

Competency Profiles for Management Accounting Practice: Curriculum Implications

IMA-MAS Management Accounting Curriculum
Task Force

AAA Panel Session

Wednesday, August 10, 2011 (10:15 a.m. – 11:45 a.m.)



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**American
Accounting
Association**

Thought Leaders in
Accounting

IMA/MAS Management Accounting Curriculum Task Force

- **Background:**
 - **The IMA receives frequent requests for guidance on the content of management accounting curricula**
 - **IMA had previously issued guidance in this area (“The Common Body of Knowledge for Management Accountants”, IMA SMA 1D, 1986; “Education for Careers in Management Accounting”, IMA SMA 1E, 1987)**
 - **This guidance is out of date as it does not reflect the evolution of the field of management accounting during the past 25 years**
 - **The IMA and AAA Management Accounting Section agreed to jointly form a Task Force to develop a model Management Accounting curriculum document in the area of management accounting (MA) education**



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Members of the MA Curriculum Task Force

- **The Task Force has been constituted to represent an extensive set of teaching, textbook, practice, and international experiences and perspectives.**
- **Members of the Task Force include:**
 - **Ed Blocher, University of North Carolina**
 - **Peter Brewer, Miami University**
 - **Gary Cokins, SAS**
 - **Raef Lawson (chair), Institute of Management Accountants**
 - **Jim Sorensen, University of Denver**
 - **David Stout, Youngstown State University**
 - **Susan Wolcott, WolcottLynch and CA School of Business**
 - **Marc Wouters, University of Twente**



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Charge of the MA Curriculum Task Force

- **The MA Curriculum Task Force is tasked with:**
 - **Reviewing pertinent professional and educational literature**
 - **Issuing contemporary guidance on core management accounting learning topics**
- **This curriculum effort is to be not focused solely on a classic U.S. curriculum model but to also have potential benefit for international members**
- **Outputs of the Task Force will:**
 - **Provide guidance in defining the management accounting content of**
 - **Accounting programs, both undergraduate and graduate**
 - **The accounting portion of business programs**
 - **Assist faculty seeking guidance regarding course content of management accounting courses**



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Task Force Activities to Date

- **The Task Force is committed to preparing a report solidly grounded in practice and based on prior research. The Task force has (as of August 2011):**
 - **Conducted a survey documenting the nature and extent of management accounting related courses in accounting curricula both in the US and internationally and is currently analyzed the data collected**
 - **Identified the knowledge, skills and abilities (KSAs) necessary for management accounting practitioners based on a review of prior research**
 - **Developed a new Management Accounting framework, using a Life-Cycle Approach, based on the KSAs identified in the literature and a review of other MA frameworks**
 - **Examined the cognitive development literature as a preliminary step for making course and curricular recommendations**



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Moving Forward: A Request for Your Input

The Task Force Report is targeting the 2012 MAS Conference for release of its preliminary report.

Your input is needed! Please go to <http://www.surveymonkey.com/s/NBKFFDF>



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Competencies for Creating Value

The 2008 Statement on Management Accounting (SMA) * presented a new definition of management accounting:

Management accounting is a profession that involves partnering in management decision making, devising planning and performance management systems, and providing expertise in financial reporting and control to assist management in the formulation and implementation of an organization's strategy.

* Institute of Management Accountants. (2008). Definition of Management Accounting. *Statements on Management Accounting*, Montvale, N.J. page 1.

