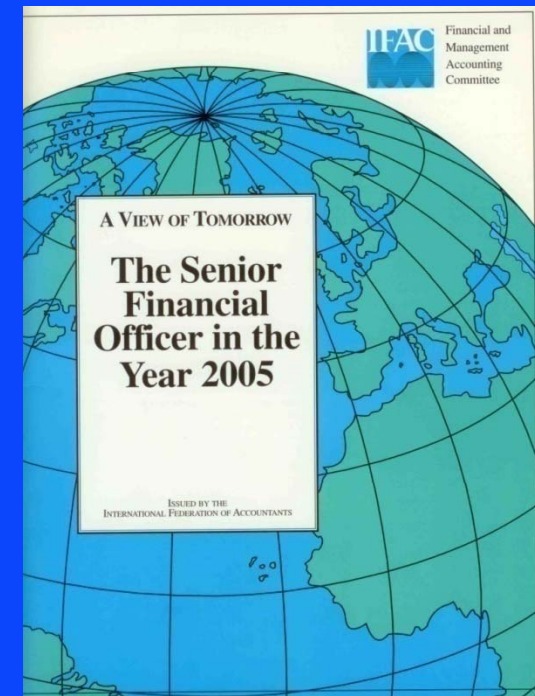


1

1987



1995



1990

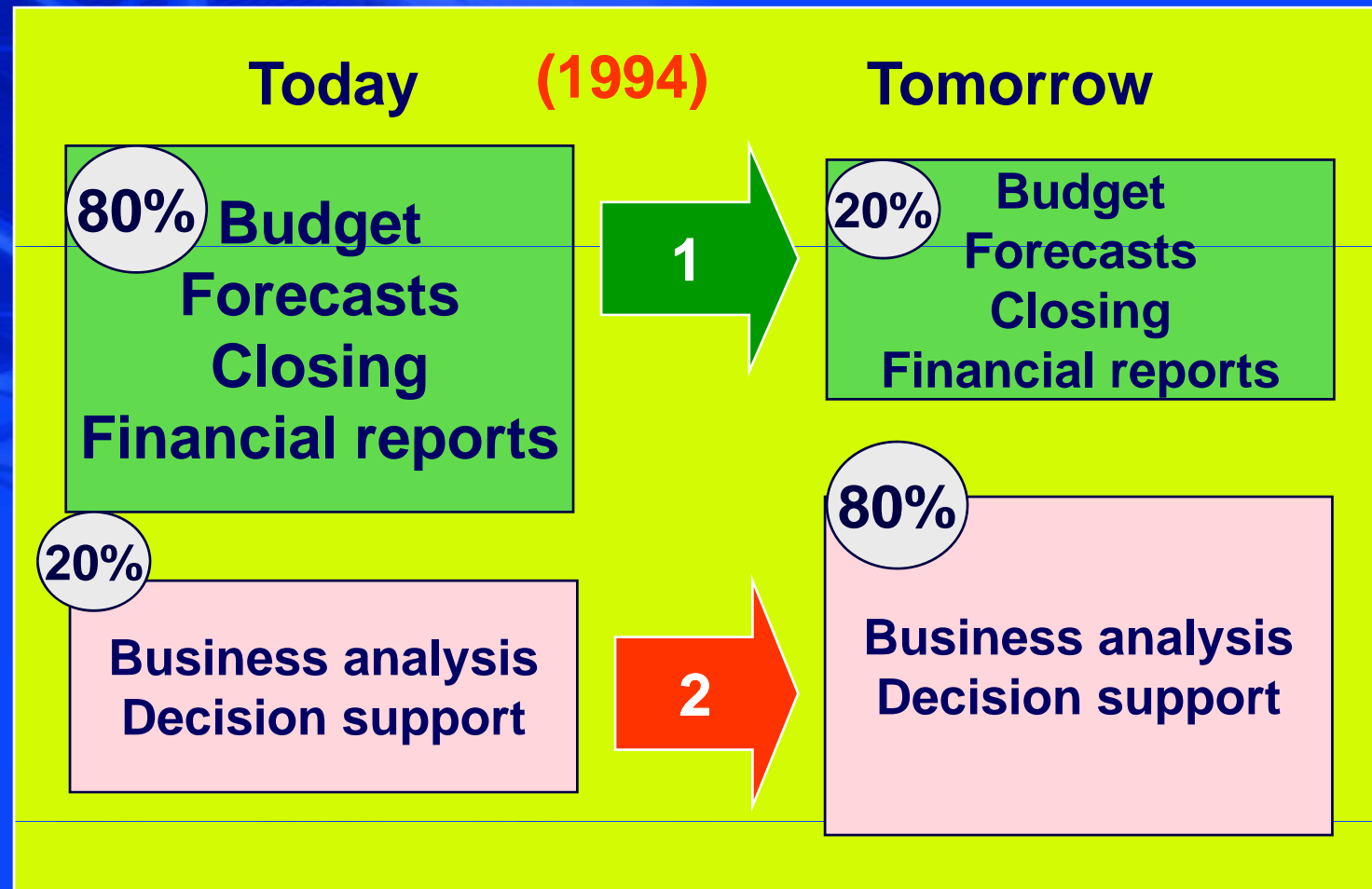
**Peter Drucker In *The Emerging Theory of Manufacturing* , Harvard Business Review, May-June 1990, p 94-102.**





# Arthur Andersen (1994)

1





## 1

## The journey that began 20 years ago

- The itinerary ahead was great.
- Many professionals and academics embarked on the trip.
- The log book shows several milestones : ABC, ABM, Target costing, Process Mapping, Balanced scorecard, etc.



## 2

# We have not yet arrived

Key developments over the last 20 years include :

1. Benchmarking
2. Re-engineering
3. Implementation of Integrated Information Systems
4. Refocusing of the finance function



## 2

## Influence of Benchmarking

- ▣ Definition of measures used to evaluate the performance of the finance function.
- ▣ These measures have implicitly determined the evolution of the function.





