

31st Management Accounting Research Group Conference

GLOBAL CHANGE AND THE CONTINUING TRANSFORMATION OF THE FINANCE FUNCTION

London School of Economics and Political Science
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In April 2010, the Management Accounting Research Group (MARG) held its 31st annual Conference at the London School of Economics (LSE). This year, more than 130 academics and practitioners, from across the United Kingdom and other parts of Europe, gathered for the whole-day Conference, which was themed 'Global Change and the Continuing Transformation of the Finance Function'.

Once again, the annual Conference was made possible by the financial support of the Charitable Trusts of the Chartered Institute of Management Accountants (CIMA) and the Institute of Chartered Accountants in England and Wales (ICAEW), with further funding and organisation provided by the Department of Accounting at LSE.

The Conference was structured as two presentations in the morning and two talks in the afternoon, with the CIMA Distinguished Practitioner Lecture at the end of the day. The morning session was chaired by Professor *Alnoor Bhimani*, Head of the LSE Department of Accounting. He acknowledged the absence of Emeritus Professor Michael Bromwich, also of the LSE Department of Accounting. It was impossible for him to take part on this occasion as he was stranded in New Zealand, due to the flight disruptions caused by the volcanic ash cloud over Europe.

Professor Bhimani was also the first presenter of the day. His talk, entitled '**Global changes: the impact on management accounting**', addressed global issues that affect information processing and managerial accounting. He discussed the main sources of wealth from the 17th century to the present day, and how the main organisational forms and the control contexts have evolved over this time. For the current era the global economy finds itself in, Professor Bhimani identified seven trends that are shaping management accounting. The first trend is the non-predictability of information pathways. There is a huge amount of information created that can be used in previously unexpected ways. The second trend is the increase in standards and interconnections. This, he argued, means that risk – or at least its perception – grows with globalisation, which further drives the standardisation of information and the need for governance mechanisms.

The third and fourth trends identified were the rise in distinctions between organisations, and the redefinition of products. Both represent an increase in the importance of human capital and brand capital, and the ability to extract value from information. The fifth trend is the capacity of technology to transform culture, and the sixth focuses on the fast ongoing rise of social networking. This, according to professor Bhimani, lets sellers influence buyers in an informal manner, and consumers to import informality into products and the workplace. The seventh trend is that consumers are increasingly becoming producers. The era of consumers being merely price takers and product takers is fast dissipating in most markets— consumers have moved from being price makers and more and more product makers. The implications for management accounting of these trends were discussed in the context of ongoing globalisation trends.

Professor Bhimani argued that these trends have potential effects on information processing and management accounting. There include the widening of sources of information and the more fluid diversity of information usage. The organisational context also will define the informational structures, with more collaborative working styles and an increased use of multidimensional information platforms and formats. Brand effects will be part of products, and the ‘prosumers’ – or consumers *cum* producers – will alter the price-cost-product interface.

The next presentation of the day was delivered by a three strong. *Philip Smith, Carolyn Bresh* and *Rick Payne* talked about ‘**The finance function: always the same and always different**’. Mr Payne, from the Finance and Management Faculty at ICAEW, started by offering a series of definitions about the finance function in organisations, emphasising the role of management accountants and controllers in the decision-making process. Based on 21 commercial surveys, he showed the similarities in the finance function across organisations. The main categories are ‘always the same’, and include production of accounts, compliance with regulation requirements, management and control of the financial performance, provision of information to investors and funders, and development of strategy and management of risk. At the same time, the finance function is also ‘always different’. The drivers of finance roles – operating environment, characteristics of the organisation, and accounting representations – are distinct in different institutions, so the implementation of those main categories of the model will also vary.

Ms Bresh, Director of Everymind Ltd, went from there to talk about the finance function in practice. She presented her experience to show how the categories of the finance function are seen by users of the information provided. She emphasised that managing and controlling the financial performance is the critical role of the finance function, and advocated that the task of developing a strategy for the firm should not be attributed to the finance director, but rather to the CEO. After that, Dr Smith, who is a Visiting Fellow at Cranfield University, led the discussion. He highlighted the importance of a systematic view of the drivers of finance roles, the significance of pervasive uncertainties, and the need for high adaptability of the finance function categories.

After lunch break at the Shaw Library, the audience gathered again for the second round of talks. This section was chaired by Emeritus Professor *Robert Scapens*, of Manchester Business School. *Patrick Fenton* delivered the first lecture of the afternoon, themed ‘**Information or Intelligence: Management Information and Business Intelligence**’. Mr Fenton, who is Head of Corporate Financial Management Advisory at KPMG, talked about the recent surge on the amount of data collected, and how large quantities of data do not necessarily mean information of high quality. Echoing Professor Bhimani’s presentation in the morning, he demonstrated how good information can be turned into intelligence. The main point is to get the right information, at the right time, to the right people, delivered by the right people, to increase influence with business leaders to make better business decisions. This involves a multitude of factors, including: clear definition of the business strategy; understanding of said strategy by the finance function; identification of people who contribute the most to meeting the organisational

strategy; and focussing processes and structuring data sets to deliver what is needed. He reinforced the importance of a more holistic approach to business intelligence, and advised finance to build influence, to challenge and support businesses.

The next presenter was *Ian Herbert*, from Loughborough University. His talk was entitled '**Shared Service Centres: Maintaining Employability for the Martini Workers in the Hourglass Profession?**'. He started by presenting the empowerment challenge, or the importance of embedding and embodying knowledge in production workers. Modern organisations, which underwent transformations in the 1990s and 2000s, need to find the balance between centralisation and devolution, bureaucracy and participation, and control and flexibility. It is in this context that shared services emerge. Defined as 'a collaborative strategy in which a subset of existing business functions are concentrated in a new, semi-autonomous business unit', shared service centres can reduce cost through scope, scale and standardisation. They reflect a mature approach to sourcing, which is flexible, permeable, visible and transparent. Dr Herbert presented various cases in which shared service centres were created. He showed how, in these centres, management accountants work not only as suppliers of accounting services, but also as specialist process designers and operators, and as entrepreneurs.

Following a tea break, it was time for the **CIMA Distinguished Practitioner Lecture**. This year, it was delivered by *George Glass*, Deputy President of CIMA. Mr Glass' talk was entitled '**In a realigned world, the future of management accounting**'. He started by positioning management accountants in the current financial crisis. In a realigned world, management accountants are called on to become custodians of the business model. There is an increase in regulation and a stronger emphasis on governance. With higher risk aversion and demands for greater transparency, the future of business is different from the current status.

Management accounting should respond to that, and it is able to do so because it is no stranger to change. Mr Glass showed how the context in post-World War I and in the late 1980s presented challenges to management accounting, which was then able to react accordingly. At the present moment, management accountants should try and be more influential and become navigators for businesses. They need to plot the current position and course, to think long-term to deal with perils ahead, to explain current position and chart potential future courses, and to alert top management to threats to sustainability of the business model. These professionals need to be more objective, offering support to the organisation and challenging it at the same time. Management accountants are called to not concentrate so much on accounting processes and on internal customers, but to shift their focus to value for stakeholders.

Professor Bhimani brought to Conference to a closure by thanking CIMA and ICAEW for their sponsorship, Rebecca Farrier and her team at the LSE Department of Accounting for their organisation of the event, and the audience for their participation. The 31st MARG Conference was concluded with the traditional grand reception at the LSE Senior Dining Room.

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