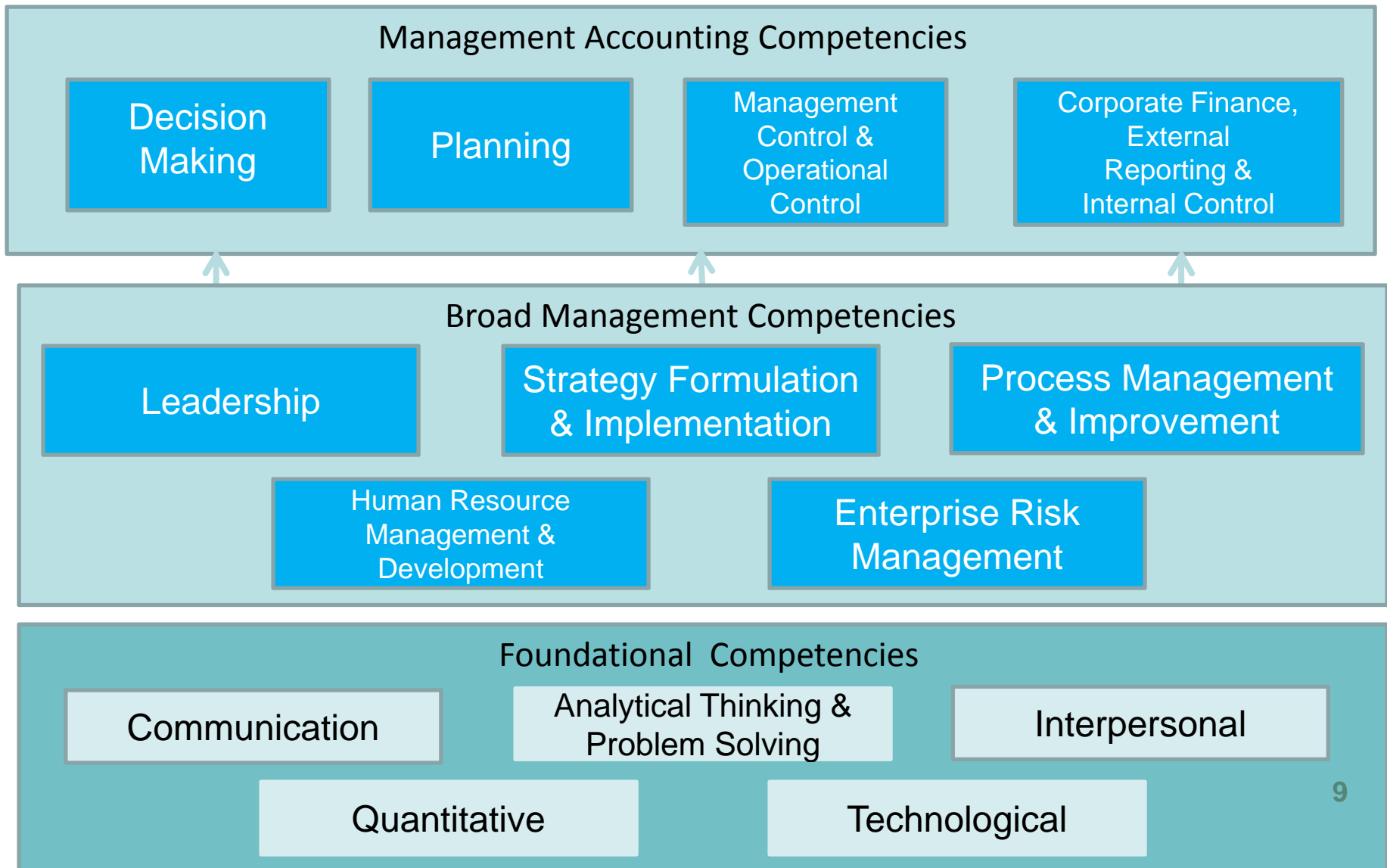


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Competencies for Creating Value

This task force (2011) of members from the Institute of Management Accounting (IMA) and the Management Accounting Section (MAS) of the American Accounting Association (AAA) has formulated a **competency framework** to deliver the value imbedded in this definition of management accounting. The *Competencies for Creating Value* in Figure A summarize three interrelated tiers of **management accounting competencies**, **broad management competencies** and **foundational competencies**. Built into this report are suggested competency maps useful for designing management accounting curricula and for developing learning outcomes for management accounting courses.

Figure A Competencies for Creating Value



Foundational Competencies

- **Five *foundational skills* necessary for management accountants to apply their competencies and to add value to the firm:**
 - **Communication skills**
 - **Analytical thinking and problem solving skills**
 - **Interpersonal skills**
 - **Quantitative skills**
 - **Technological skills**



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Communication

- **Recognizing the audience**
- **Accomplishing competent writing**
- **Speaking and presenting effectively**
- **Listening effectively**
- **Utilizing social media appropriately**
- **Using other qualitative tools**



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Analytical Thinking and Problem Solving

- **Thoroughly defining all alternatives**
- **Objectively identifying strengths and weaknesses of each alternative**
- **Systematically incorporating ethical values and standards into the analysis process**
- **Relying on data-driven evidence to evaluate alternatives**
- **Incorporating risk and uncertainty**
- **Evaluating decisions within the context of organizational strategy**
- **Remaining open to constructive criticisms and minority views**