## 2

## Impact of re-engineering and integrated information systems

- Integrated information systems give concrete form to efforts to re-engineering.
  - From this standpoint, they appear essential for innovation.
- However, IT systems are centralized, thus creating a barrier to their adaptation for local information needs.
  - From this standpoint, they are a barrier to innovation.



## 2

## Refocusing the finance function

- Re-structuring the finance function.
- Culture of the CFO evolving.



## 2

# Re-structuring the finance function

**More shared and outsource services in the area of Tax and transactional activities such as Accounts receivable, Accounts payable and Payroll management.**

- A decentralized structure
- A centralized structure with 3 divisions : treasury, accounting and internal control.
- A centralized structure with 4 divisions : treasury, accounting, internal control and Business analysis



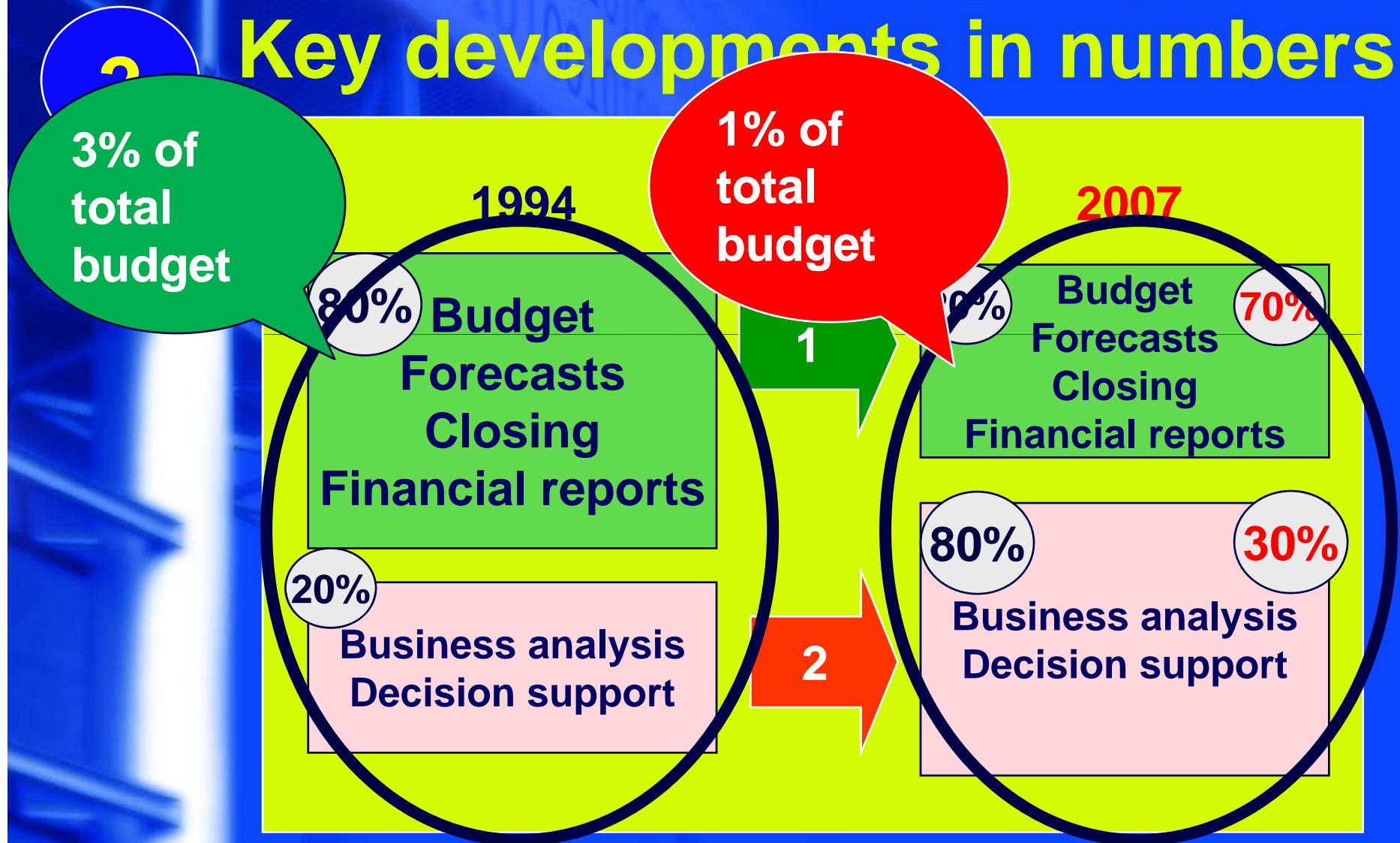
## 2

## Culture of the CFO evolving

- Transformation from a role of 'policeman' to 'strategic business partner', IBM consulting services, 2004.
- Creation of a service oriented culture, EIU sponsored by Accenture, 2005.
- Strategic business partner and continued focus on governance, 2007 International Financial Leadership Forum.



# Key developments in numbers





## 2

## Why developing management accounting

- The profitability of the Deming awards...
- Kaplan et Norton (1992) and their Balanced scorecard...
- Ittner et Larcker (2003), in «*Coming up short on non-financial performance measurement*», HBR, 88(11), p. 88-97.



