

# MAIN ARTICLES

## Professional Accountant The Challenges Of The Next Decade (Agenda 2015 Plus) Part II

Prof. Kwame Boasiako Omane-Antwi

**ABSTRACT;** *In the next 10 years, professional accountants will need to modify the way they perceive and carry out their mission. They will have to join the ranks of decision makers while keeping their roles of support and constructive critic to managers. They will need to extend their information management skills to the handling of non financial data to support a new definition of performance that is reflected in the Total Quality Management and value chain cultures.*

*The mission will change because the context or management has changed, e.g., flat organizations, fuzzy organizational boundaries reflecting partnerships with customers and suppliers, globalization, and a new emphasis on service activities.*

*The time horizons the professional accountant is used to will no longer be applicable. Such changes as target cost management, life-cycle thinking, and anticipatory crisis management are some of the reasons that will require professional accountants to become proactively involved in "managing for the future."*

*Based on a greater attention to the understanding and analysis of the causes of resource consumption, the professional accountant will become more interventionist and will be involved in both organizational engineering and becoming a change agent in the whole product cycle, from strategic intent identification to strategic performance*

*analysis, through change management and communication.*

*The picture depicted of the professional accountant of the year 2015 plus is radically different from what is seen today, Training for these professionals will need to encompass this new mission in its new context. Managers also will have to embrace and value the rich potential that resides in their close cooperation with this "new" professional accountant.*

**Key words:** *Professional accountant, decision accountant, interventionist accountant, cost accounting, managerial accounting, flat organizations, fuzzy organizational boundaries, contingency theory, agency theory, human information processing, total quality management, performance measurement, team-based organization, hierarchical model, matrix organization, networking organization, globalization, target cost management, responsibility accounting, zero-based budgeting (ZBB), life-cycle thinking, co-responsibility, information highways, tableau de bord, information economics.*

### **Discontinuity of time**

**M**any professional accountants seem to behave as if time were continuous and all annual or monthly time slices were equivalent. However, customer contracts happen at random. New techniques and new processes are introduced at various times, essentially when they

become available or when the organization feels it has mastered them. All the events in the life of a firm do not happen conveniently on January 1<sup>st</sup> or on June 30<sup>th</sup>. In addition, events in the life of a firm have consequences well beyond the fiscal year time horizon. It would be absurd for professional accountants to remain focused, as they have been for so many years, on a "magical" twelve (12) month cycle, or even on a one month or one-week periodicity.

It is the cycle time of product and technological innovation that defines the time horizon and time should be sliced according to the phases of the life cycle of the "projects" that compose the firm. Since each project has its own time horizon and cycle time, professional accountants must be able to handle multiple time horizons simultaneously. They must invent information systems that allow for such flexibility while continuing to provide the annual legal aggregation of "results."

#### **5. A NEW ORIENTATION, A NEW FOCUS FOR THE MISSION**

Given the vast changes in the context and newly developing needs of businesses, it seems clear that time has come for professional accountants to reinvent their mission. Two major aspects are; first, the development of a new information system based on the knowledge of causal relationships, and, second, the need to become interventionist in managerial decisions.

#### ***A new information system based on causal analyses***

A major new building block in redefining the mission of professional accountants involves helping managers understand the causal relationships that create the "bottom line." These relationships are not necessarily all financially based. The non-financial data precede the financial ones. Non-financial information is available earlier, and therefore, supports decision-making better because it can be used sooner.

Rather than developing non-financial score-cards, which are, by essence, ex post facto the professional accountant must develop a system of "*tableaux de bord*"; which, like the instrument panel in a car, helps

the manager (driver) anticipate what needs to be done to keep the business (the car) in harmony with the prevailing conditions while achieving the strategic intent. The French *tableau de bord* is an example of a system of formalization of the key relationships that determine the outcome of a business. Each manager has his or her tableau and uses it to self-evaluate the potential of the resources and processes over which he or she has responsibility, and to communicate and coordinate with peers, subordinates and superiors. Given the need for reactivity, each tableau will contain information pertaining only to those key relationships that are relevant at that moment in time and within that time horizon. A manager may require up to two or three "*tableaux de bord*" in order to fulfill his or her mission, but each one will be so focused that there will be no risk of information overload.

