



Management accounting education for the 21st century firms

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ABSTRACT

Management accounting has become a subject of hot debates over the last four decades and has undergone a major transformation. It is argued that traditional management accounting roles have either disappeared or been changed. The debate is based on the belief that roles of 'Management Accountants' require new forms of education and training, with more emphasis on the practicality of the subjects that are taught in higher education institutions to accounting students. Prevailing subjects, modes of study and delivery of teaching programmes may have to significantly change to make room for new areas, which are more required in the competitive market that the 21st century firms are experiencing these days. The argument in this paper is supported by the data collected from interviews with a sample of CIMA members working as senior financial directors in businesses, both service and manufacturing, in the UK, Australia and New Zealand.



Contextual background

Management accounting has become a subject of hot debates over the last four decades and has undergone a major transformation. The debates began with the well-known book of Johnson and Kaplan, *Relevance Lost: The Rise and Fall of Management Accounting* (1987) and then numerous research papers contributed to literature on the past, present and future of management accounting as a service function in businesses and as a professional practice for practicing management accountants. There are many academics arguing that traditional management accounting roles have either disappeared or been reconstructed (Jablonsky et al., 1993; Siegel and Sorensen, 1999). This argument is in line with academic research findings that has extended management accounting activities into domains beyond the traditional roles of product costing, budgeting, planning and control as described in standard texts which are commonly taught at educational institutions (Albrecht and Sack, 2001; Scapens et al., 2003).

The studies, however, have mainly undertaken in Western countries and contributed to the debate that roles of 'Management Accountants' require new forms of education and training to meet the needs of the new business environment. In particular, it is argued, a greater concentration on the social and organisational sciences, and the development of research, learning, and problem solving skills which provides skilful accountants are required for the business environment (Boer, 2000). In other words, the emphasis is on the practicality of the subjects that are taught in higher education institutions to management accounting students. Prevailing subjects listed in the teaching syllabus, modes of study and delivery of teaching programmes may have to change to make room for new areas, which are more required in the competitive market that we experience these days (Burns, Hopper and Yazdifar, 2004).

Traditional management accounting (also called, conventional management accounting) which is mainly linked with financial accounting and reporting, and auditing may have to undergo if courses are to be redesigned for the new role considered for management accountants. The new occupation of the management accountants can be titled 'Business Advisor', 'Business Analyst', 'Strategic Management Accountant', or 'Management

Controller' (Jablonsky et al., 1993; Baldvinsdottir, 2009). The new teaching syllabuses and programmes may require to emphasis management accounting both in theory and practice, by using case studies and practical projects (Scapens, 1999). This may also encourage developing teamwork skills in students by requiring them to prepare more group based assignments and coursework instead of assigning tasks for each individual student.

There is no doubt that the reconsideration of teaching syllabuses in higher education institutions will be significant challenges for all parties involved. The recent research undertaken by the present authors reports the views of 56 CIMA qualified financial officers working in both manufacturing and service firms in the UK, Australia and New Zealand (see further details about the interviewees in Table 1) and highlights the concern of the interviewees about the challenges which academic are facing in delivering the right teaching syllabuses to students to equip them for the new role. They argue that the above change will not only affect the students, but the academics as well. The interviewees also added the importance of updating academic role descriptions when educational institutions are considering recruiting new academic staff. This view highlights the extent of the required changes in educational institutions in order that the suitable learning environment to be prepared for the students.

Table 1 summarises the distribution of interviewees:

Country	UK	Australia	New Zealand	Total
Distribution of interviewees	9	13	34	56
	16%	23%	61%	100%

Type of industry where interviewees were engaged	Manufacturing	Service	Total
	36.3%	63.7%	100%

Business size (no. of employees)	Less than 100	100 - 500	More than 500	Total
	29.9%	32.1%	38%	100%

Changing roles of management accountants

The literature is abundant with the papers discussing the changing roles of management accountants. However, the major contribution to the debate on that subject is the report of American Accounting Association prepared by Albrecht and Sack (2001). The authors argue that accounting education at higher education institutions and universities often leaves graduates unequipped to adequately deal with the myriad of problems that they face upon entering businesses for the roles that they are expected to fulfil (Burns, Hopper and Yazdifar, 2004). They explain that, quite often, accounting education at universities is mainly focused on technical and theoretical aspects of accounting practices, whereas, by contrast, management accounting jobs (as graduate will experience at workplaces) are rapidly changing, and are grounded in new information technology and problem solving. They argue that management accounting roles and jobs, as conventionally defined, are disappearing, and not surprisingly, that USA students appear to be drifting from management accounting courses (Burns, Hopper and Yazdifar, 2004). The present study also reinforces their views. The interviewees in this study also discussed the importance of accountants to be equipped at universities in order to be informed about the requirements of their roles and how that should be fulfilled.

New area for research in non-Western countries

Drawing from extensive survey and case studies, the researchers have outlined changes in a management accountant's roles, what are considered to be their most valued techniques and skills now and in the future, and why changes are occurring and what we can expect the roles to be in the future. These are mainly based on the studies in the USA and UK and the present study has extended that to Australia and New Zealand. However, the literature lacks studies on non-Western countries and therefore, there will be a great opportunity for researchers in non-Western countries to contribute to these debates by conducting case studies and survey in their countries.

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