## 2

## Where are we now?

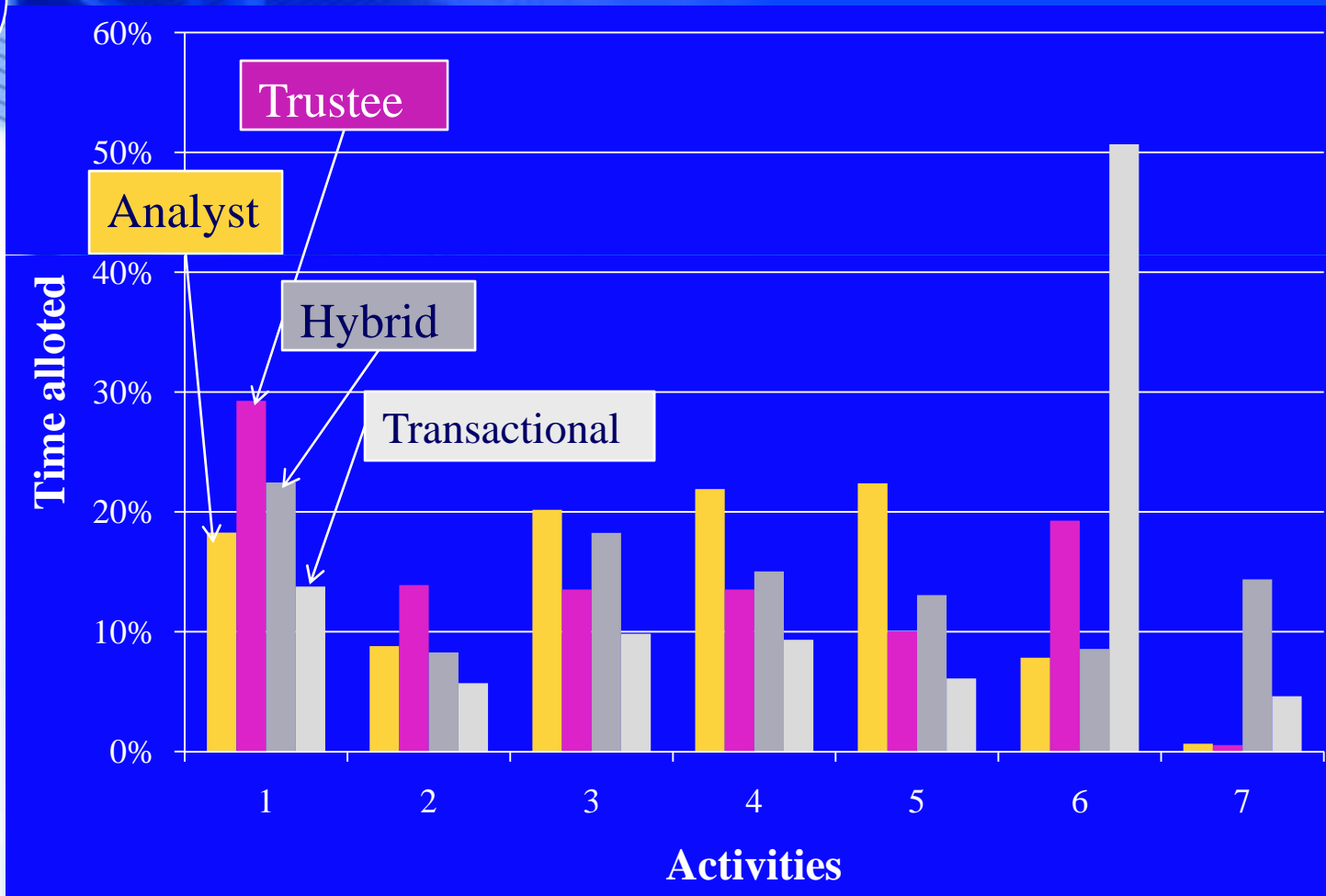
Activities of accountants in business include:

1. Preparing and communicating financial statements.
2. Insuring the integrity of the organization
3. Managing financial resources
4. Analyzing business and making recommendations
5. Managing organizational performance
6. Transactional or technical activity
7. Other activities