Responsibility accounting is important, but no clear and precise result-based responsibility can be assigned to individuals in a world of co-responsibility and of continuous reactivity. Therefore, spending large quantities of resources to compare "actual" with "intended" is wasteful. Continuous progress requires that trends be measured, not just whether some arbitrary standard has been met. Since the real responsibility is to the customer, the new information system, centred on the "*tableaux de bord*" or on any other approach, must support the managers in meeting that responsibility (while, of course, satisfying the expectations of the stockholders).

Understanding the links between non-financial information and financial information and incorporating them in the information system (the art of quantifying qualitative information in decision-making using modified Delphi model, my Ph.D research thesis) are some of the most important challenges facing professional accountants in the coming decade.

#### **The interventionist accountant**

Perhaps the most radical idea in establishing a new orientation for professional accountants is the notion that they do not only cross organizational boundaries, but also actively participate, along with

managers, in decision-making and strategy implementation. Here the issue is having professional accountants dare to raise questions and even challenge managers' decisions. Professional accountants have to be ready and willing to ask the managers: "Is this activity, or this function, adding value to the customer? Is this or that one well managed?" Professional accountants have at the same time to become the supporters of managers and the "challengers" of implementation.

Similarly, professional accountants will need to participate in coaching and channeling energies. The mobilization and focusing of energies of the members of the teams that constitute the organization are what creates performance. The information and measurement system operated by the professional accountant carries and reinforces meaning and values. The professional accountant must therefore, become an active participant in the process of goal congruence creation, and must support continuous improvement in the organization.

#### **6. A SCHEMATIC VIEW OF THE TASKS AND ROLES OF THE PROFESSIONAL ACCOUNTANT**

I have outlined the changes in the environment and in the mission of the professional accountant of the future. This section will synthesize the new roles of the professional accountant who will evolve in the coming decade and show what his or her job might look like.

##### ***Contributing to the design of a performing organization***

The long-term role of the professional accountant is to help management design a performing organization by helping it choose which activities to develop, by guiding reengineering, and by choosing the performance measures that will inform management of what is going right and what is not. The diagram shown as Figure 5 gives an outline of the reasoning process that must be carried out and on an ongoing basis by the professional accountant in order to meet the challenges described above.

As can be seen in Figure 5, the traditional role of

object costing is reduced to secondary status in the mission of the professional accountant. It may even be said to be anecdotal. The most important part of the role resides in the process of organizational engineering. The professional accountant is both a "challenger" of the current state of things, and a source of suggestions as to what needs to be done. Once a representation of the firm has been described as a network of activities or processes, the evaluation can begin.