Interpersonal

- **Developing and practicing relationship-building skills**
- **Fostering and using team-based communication skills**
- **Learning and applying methods of negotiation**
- **Developing and using approaches to conflict resolution**
- **Incorporating sensitivity to ethnic, cultural and gender diversity**



Quantitative

- **Comprehending and utilizing the methods of**
 - **Calculus**
 - **Statistics**
 - **Mathematical programming (especially linear programming)**
 - **Time value of money**
- **Defining, evaluating and implementing**
 - **Decision modeling**
 - **Simulation**



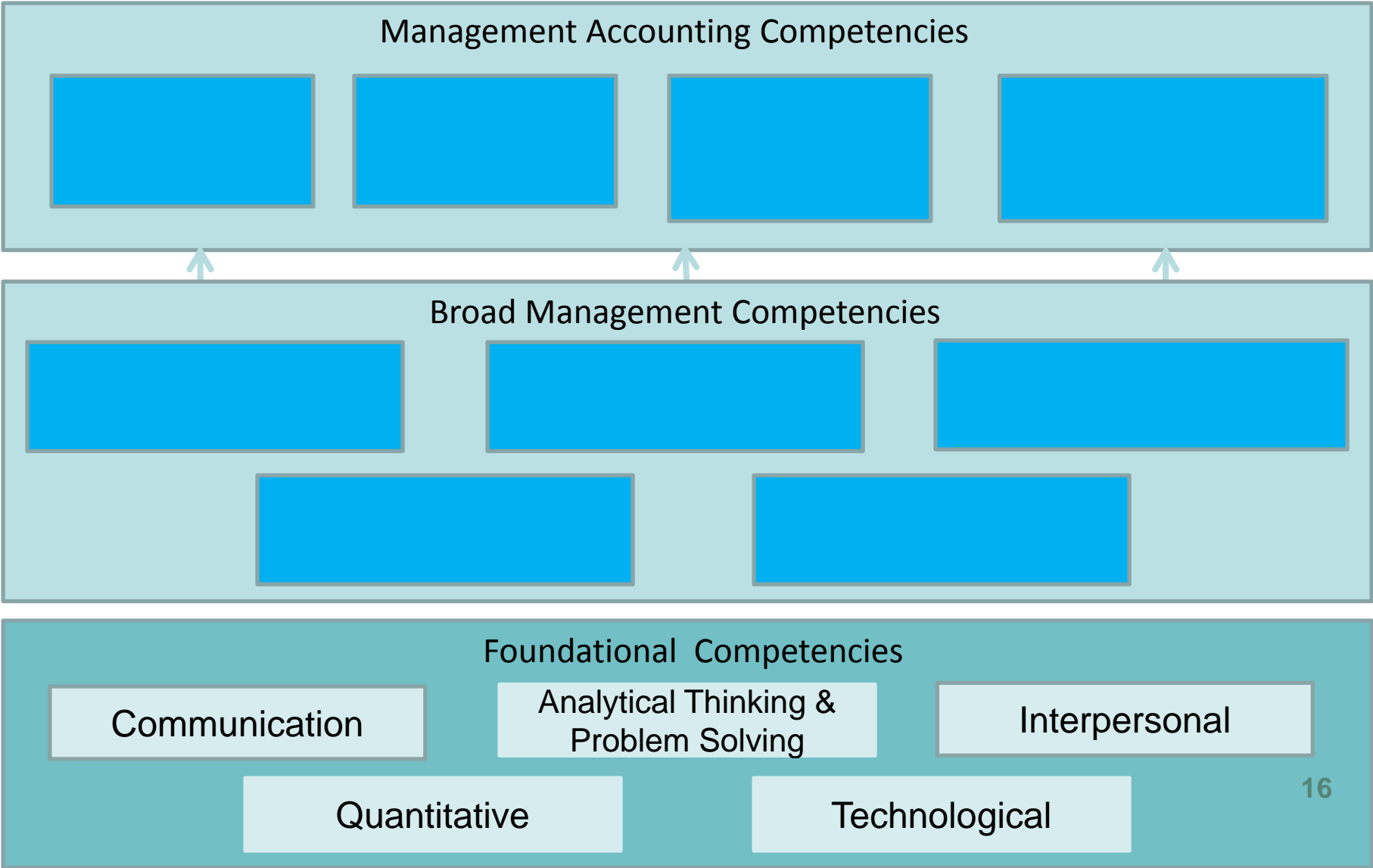
Technological

- **Comprehending and utilizing computer software for**
 - **Spreadsheets**
 - **Databases**
 - **Integrated information systems**
 - **Specialized software/reporting systems such as decision support, enterprise systems, XBRL**
- **Acquiring and using technical skills relevant to**
 - **Data search and retrieval**
 - **Data mining**
 - **Business analytics**
 - **Emerging technologies**