2

# Four accounting profiles

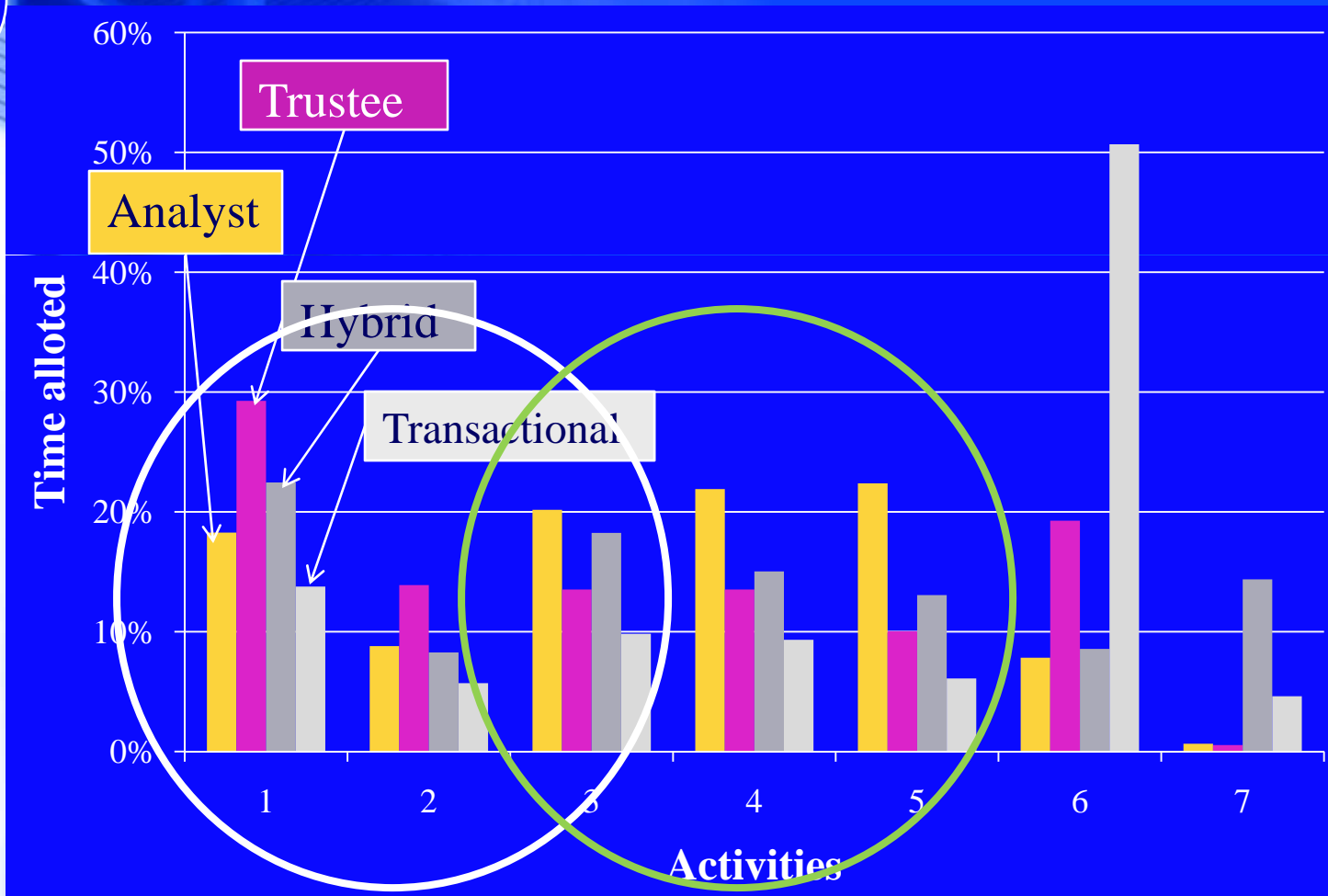






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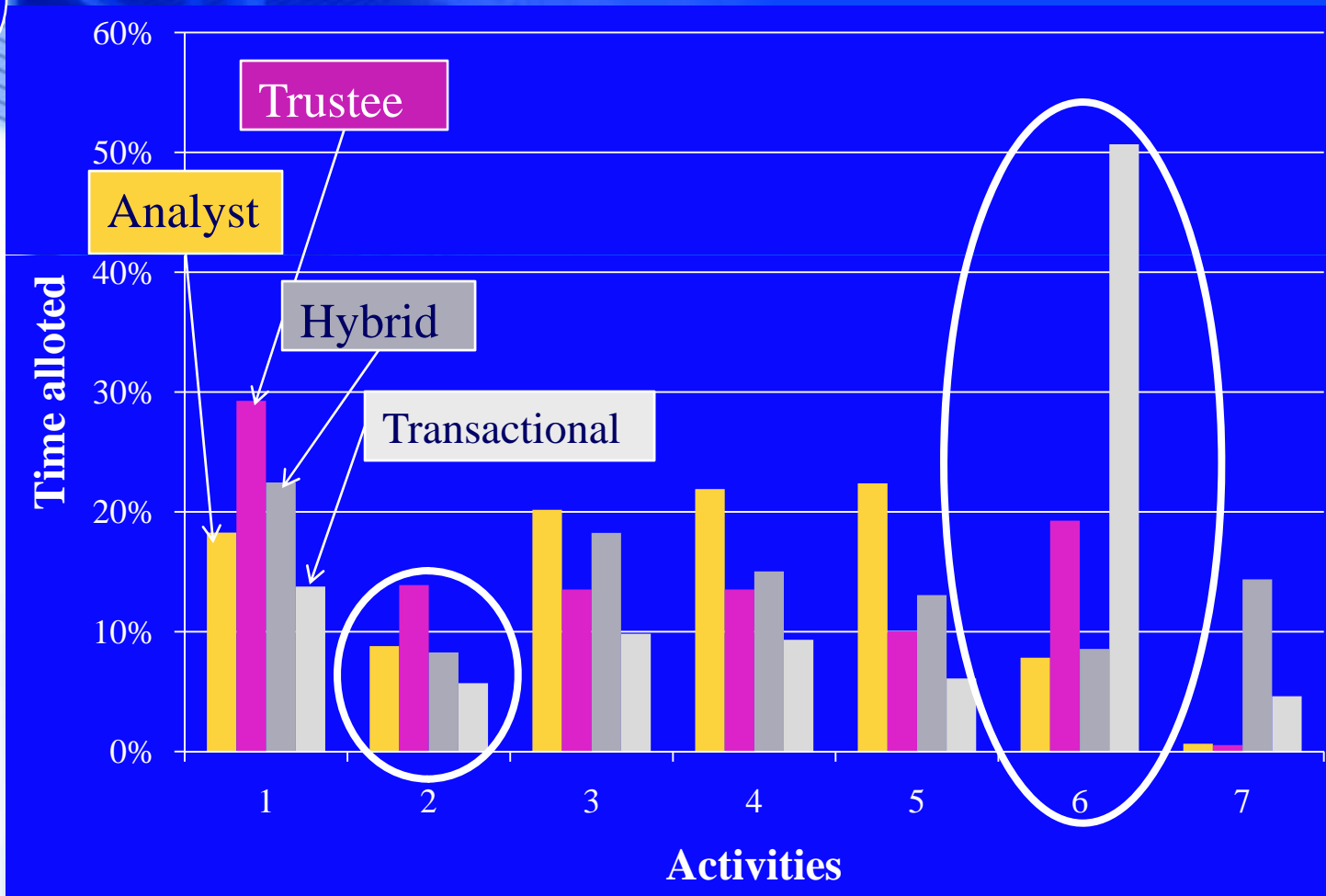
# Four accounting profiles