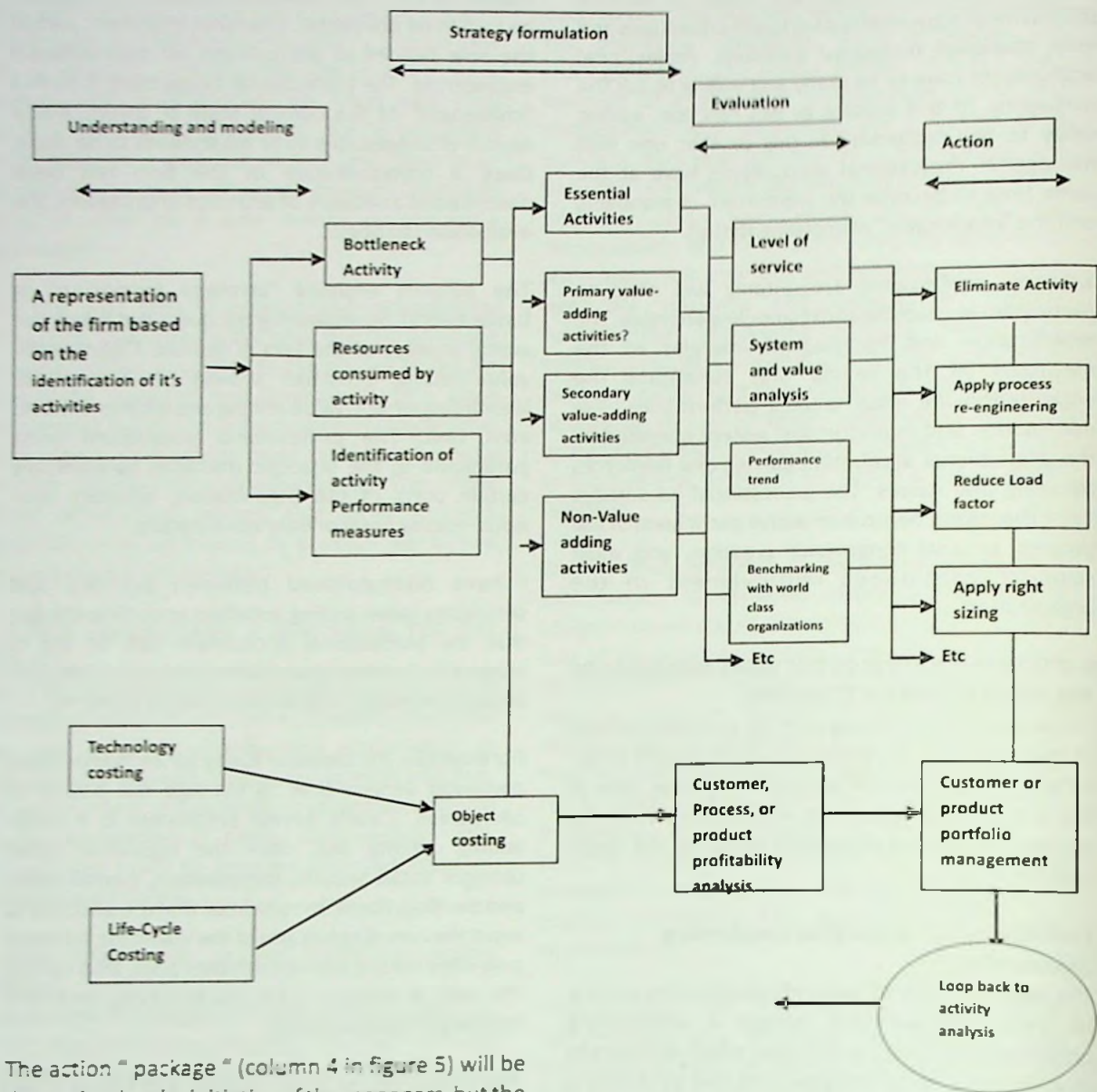
The column entitled "strategy formation" is fundamental. By answering the questions listed, the actual strategy of the firm is defined. Clearly, non-value-adding activities should be eliminated. Identifying what is value adding and what is not is no easy task. The professional accountant must participate in the strategic decisions to eliminate certain parts of the organization, whether non-value-adding or secondary value adding.

I have distinguished between primary and secondary value-adding activities to outline the fact that the professional accountant can be led to suggest that some value-adding activities might best be performed by a subcontractor or by a partner.

For example, it is common today for an independent computer service firm to manage the payroll of companies. Clearly paying employees is a value-adding activity, but since the legislation often changes social security contribution, payroll taxes, and the like), these firms believe that it is effective to input the new dispositions of the law in the software only once for the whole customer pool, thus cutting the cost to everyone, instead of having each firm handling it independently.

The evaluation package (column 3 in Figure 5) will lead to defining the level of service (after all, the philosophy of ZBB is not dead), evaluating the operation of the process, and developing performance trend analysis, in the spirit of continuous improvement, and implementing world-class (or internal) benchmarking in order to come up with innovative solution to obtain the most with the least amount of resources.

Figure 5: The schematic view of the organizational engineering role of the professional accountant



The action " package " (column 4 in figure 5) will be determined at the initiative of the managers, but the professional accountant will need to be involved in order to design the appropriate information system for the monitoring of the implementation of these decisions.

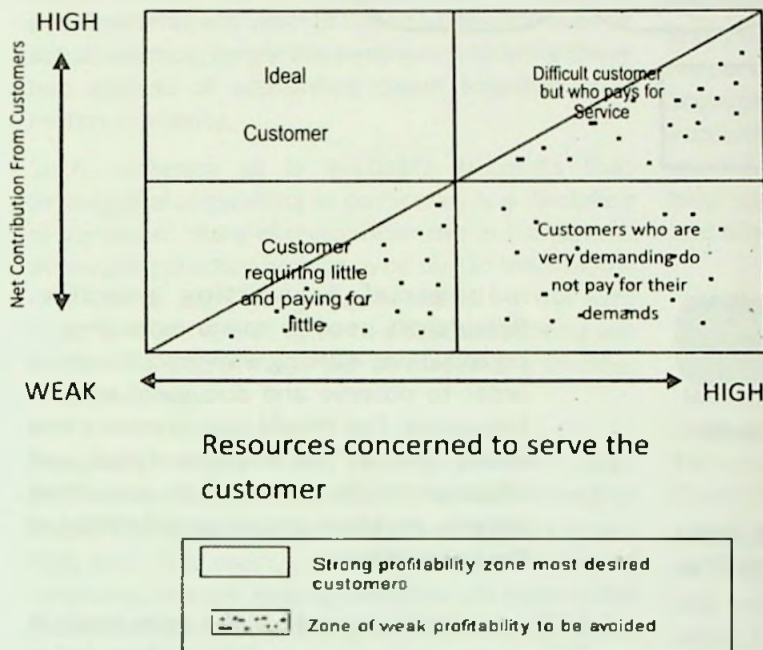
The representation of the firm as a network of processes, or of activities allows for such analyses as customer profitability that could not be performed before. Positioning customers on a diagram like the