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Figure A Competencies for Creating Value



Broad Management Competencies

- **Five *broad management competencies* all managers need to be successful:**
 - **Leadership**
 - **Enterprise risk management**
 - **Strategy formulation and execution**
 - **Process management and improvement**
 - **Measurement and analysis**



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Leadership

- **Ethics**
- **Vision, values and mission**
- **Communication and organizational performance**
- **Self-awareness and self-development**
- **Societal responsibility and community support**



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Strategy Formulation and Implementation

- **Strategy development**
- **Strategy objectives**
- **Strategy implementation**



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Process Management and Improvement

- **Organizational value chains**
- **Design, manage and improve key processes**
- **Customer relationships**
- **Frameworks and certifications**



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Human Resource Management and Development

- **Human resource management**
- **Human resource development**



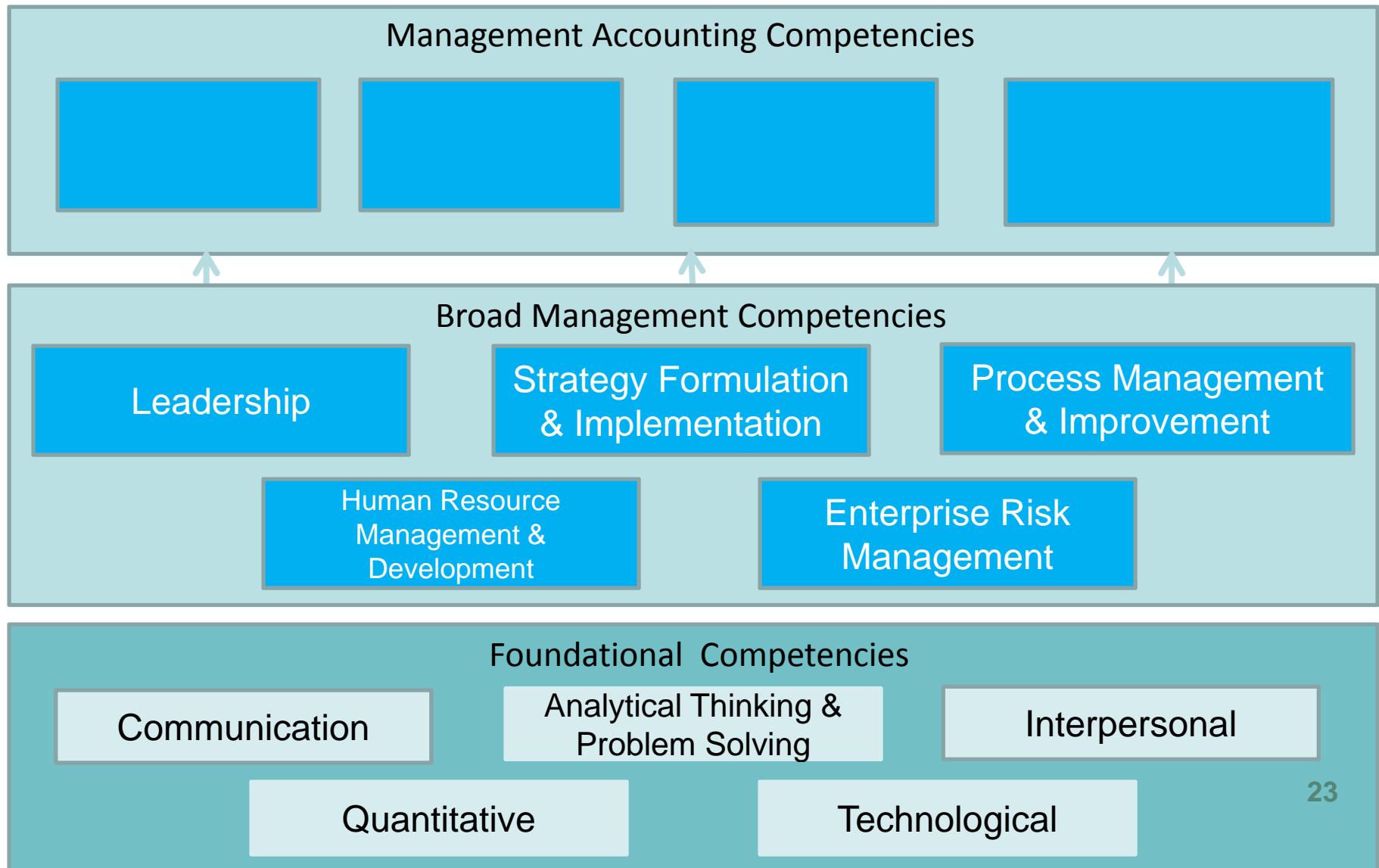
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Enterprise Risk Management