2

# Four accounting profiles





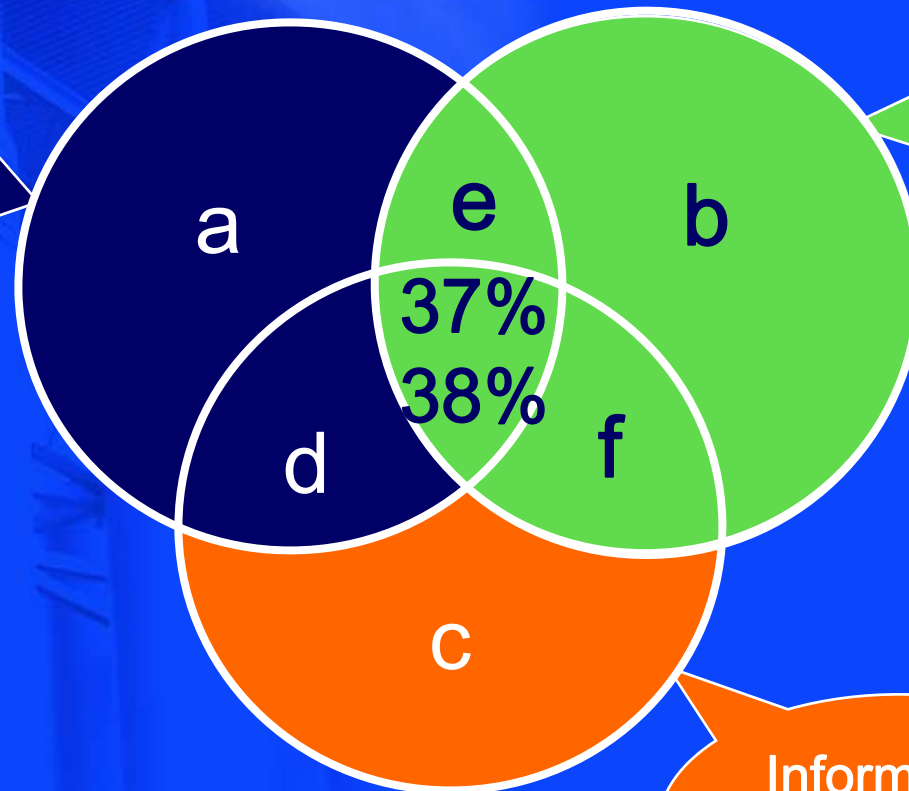
2

# A lack of relevance

Information  
produced  
by the  
finance  
function

Information  
used for  
decisions

Information  
useful for  
decisions



According to 18 function directors  
and 14 general managers



## 2

## We have not yet arrived

- ❑ Milestones have been achieved in terms of leading edge practices development.
- ❑ Benchmarking has given us performance indicators and influenced the evolution of the finance function.
- ❑ IT systems, while facilitating re-engineering have created a barrier for local controllers to innovate.
- ❑ Accountants in business have not changed their activities to the level that was expected.





## 3

# Why have we not yet arrived?

Factors likely to have influenced the evolution of the finance function are :

- Demands on the finance function.
- Individual task orientation.
- Risk aversion associated with a new territory.



## 3

## Demands on the finance function

- More controls such as Sarbanes-Oxley in the US and Bill 198 in Canada.
- Pressure to achieve externally determined benchmarks such as 1% of total revenue.
- Therefore, insufficient time to develop key cause and effect models needed to improve performance.



3

# Individual task orientation

**Finance****Operations**

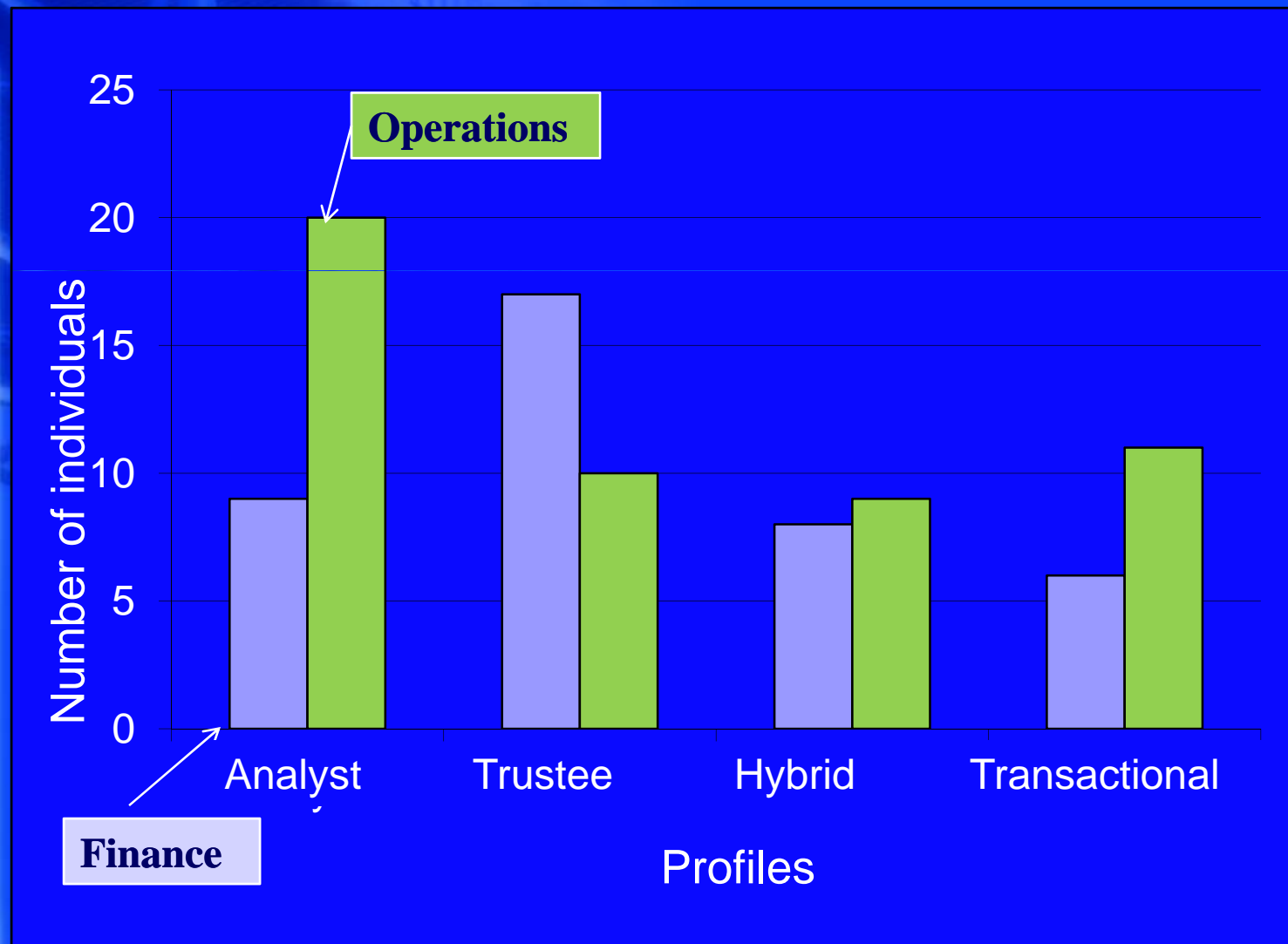
1. Origin of task
2. Collaboration
3. Accountability of respondent
4. Assessing the respondent's performance
5. Priority of a request the respondent receives
6. Feeling of association