one shown in Figure 6 would have been an impossible task without an activity approach (causality approach would also be an appropriate term here). The awareness of the fact that activities and processes cause cost, allows management to avoid the jerky reaction that would consist in trying to eliminate those customers that appear in the lower right-hand corner. Instead, the manager, at

the prompting of the professional accountant, will ask the question, "How can we change our processes so that these customers do not cause such high cost?"

A diagram such as the one shown in Figure 6 can also serve as an element of the "tableau de bord" by showing the evolution of the portfolio of customers over time, or as a result of some action intended to improve the situation, i.e., moving the centre of gravity of the portfolio of customers toward the upper-left corner of the diagram.

**Figure 6: The analysis of customer profitability**  
Profitability measure by types of Clientele (or Product, or Market)



The long-term involvement of the professional accountant lies in his or her participation in the design of a performing organization. But there is also a shorter-term role that can be defined as the role of the professional accountant in the managerial and operational cycle of the firm as described below.

**Roles in helping operate a performing organization**

Figure 7 outlines, in a diagrammatic way, the many-

faceted tasks of the professional accountant in his or her interaction with management in operating the firm through the performance cycle. The diagram shows both the tasks of management and those of the professional accountant. It is important to notice that central to the whole process is the task of communication. The professional accountant, in the next decade, will no more be an isolated or back-room analyst; he or she will be the pivot of the communication system in the organization, thus supporting and facilitating both goal congruence and continuous improvement.

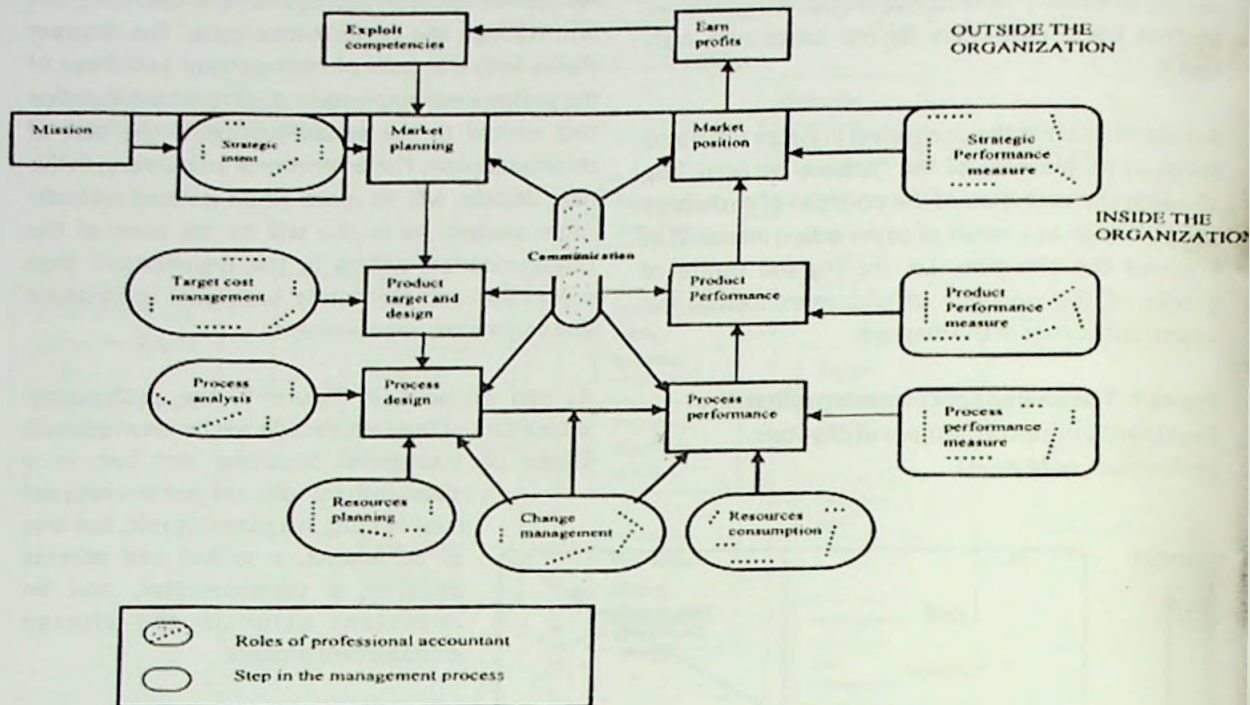
As can be seen in Figure 7, the professional accountant of the next decade will be involved in all stages of managerial decisions; not just in a measurement role, not just in a support role, not just in a planning role, but also as an analyst, a system and process designer, a communicator, and an important actor in the change management process.

