

# The changing role of the management accountant commerce flashcard



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- 4. Decision

Charles Darwin the celebrated scientist who introduced the theory of natural choice said “ In the battle for endurance, the fittest win out at the disbursal of their challengers because they win in accommodating themselves best to their environment. ” He used this theory to explicate the extinction of the dinosaurs from the Earth.

I believe this theory in fact is non confined to species. It is a cosmopolitan truth which is applicable to so many phenomena we see in our twenty-four hours to twenty-four hours lives. One such illustration is the transmutation of finance map. The tremendous alteration the corporate universe underwent over the last few decennaries has necessarily pressurized the finance map to accommodate to its operating environment. As a consequence, today the finance map is in the fore-front of determination devising positioning itself as a concern spouse for the organisation as opposed to a conventional support map.

It is in this context that every organisation today should ship on the journey of transforming its finance map to accommodate to the challenges of the modern concern environment. It is gratuitous to overstate the alterations this brings approximately in the function of the direction comptroller. However being worlds it is natural for us to defy such alteration. What we should retrieve nevertheless is that if we fail to accommodate to these alterations, our fate would non be different to that of dinosaurs.

This reinforces the statement that tomorrow 's successful direction comptrollers will be the 1s who non merely understand the demand & A ; importance of finance transmutation but besides who take proactive steps to convey about effectual alteration and finally pull off such alteration to guarantee sustainability of the concern.

## **2. Finance Transformation**

### **2. 1 How it has changed?**

Accounting & A ; Finance map over the centuries has evolved significantly from the basic dual entry bookkeeping - the radical construct which started it all. Today we live in a universe where planetary companies exist and the finance map like so many other things in human life has transformed itself to provide the of all time increasing demands of modern twenty-four hours concerns.

Let it be fiscal coverage, exchequer direction, budgeting or any other country in finance for that affair, there is seeable transmutation. For case, bottom-line in fiscal slang, merely meant fiscal profitableness until late. But today organisations strive for a ternary bottom-line which is manner beyond the boundaries of fiscal profitableness.

A recent research conducted by CIMA ' s Centre of excellence at the University of Bath concluded the undermentioned alterations ( see Figure 1 ) as the most frequent alterations faced by concerns.

Figure 1: Cardinal alterations faced by the Finance Function in the last decennary

Beginning: CIMA - Centre for Excellence, Excellence in Leadership, December 2009, p. 12

As per the above research informations, an overpowering bulk of 96.4 % has confirmed that there had been at least one alteration in their finance map for the period in concern. However the grade, to which these alterations have been popular, may highly change with Cost decrease being the precursor with a popularity of 59 % while Outsourcing of non-routine undertakings was confined to a second-rate 5.5 % .

The same survey subsequently classifies these alterations to four wide types and besides pinpoints two chief motivations behind these alterations viz. Cost efficiency and Value creative activity ( See Table 2 ) .

Table 2: Categorization of Changes Faced by the Finance Function

Beginning: CIMA - Centre for Excellence, Excellence in Leadership, December 2009, p. 12

Cost Efficiency motivation is where a concern is acute to better its end product by utilizing its resources more expeditiously. On the other manus Value creative activity involves executing undertakings in better ways whilst extinguishing non-value adding activities such that the organisation creates value in footings of profitableness.

It is clear from the information ( See Figure 1 ) that it is the Cost Efficiency based alterations which were more outstanding in concerns during the last decennary. As the research suggests, Cost Reduction and Business Process

Re-engineering ( BPR ) appear logical stairss for organisations as they grow.  
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The economic systems of graduated table, houses are expected to accomplish with its size, apologize such alteration. Further the universe economic crisis stemmed in 2007 & A ; prolongs to day of the month would besides hold significantly influenced finance directors to run their concerns on tighter budgets and therefore concentrate on efficiency based transmutation.

Although cost efficiency steps, up to now, have had the upper manus in finance transmutation, it is expected that the value based alterations would take precedence in times to come, as finance maps embark on the journey to accomplish the airy " value Godhead " position.