**Adapted from David Emsley**



# Profile and individual task orientation

3





## 3

## Relating the structure to individual task orientation

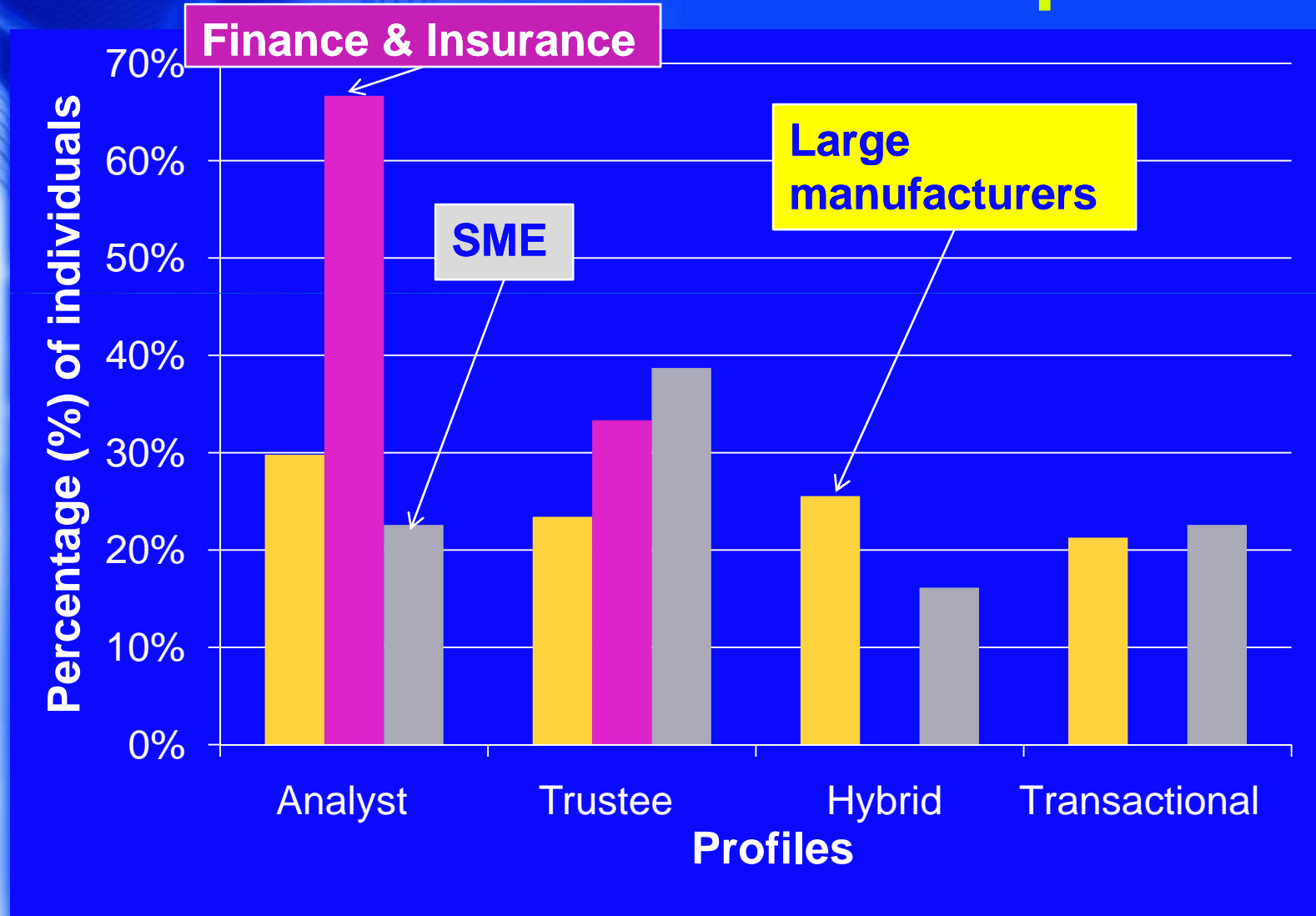
- A decentralized structure is more likely to generate an individual task orientation that is operations except...
- A centralized structure is more likely to generate an individual task orientation that is finance except...