- **Risk management framework or regulation (e.g., COSO, ISO 31000, Basel Accords)**
- **Internal environment**
- **Objective setting**
- **Event/threat identification**
- **Risk assessment**
- **Risk response**
- **Control activities**
- **Information and communication**
- **Monitoring**



Figure A Competencies for Creating Value



Management Accounting Competencies

- **Four broad *management accounting competencies*:**
 - **Decision making**
 - **Planning**
 - **Management and operational control**
 - **Corporate finance, external reporting, and internal control**



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Decision Making

Decision making is the application of analytical thinking and problem solving within an organizational context using management accounting concepts and methods to identify, evaluate and choose the alternative that best supports the organization's strategic goals.

- Determining, evaluating, reformulating and implementing management accounting concepts and methods such as
 - cost/volume/mix analyses
 - investment analyses
 - differential analysis and opportunity costs
 - discounted cash flows
 - management science approaches
 - non-financial analysis
- Identifying, assessing and incorporating behavioral aspects at the individual, group, organizational and societal level



Planning

Planning is the process for defining the organization's goals and implementing decisions that support the organization's goals.

- Identifying, selecting, developing and maintaining strategic management systems
- Creating budgets and /or rolling financial forecasts (e.g., scenario planning)
- Identifying and forecasting future revenues, costs, profits, and cash flows
- Implementing top-level planning and analysis
- Coordinating vertically and horizontally to achieve strategic goals
- Interacting with other functional areas who are an integral part of planning (e.g., operations, marketing)



Management Control and Operational Control

Management control is the process organizations use to evaluate managers' performance in achieving the organization's goals. Management control is aligned with the organization's strategy. **Operational control** is used to evaluate the performance of the operational processes which are in place to support the organization's strategy.

- Accumulating and assigning costs
- Establishing, implementing and improving management accounting systems
- Aligning, monitoring and providing feedback on management-level goals, measures and incentives with strategic priorities
- Monitoring and responding to operational performance measures to achieve strategic goals
- Improving product, service and process efficiency and effectiveness