## **2. 2 Why has it changed?**

So far we discussed how the finance map has evolved over the old ages. Let us now examine the underlying drivers which caused this dramatic alteration. This necessarily leads us to look at the alterations that occurred in the environment in which concerns operate. One thing that certainly comes to my head is globalisation. I believe this construct individual handedly revolutionized the manner people engaged in concern. For case practical organisations such as Dell and on-line market topographic points such as e-bay have non merely been extremely successful, but besides have challenged the future viability of traditional concern theoretical accounts.

However globalisation is merely one among many drivers of alteration as per CIMA ' s recent research findings on finance transmutation. In fact it ranks good below the likes of increased competition & A ; technological promotion

which grabbed the top two musca volitanss in footings of popularity ( See Figure 3 ) .

Figure 3: Drivers of organisational alteration ranked in footings of popularity

Beginning: CIMA - Centre for Excellence, Excellence in Leadership, December 2009, p. 15

Increased hazard and uncertainness and External coverage demands achieved 3rd and 4th topographic points severally with market development coming following. It is of import to advert the portion played by the prostrations of large corporate giants such as Enron, Worldcom and subsequent alterations it created in the finance map particularly in footings of hazard appraisal theoretical accounts and rigorous coverage guidelines.

The study further high spots some of the differences that exist within different concern sectors.

For illustration, demographics are every bit twice as popular driver in public sector compared to the private sector in which competition & A ; market kineticss are more prevailing.

In fiscal services industry hazard & A ; uncertainness is hailed above all drivers of alteration.

All these drivers later created force per unit area on the tradition finance map and new finance & A ; control theoretical accounts evolved to accommodate the new playing field.

### **3. The altering function of the direction comptroller in today ' s environment**

#### **3. 1 The manner frontward**

So far we analyzed the nature of finance transmutation and its implicit in causes. It is now high clip to look at the germinating function of tomorrow ' s direction comptroller. Having acted as a steward for decennaries, today the finance professionals are progressively pressurized to be a sailing master or a concern spouse in executing his/her responsibilities.

With mention to the antecedently mentioned survey done by CIMA, it is apparent that Business partnering is clearly emerging as a manner frontward for finance transmutation.

Table 4: Business Partnering in finance map

Beginning: CIMA - Centre for Excellence, Excellence in Leadership, December 2009, p. 11.

In its research study, Finance transmutation & A ; concern partnering, CIMA - Centre for Excellence defines concern partnering as a behaviour which " involves members of the finance map moving as close advisers or internal advisers in greater coaction and cross-functional working with others in the organisation, so they can understand the concern better, and supply the advice and support that is needed. "[ 1 ]

The thought here is, for finance members to actively take part in the determination devising procedure and take corporate ownership of the determination as opposed to being inactive advisers. However in order to

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make so, the finance professionals non merely necessitate to possess proficient cognition in finance & A ; IT, they should besides be equipped with extended industry cognition & A ; concern acumen. In add-on to that, the demand for enhanced interaction across all the degrees in the organisation would intend that the direction comptrollers need to get the hang necessary communicating and interpersonal accomplishments.

Further the traditional barriers that exist between sections would besides necessitate to be relaxed so that effectual inter-functional associations are enabled. Erik ter Horst, Vice President - Finance, CFO EMEA and Latin America, BT, offering penetrations to CIMA ' s study adds " for me, finance can merely be functional if the finance map is a portion of the whole organisation "[ 2 ].

However 1 might besides reason that this may counterbalance the degree of independency exercised by finance and hence affect the objectiveness of its determinations. While admitting the possibility, Morten Sorensen, Finance Director Central Europe, Middle East and Asia Pacific, SSP, believes that the possible hazard to the objectiveness of finance map will be " outweighed by the extra value generated & A ; at the terminal of the twenty-four hours it comes down to the unity and professionalism of the person. "[ 3 ]

## **3. 2 Finance transmutation and the function of the Management Accountant at Bodyline**

### **3. 2. 1 Background:**

Bodyline Private Limited, a joint venture between MAST Industries, Triumph International & A ; MAS Holdings, is one of the largest intimate apparel & A ;



sportswear industries in Sri Lanka with a work force of around 6000 employees and an one-year capacity of around 15 million pieces of bandeaus. The company caters to some of the universe ' s most glamorous trade names including Victoria Secret, Nike, Marks & A ; Spencer and Lane Bryant.