**Prospects for the Future**

Since qualifying as a chartered accountant in 1979, I have raised the following basic questions that will need to be answered and researched by the year 2015:

- (1) the problems of implementing the quantitative techniques that are being developed. In particular, more attention needs to be given to;
  - estimation of the necessary information in a world characterized by uncertainty,
  - the costs of data collection and analysis,
- (ii) the organizational context of accounting, for example, the clarification of the purposes that managerial accounting might serve, and the characteristics of the techniques that are likely to be adopted in practice;
- (iii) individual decision-making and information processing, with a view to

Figure 7: Roles of the professional accountant in operating the firm



Adapted from CAM-1 Europe, 1993.

producing less naive models than those derived from neo-classical economics;

- (iv) the greater concentration on external linkages (e.g., dealing with environmental issues, competitive position, etc.);
- (v) the wider use of corporate modeling (and, in particular, greater use of scenario writing in the planning field);
- (vi) an increasing recognition that accounting is but one part of organizational life, which has reciprocal interdependencies with other parts. Thus, accounting controls are merely a subset of an organization's range of controls and should be studied in context;
- (vii) a closer link between practitioners and researchers, given the widespread lack of awareness that exists regarding the state of

managerial accounting practice. Researchers need to spend more time in organizations working with practitioners in order to observe and document what is happening. This should help to ensure that issues such as the implementation and effectiveness in operation of accounting systems are given proper consideration at the design stages;

- (viii) a particular example of the point made in (vii) above concerns our limited knowledge regarding the process of change in accounting at the level of the individual enterprise. It would be helpful to know more about the mechanics and the consequence of change in the design of how and why change comes about at particular times within particular organizations.

The above are just a few of the thoughts and dreams that I have which I believe should help to position our enviable

accountancy profession. You may feed on these fertile areas for your private research/Ph.D thesis.

### Conclusion

Perhaps we should reflect on the principal criterion against which any developments in professional accounting might be gauged; since the object of improving accounting systems is to enhance the effectiveness of organizations employing such systems, the test of any "improvement" should lie in the additional help given to managers in using those systems to improve their performance. In order to properly underpin the redesign of accounting systems it will be necessary for much more descriptive work to be undertaken, since there is very little empirical awareness of the actual design and operation of accounting systems within organizations. As a consequence, theoretical developments are often (if not usually) unrelated to actual practice, hence the need exists to bring these two aspects of accounting closer together as a matter of priority.

Such evidence as is available suggests that (managerial accounting in particular) is a discipline in transition. Many of the deficiencies in managerial accounting practice appear to be due to the shadow of financial accounting requirements. At the very least, by 2015 it is to be hoped that accounting will have developed in a way that throws off the shackles of this heritage.

Secondly, many firms today already have professional accountants that fill the roles described above and respond constructively to the challenges they face. But most, even in the most developed countries, are still holding onto the old view of the professional accountant as a neutral measurer and a benign member of the managerial team.

Academics, consultants, professionals and practicing managers must change their view of the professional accountant to allow a "new breed" of accountants to evolve. Given the diversity of their responsibility, their retaining the term "accounting" in their descriptor might prove to be a liability. Most of the new mission we have described is closer to that of an "information manager" than to that of a traditional accountant.

Whatever the name used to describe their function, information managers should, however, hold on to one of the most important assets of the professional accountant; the accounting quality of information. Even though non-financial information will clearly dominate the field, reproducibility, shared common definitions, and contextualization will be qualities of data that the professional accountant or information manager will continue to require.

In addition, professional training programs and qualifying exams will need to be adapted and managers should be helped to see what powerful potential the "new" professional accountant could represent for their managerial team.