3

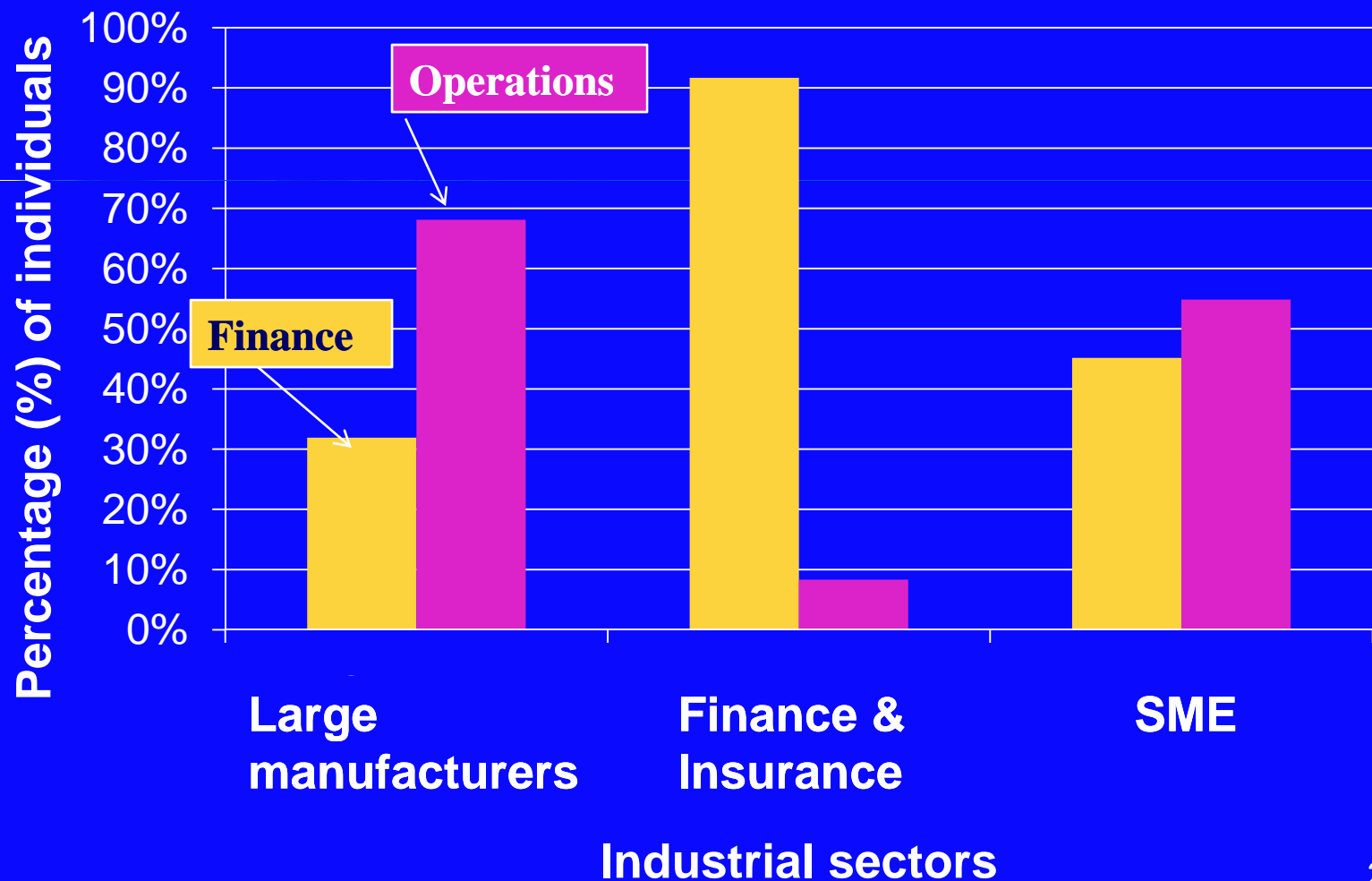
# Industrial sectors and the profile





3

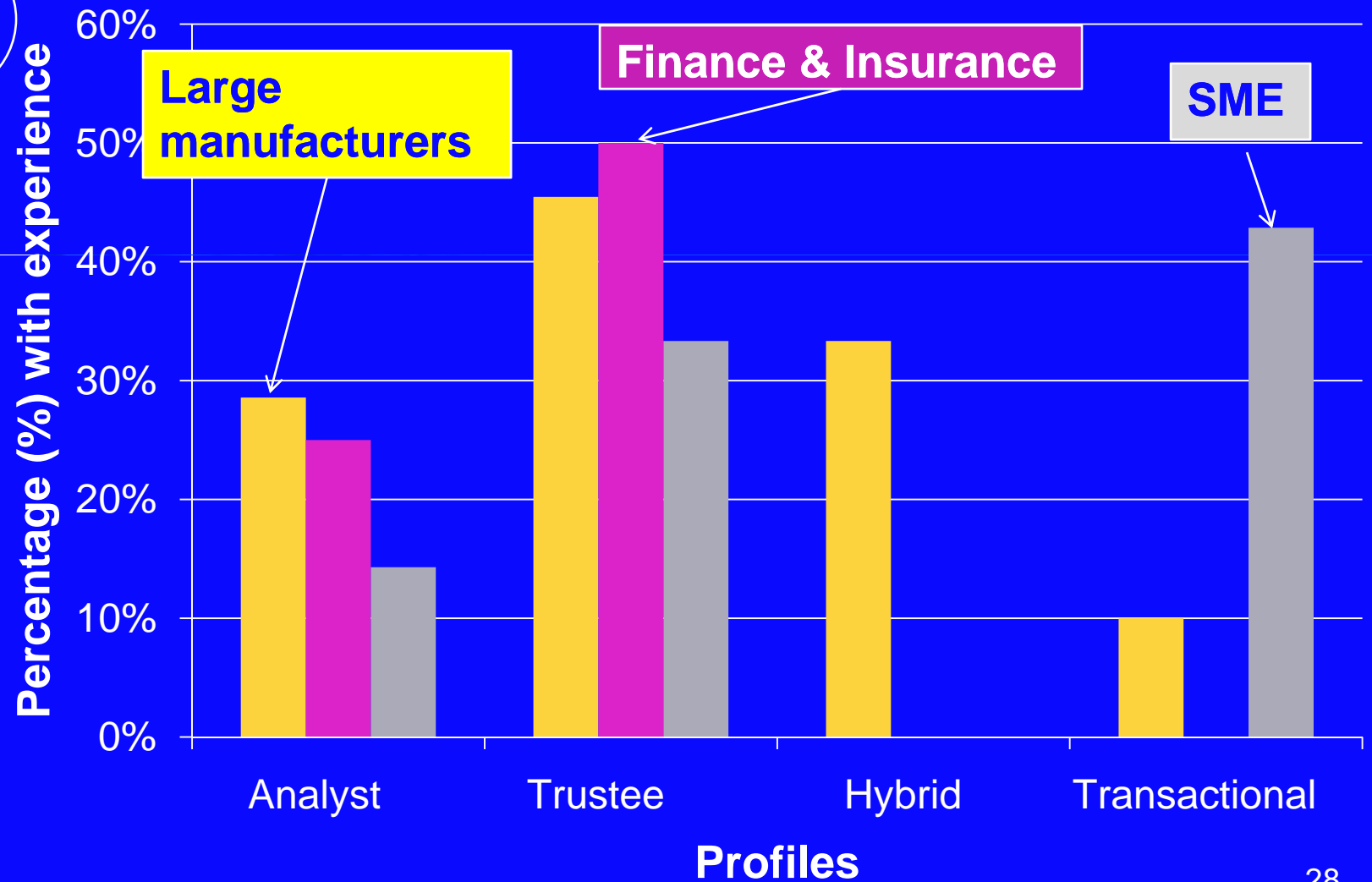
# Industrial sectors and individual task orientation





