

Changing in the role of management accountant accounting essay



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Abstract

This essay gives an overview of the changing role of management accountant and the management accounting practices. An idea of how these changes were developed and the factors behind the changes what were the reasons for implementing the changes, what were the main drivers and to what extent these changes are now being practice in the real business world?

Introduction

Over the few decades- many writers have pointed to the work of Johnson and Kaplan (1987) as an organ in this respect that there has been a shift in the expectation of management accountant. This essay is a brief overview of why, how, and to what extent there has been a change in the role of management accountant over the last three decades. In the past decades business environment has changed significantly, this is mainly because of the changes in technology and ever growing demands of business managers all around the globe. These changes have brought a significant level of change in economical factors of business world and management accounting is no exception. And with these changes management accounting as a whole is effected, it has brought changes in accounting system and techniques and has been subject to various debates as to bring changes in the function of accounting. Nevertheless, there have been mainly two types of development: adoption of new tools and techniques which enhances accounting practice, and on the other hand change in the role of management accountant, which is towards acting more in decision making and advisory rather than solely focusing on providing information.

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In the following sections this essay will give a brief idea of the main reason behind the changes and how these changes effected the management accounting practices and to what extent these changes are adapted by the accounting sector.

Reasons for the changes

The ever changing environmental and technological factors has affected the global economy in past few decades, and accounting and finance is a key player in running any economy. And as being a major factor in running any economy accounting practices has suffered significantly. But the focus in this essay is on management accounting and its practitioner and why, how and to what extent there has been a change in their practice.

Laboring under the shadow of financial reporting, auditing and taxation, on number of occasion's management accounting has escaped the spotlight of critics. Often management accounting and the role of management accountant is relegated to the lower crust of accounting, and was limited to the role of organizational book keeping and budgeting and sometimes only to the extent of obligatory university or professional body courses. But if we look in this matter from historical point of view management accounting was and to some extent still considered as a dull profession.

We can say that due to globalization of markets which have increased competition, and now markets are more volatile, where reaction time is very little for companies to act. Advancement in information and production technologies, which have reduce the time of information processing by

accounting specialist and has enabled other organizational staff to take up tasks by themselves which were previously labeled for accountants.[i]

Furthermore systems like SAP are becoming more common in multinational companies, and in some medium size companies. A recent survey on this topic has also proved that there has been a change in needs of managers information; this might be because of the changing style of organizational structure. In recent years due to severe competition among organizations of being on top, and where change is necessary because of different market conditions, and of course different business strategies used in different organizations. All these factors are the reason for the change in the practice of management accountants.

Implementing the changes and its Effects

If we summarize the recent surveys on changing role of management accountant, we will see that there are two types of factors that have brought a change in the environment of management accounting operations.

Externals factors have forced organization to change there internal structures to compete with ever improving technological industry. The 21st century management accountants have developed into a multi-functional engine and are more involved in accounting matters than before.

Now managers need more information than before, for decision-making and relevant organizational matters needed for profitable outcome. Internal organizational factors like decision making require more advance information and efficient modes are required to perform such tasks. So with that majority of the information management accountant have these days are

computerized and are easily accessible at all levels of the organization and managers who can immediately see their variances and monitor their performance daily. These new development has replaced old methods where managers were able to see the progress at the end of the month. During a conversation between CIMA members it was stated: “ now systems are such that managers can generate information without reference to the financial analysts. So both have access to the same information. But they both use it in different ways. That has been a major change”.

A variety of terms are used to describe the new role of management accountant is or should be aspiring, which include “ modern business-oriented accountant” (Granlund and Lukka, 1998b), “ business partner” (Siegal and Sorenson, 1999), “ internal business consultants (Burns and Vaivio, 2001)”, “ strategic management consultant” (Holtzman, 2004), or “ Hybrid accountant” (Burns and Baldvinsdottir, 2005). Nevertheless, there was one way or the other same regarding the new role.[ii]

But the matter of fact is the role of accountant is more important than before, not only in the corporate level, but also at national and international level. The main focus of management accountant has always been to improve their organizations performance and profitability, but now due to changes in different environmental and economical factors their approach has changed in recent time for good.

Noticeable change over time is that in years before, a great deal of management accounting work was driven by the need of compliance and control. But now, emphasis on compliance and control are declining, while

factors like competitive support has risen due to increased competition, greater customer focus, importance of quality and of course globalization.

The increased emphasis on competitive support now require management accountant to have strong analytical and communication skills. Furthermore, they now support and process managers, and are directly involved in decision making. They are also involved in long and short-term planning, they also have to develop systems to support and provide essential information needed. With these new developments management accountant must directly involved in formulation, and the implementing business strategies.

To what extend there has been changes

Today, as compared to previous decade's management accounting practices has changed quite a bit, now management accountant has to reconcile the broad view of business. Today management accountant are more effective and efficient. Management accounting is changing, and reason for these changes is the factors. These factors are as mentioned above: changes in the economic and social structures, globalization issues, changes in the markets, and technological developments and last but not least need for organizations to become customer focused.

The focus have shifted from historical stewardship to more advance role of strategic planning and feed forward control (pierce, 2001). Now armed with advance skills, new technology, more analytical skills and leadership qualities the new management accountants are emerging with the change.

Management accountant these days spend their time on 'strategic management accounting' with a view of broadening the concept of traditional management accounting. The term 'strategic management accounting' was first introduced by Ken Simmonds in 1981. And CIMA describes this terminology 'as a form of management accounting that focuses on information which relate to factors external to the firm, as well as non-financial information, and internally generated information'.

This integration is now more important because it enables managers to see the day-to-day development of the business process. How these processes are being handled and what will be there outcome, and that way this is seen as an important function of the new and more advance management accountant. And with the changing role of management accountant, in some companies their job titles are also changing as mentioned above like business advisor, business analyst and few others.

Furthermore, some surveys have suggested that there will be more changes in the role of management accounting, management accountants will be taking up the duties of handling matters like designing, developing and operating financial and management information system.

The trend is that management accountant is now working more with business units, rather than working as an individual unit as happened in the past. This is mainly because of the shift in the duties of the management accountant and changes in the organizational structures. Now management accountant work alongside managers, engineers and so on.[iii]

In some cases it is noted that management accountant are more involved in issues of corporate strategy, they are more involved and are not acting as an individual unit, and this is the reason the need for management accountant to be more skillful, advance are becoming a mandatory qualification.

To sum up the situation of the role changing or we can also say that taking it to next level the factors played a very important role, factors such as; technology, restructuring, globalization, takeovers/mergers, new accounting techniques and so on. Management accountants are adapting to the change which is not only helping the organizations to be more effective in making profit, but it is also improving the dull image of the management accountant.

Conclusion

In the end we can say that the changing roles of management accountant are for the good of the profession. As to compete in this fast growing economical world, with all the development that are taking place around us accounting and finance plays an important role in any successful economy.

As a whole the role of management accountant have moved into another level. With all the new techniques and technological advancement have brought new software's which have made work easy and faster for the management accountant, which is always a need in this fast pace world where markets are very competitive and margin of error is very high.