If we allow the profession to evolve in some of the directions that were outlined here, the job of the professional accountant will remain as fascinating for the next 10 years as it was in the early '60s, when the first textbooks promoted the concepts of decision support, a revolution at the time, away from a cost accounting focus on the past. The professional accountant of the future is firstly a manager, and secondly a user of accounting skills and qualities to help support other managers who bring other skills and talents to the team.

## REFERENCES

- AAA (1971).** Report of the Committee on the Behavioral Science Context of the Accounting Curriculum' Accounting Review supplement, 46
- Andre, Cibert (1964).** Le Plan comptable Commence; de la comptabilite analytique a la gestion budgetaire, une monographic d'entreprise (Paris; Foucher) 3.
- Andre Cibert (1968)** Comptabilite Analytique (Paris; Dunod)
- Arnold, G. (2002).** Corporate Financial Management 2<sup>nd</sup> Ed., FT Prentice Hall, Pearson Education Ltd UK
- Arnold J, Hope. (1990).** Accounting for Management Decisions, 2<sup>nd</sup> Ed. Prentice Hall International UK.
- Bergen, S.A. (1986).** Project Management -An Introduction to Issues in Industrial Research and Development 1<sup>st</sup> Ed., Blackwell Ltd. UK 275- 296
- CAM-IEurope, 1993**

**Charles T, Hongren (1962).** Cost Accounting; A Managerial Emphasis (Englewood Cliffs; Prentice-Hall, NJ)

**Currie, D. (2006).** Developing and Applying Skills, 1<sup>st</sup> Ed., CIPD UK

**Donglas, Mcbeth (1993).** U.K Management Accounting Research Group Annual Meeting London School of Economics, London April

**Farnham D, (2006)** Managing in a Strategic Business Context, 2<sup>nd</sup> Ed, CIPD UK

**Glautier, M.W.E. Underdown B. (2001).** Accounting Theory and Practice 7<sup>th</sup> Ed., FT Prentice Hall, Pearson Education Ltd UK.

**Gordon, Shillinghans (1961).** Cost Accounting; Analysis and Control(Homewood, IL:R.ARWIN)

**Ijiri, Y. (1971).** "Logic and Sanctions in accounting" in Sterling, R,R, and benz, W,F (eds) Accounting in Perspective, South Western Publishing Co

**Kaplan, R. S. et al (2007).** Management Accounting 5<sup>th</sup> Ed Pearson Prentice Hall NJ. 467 - 468

**Littleton, A.C. and Zimmernan, V.K. (1962).** Accounting Theory; Continuity and Change, Prentice Hall.

**Lucas, R., Lupton B., Matheson H. (2006).** Human Resource Management in an International Context 1<sup>st</sup> Ed, CIPD UK

**Omane - Antwi, B. (1986).** "Human Asset Accounting"; American Accounting Association (AAA), Accounting Review Supplement.

**Rayner, C., Adam. Smith D. (2007).** Managing and Leading People, 1<sup>st</sup> Ed; CIPD UK

**Simon, C. (1992).** The role of the accountant in strategic planning-A model for the 1990s, Gower Publishing Co.ltd USA.

**Van Home, J.C. (1998).** Financial Management Policy, 7 Ed. A Simon and Schuster Company USA.

**Williams, (1999).** Reporting with a purpose; CA (Canada) Magazine, March, P 23-31

**Williams, Vatter (1950).** Managerial Accounting Englewood Chills, NJ, Prentice Hall.

#### **Webography**

1. [www.prenhall.com/atkinson](http://www.prenhall.com/atkinson)

2. [www.booksites.net/arnold](http://www.booksites.net/arnold)

3. [www.ahi.o.uk](http://www.ahi.o.uk)

4. [www.cipd.co.uk](http://www.cipd.co.uk)

5. [www.krislyn.com/sites.html](http://www.krislyn.com/sites.html)

6. [www.allbusiness.com](http://www.allbusiness.com)

7. [www.1millionpapers.com](http://www.1millionpapers.com)

8. [www.beyondgreystripes.org](http://www.beyondgreystripes.org)

#### **ABOUT THE AUTHOR**

**Professor Kwame Boasiako Omame -Antwi,** Chartered Accountant and College of Teachers' Professor in Accounting and Financial Education, is the Vice Rector and Dean of the Faculty of Business Administration, Pentecost University College, Accra, Ghana.

Contact: [omane@dslghana.com](mailto:omane@dslghana.com) or [Kbomane@yahoo.com](mailto:Kbomane@yahoo.com)