# Experience in external auditing

3





## 3

## Risk associated with a new territory

- In general, if people already expert in one field don't know exactly what to do to innovate, they will normally try one and then retreat to what is comfortable ...
- In the case of management accounting, the retreat is usually back to the comfortable and safe areas of statutory reporting and financial statements analysis and interpretation.



## 3

## Why have we not yet fulfilled the expectations of management accounting of 20 years ago?

- Several factors (demands on the finance function, individual task orientation, risk associated with a new territory,...) contribute to explain why.





3

## Other disciplines are eyeing the territory

4

- Non financial functions continue to develop their own performance measures.
- There are no modelling of cause and effect relationships.
- IT systems deliver *Business intelligence* .
- Graduates from several management disciplines analyze organizational performance and develop balanced scorecards.



## 4

# What shall we do know ?

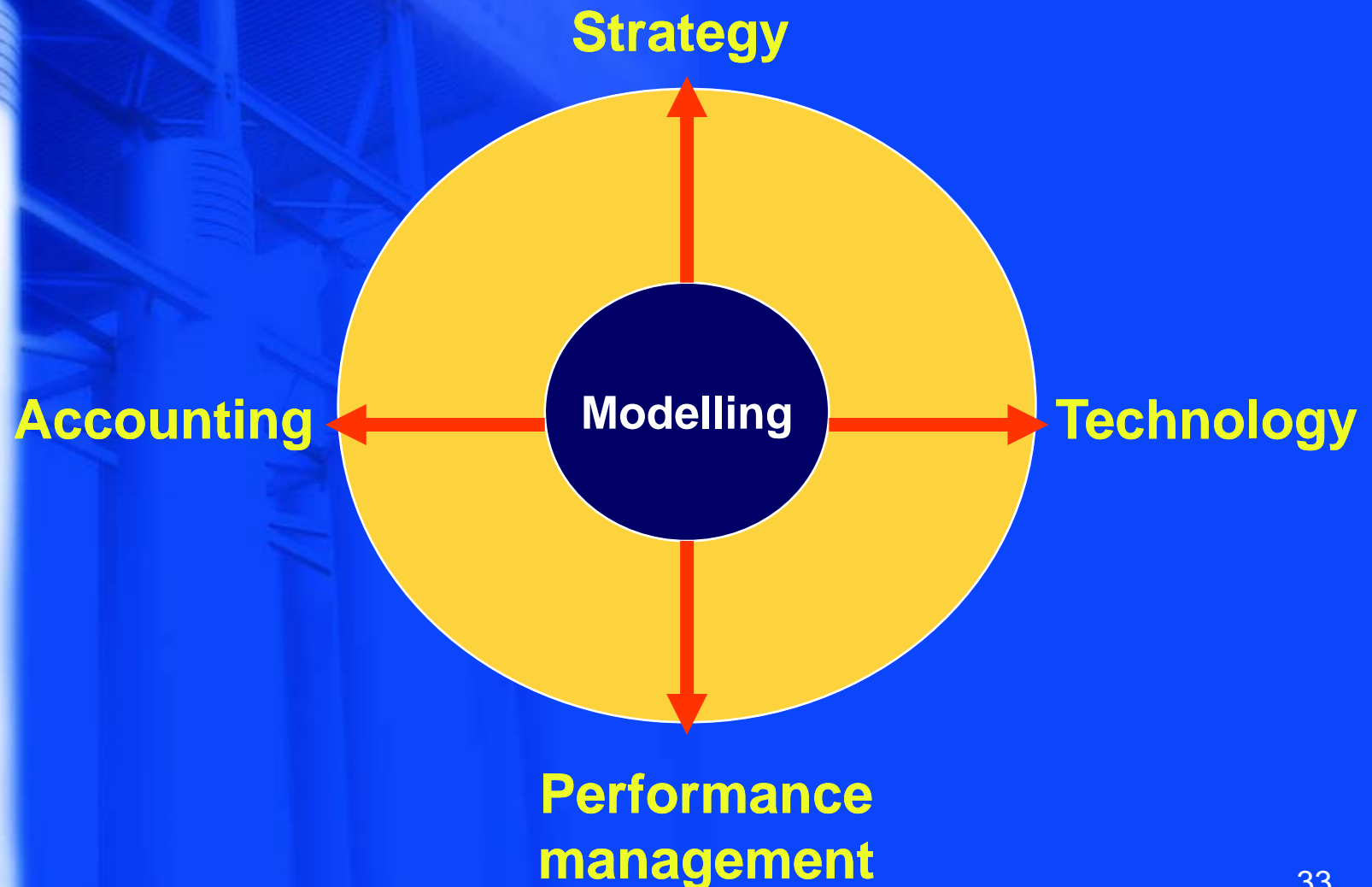
Because the territory of organizational performance analysis and management is a highly competitive and sought after domain of expertise, we must :

- Identify the skills really required to occupy the territory.
- Strengthen the training in management accounting both at the pre-professional and professional levels.
- Invest aggressively in conducting applied and collaborative research.



4

# Skills required to ...





## Conclusion

1

A very challenging journey started 20 years ago.

2

As management accountants, we have not yet arrived to our intended destination.

3

Several factors explain why...

4

It is time for accountants in business and accounting bodies to take the next step.



# Thanks for inviting me Merci beaucoup

## CMA International Centre



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