Over the last twosome of old ages Bodyline has synergized its multi merchandise - client portfolio to its competitory advantage whilst putting on engineerings such as bonding, 3D hemming and supersonic welding.

However the company is invariably confronting stiff competition from low cost makers in Asiatic states such as Bangladsh & A ; Vietnam, and as a consequence late underwent drastic alterations in its concern theoretical account which in bend caused the finance map to transform consequently.

### **3. 2. 2 Finance Transformation at Bodyline**

Table 5: Changes faced by the finance map at Bodyline

**A**

**Finance Function Change**

**Example**

**Type of Change**

**Motive for Change**

1

## **Greater accent on cost decrease**

**Undertakings to control major cost overrun countries. E. g.  
Overtime Tracking Mechanism**

**Cost Decrease**

**Cost Efficiency**

2

**Increased outsourcing of everyday undertakings**

**Outsourcing of VAT Returns Process to a 3rd party**

**BPR**

3

**Increased Use of Shared Service Centers for everyday undertakings**

**Putting up a common commercial section in coaction with MAS Intimates group**

4

**Increased work on merchandise pricing**

**Developments of Pre & A ; Post Order Profitability maps on SAP**

**Merchandise Focus**

**Value Creation**

5

## **Cross functional squads**

**Formation of client squads consisting of representatives of different sections including finance**

**Focus on internal procedures**

6

**Greater accent on hapless public presentation within the organisation**

**Facilitating greater deepness in Performance Management. ( Providing to Business, Departmental & A ; Individual degrees )**

7

**Increased external benchmarking of the whole organisation**

**Hazard appraisals and external benchmarking activities taking to sound concern determinations being taken**

Beginning: Primary informations collected from Bodyline

The above diagram depicts functional alterations experienced by Bodyline Finance and it could be straight compared with Table 2 in page 3. ( CIMA ' s original theoretical account )

3. 2. 2. 1 Cross Functional Teams: A A drastic structural alteration was introduced few months back where cross functional squads ( stand foring virtually all the sections ) were formulated to unambiguously provide each client. A concern analyst was appointed to each squad to stand for finance and he/she adheres to a double coverage construction where the single studies to the Head of Finance every bit good as to the Head of the several

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client history. Each client squad sits together in a separate country within the mill so that interaction between the members is enhanced.

However the transmutation involved important cultural alteration. Peoples had to be convinced that the old construction that had been adopted for the past 15 old ages was non the right manner forward. A Members of finance worked really closely with the new leading to alter the internal constructions & A ; describing lines to logical transverse functional concern squads to back up client outlooks.

The direction comptrollers involved in jointing the methodological analysis of public presentation direction systems including Cardinal Performance Indicators every bit good as inventing segmental coverage of client underside lines coupled with policy control deployment. This helped the people to understand the large image and most significantly, where do they suit in to the new construction. The increased degree of transparence helped us make a healthy competition among client squads which in bend contributed to interrupt the opposition to alter whilst sharply driving towards the accomplishment of concern aims.

3. 2. 2 Greater accent on hapless public presentation: Performance direction enterprises across many sections & A ; beds are being introduced with the direct engagement of finance which provides design to bringing solutions. For case, the inducement strategy for run uping operators was changed to an efficiency based group inducement mechanism from an single public presentation based inducement system, with finance section operation as the undertaking title-holder. This is one mulct illustration where

Bodyline ' s finance map operated as a true concern spouse coming out of its comfort zones, co-operating with the other relevant sections and put to deathing the undertaking to flawlessness. It is notable to advert that whilst put to deathing this undertaking, complex human kinetics of 6, 500 people and the cost deductions of supplying inducements to all of them were considered. A series of information Sessions had to be conducted to pull off the cognition transportation demand in footings of the new system. Nevertheless a important increase in mill efficiency was noticed within the first month of undertaking execution.