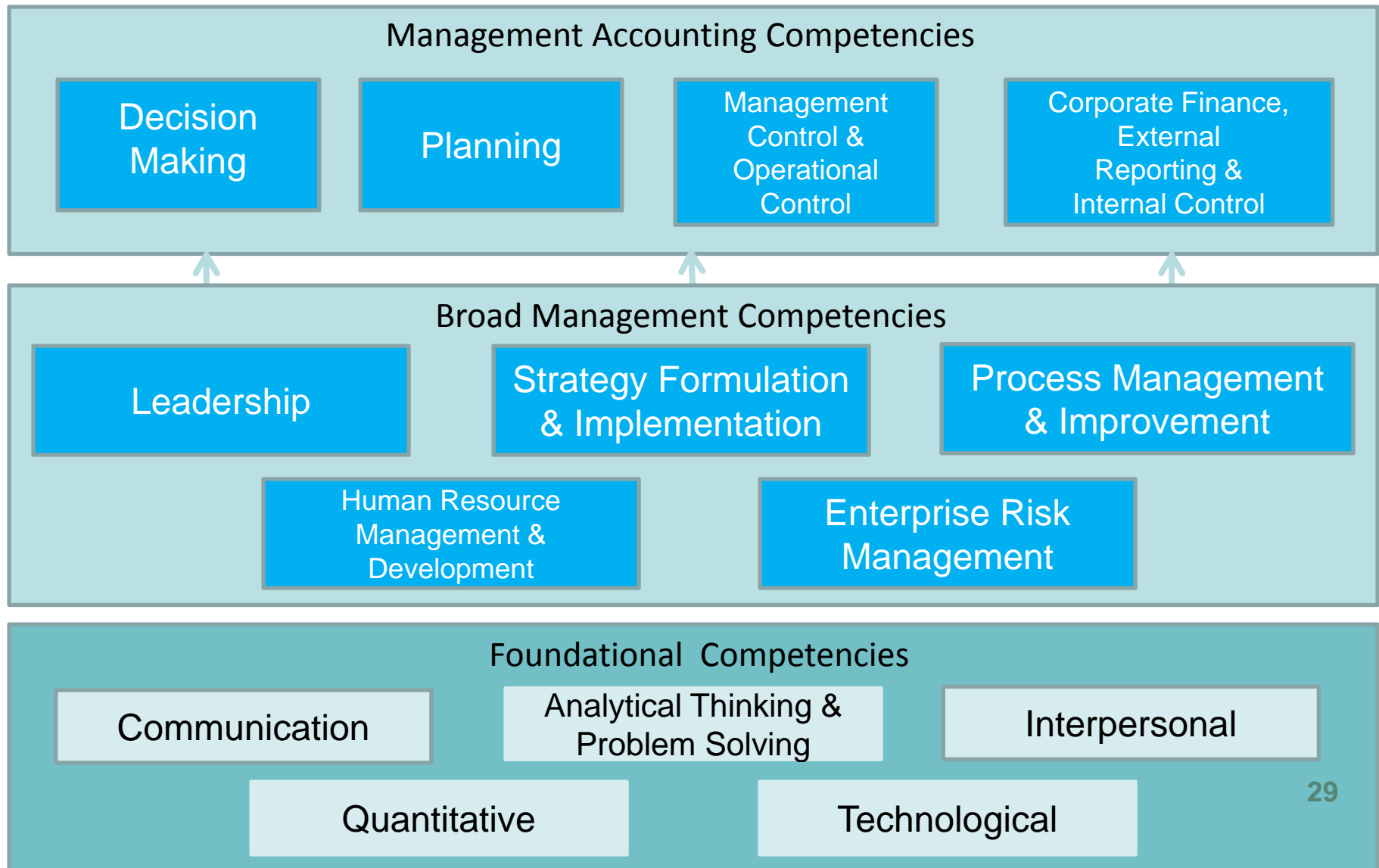
Corporate Finance, External Reporting and Internal Control

Corporate finance is concerned with managing the organization's financial assets and employing financial instruments for the purpose of risk management. **External reporting** is focused on conveying financial and non-financial information to varying stakeholders in accordance with reporting standards when appropriate. **Internal control** is about actions to safeguard the organization's short and long-term assets.

- Identifying, selecting, evaluating and implementing corporate finance methods
- Preparing and publishing reports for external users using appropriate standards and reporting requirements
- Developing, evaluating and implementing financial statement analysis, tax planning and internal controls (especially SOX/COSO)



Figure A Competencies for Creating Value



Levels of Competency Must Be Achieved Sequentially

Knowing	Identifying*	Analyzing*	Prioritizing*	Adapting*
Demonstrate knowledge in unambiguous situations	Identify ambiguous problems and relevant information	Analyze relevant information, viewpoints, and alternatives	Establish and apply priorities for reaching conclusions	Anticipate and adapt to changing conditions

Achieve First

Achieve Second

Achieve Third

Achieve Last



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Example of Product Decision with Questions at Different Cognitive Levels

PROBLEM DESCRIBED IN HANDOUT

- Based only on expected revenues and costs, should the company produce Ready Red?

KNOWING

- For each component of calculations, identify at least one reason why actual results might differ from estimate. **IDENTIFYING**
- Discuss whether direct labor costs are relevant for this decision. **IDENTIFYING**



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Example of Product Decision with Questions at Different Levels

(continued)

- Discuss reasons for and implications of possible bias in setting the price. **ANALYZING**
- Evaluate pros and cons of launching Ready Red. **ANALYZING**
- Write memo to Tennant's management with recommendations. **PRIORITIZING**
- How might the management team use information about Ready Red to improve future product decisions? **ADAPTING**



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