In order to ease such progress concern demands, the finance map was strengthened with people holding double backgrounds. In other words, apart from hardcore finance alumnuss, Bodyline ' s finance squad comprises of several dresss technology alumnuss from the University of Moratuwa who are besides qualified in CIMA. It is this alone resource combination that has enabled Bodyline ' s finance squad to successfully endeavor for excellence amidst legion challenges.

3. 2. 2. 3 Risk Analysis: The members of the finance section are besides engaged in & A ; analysis & A ; appraisal of hazards confronting the company, developing projections based on such hazards to pull the attending of the direction on high hazard countries. For illustration early designation of the hazards of Western economic recession, paved the manner for the company to take immediate actions and thereby extenuate the impact of these inauspicious events at least to a certain extent.

3. 2. 2. 4 Cost Decrease: As a follow up action program to Budget Monitoring, the finance squad in coaction with other sections initiated 4 major undertakings to cut down company ' s overhead cost. These are viz.

Execution of overtime cost tracking & A ; commanding mechanism

A undertaking to command conveyance outgo

A undertaking to command messenger charges

A undertaking to command stationary cost

A undertaking leader is appointed from Finance for each undertaking and this person is entirely responsible for presenting the aims of the undertaking. The leader is expected to join forces with relevant sections, device an action program, follow up action points and present the advancement at the following month ' s budget monitoring session. Significant cost decreases were observed in each country with the origin of these undertakings.

On the other manus, these undertakings offer a great chance for the budding direction comptrollers to travel out their comfort zones, actively affect in transverse cultural squads, learn and go concern spouses who actively participate in accomplishing the company ' s strategic objectives. A A

3. 2. 2. 5 Increased work on merchandise pricing: To heighten the visibleness of fiscal information at the Gross saless Order degree, a undertaking was initiated by finance with the coaction of IT to develop SAP ( the company ' s ERP system ) based faculties which calculates the expected profitableness of a Gross saless order in the system itself. This procedure presently happens

on dispersed sheets off the ERP system and as a consequence batch of information is duplicated and resources are wasted. The 2nd stage of this undertaking involves associating purchase order mandate process to gross revenues order profitableness so that an effectual control on at the point of stuff purchases can be exercised.

Yet once more this is a challenging undertaking which requires the person to travel out of the comfort zones of an comptroller and work with System users/IT specializers and to garner system demands and thereby guarantee effectual system development is achieved subsequently.

#### **4. Decision**

Modern twenty-four hours concerns experience alteration at a dramatic rate and whichever the 1s that do non accommodate rapidly, would be gone earlier long. Bing portion of that concern, the finance map can ne'er insulate itself so should acquire accustomed to alter.

If the finance map has to alter, that indirectly means the direction comptrollers should anticipate their functions to often alter in future. In fact it is the direction comptrollers who are expected to pull off the procedure of finance transmutation. As their functions evolve, tomorrow ' s direction comptrollers will be expected to larn new accomplishments ( more frequently out of their comfort zones ) work with transverse functional squads and finally act as concern spouses who take duty for the corporate determinations.

Although we all tend to defy alteration ab initio, we besides might

experience it is after all non so bad. It surely brings chances & A ; provided <https://assignbuster.com/the-changing-role-of-the-management-accountant-commerce-flashcard/>

we take it in the right spirit we may stop up being better off. The narrative of finance transmutation at Bodyline is surely of that type. Transforming was ne'er an easy journey and it still is non. However as a squad the finance map moved frontward with positive attitude and as a consequence in the procedure has achieved so many mileposts.

As I conclude, the cardinal point I wish to convey up is that the finance transmutation is inevitable. Irrespective of whether we like it or non it ' s here to remain. However it is our determination either to encompass the alteration like a lizard which rapidly changes its colour to accommodate the environment and thereby survive through successful camouflaging or else ignore the alteration merely like the dinosaur and merely nonextant.