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There are many paths you can take to become a business partner. And it's up to you to select the path. Don't expect someone in your company to suddenly declare that you are a business partner; you're the only one who can make it happen. You have to want the role, and you have to work for it. As a controller at McDonald's put it:

The accounting department proved itself. It wasn't that all of a sudden we said we wanted to be business partners and everybody applauded. *It was a process.* We made sure we hired the best and the brightest. They are well grounded in technical skills and analytical skills, and one of the key competencies they had was the ability to communicate financial information. We set the tone by our higher-level financial organization...and, over time, the financial organization proved its value in projects, in identifying certain business opportunities, and the like.

There are other necessary factors also. To become a

P A R T 2

Becoming A Business Partner

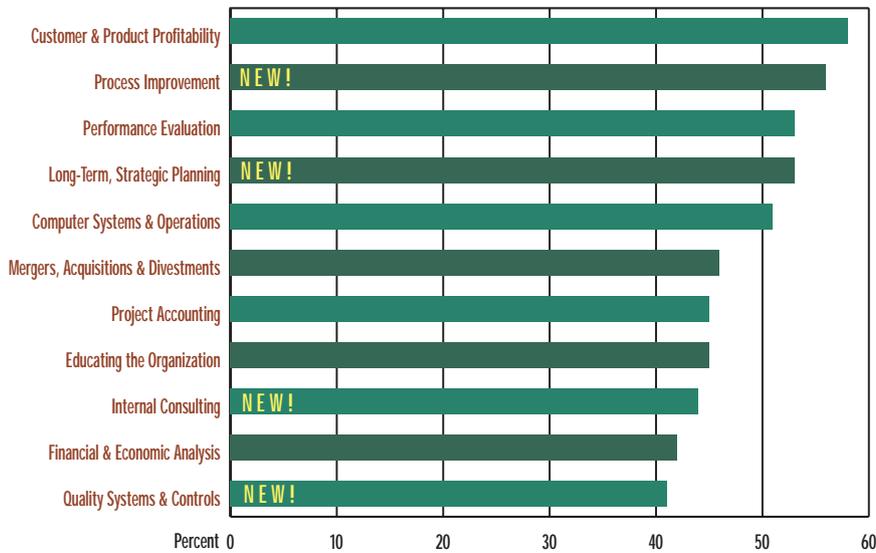


SOME ADVICE

ON MAKING

THE TRANSITION

Work Activities that Will Increase in Importance



The respondents at the time (the 1996 study) thought these topics were going to increase in importance, and they have. Topics marked NEW weren't on the knowledge list for management accountants 10 years ago.

Sources: *The Practice Analysis of Management Accounting*, 1996, p. 14; *Counting More, Counting Less*, 1999, p.17.

business partner, it's a given that you know your accounting cold. You're expected to know the tax implications of proposed courses of action. You need to understand cost flows and information flows. You have to be very comfortable with technology and be an expert in the company's business and accounting software. You have to be a generalist. You need a working knowledge of what people do in marketing, engineering, human resources, and other departments. You need to understand how the processes, departments, and functions work together to run the business. You'll be expected to contribute ideas at planning meetings, so you have to see the big picture, keep a focus on the bottom line, and think strategically. Most important, you must understand the business. You have to know how the company makes money and how the industry is structured.

Another controller from McDonald's explained:

McDonald's is very heavily operations oriented, which means that the operations guys are first, second, third, fourth, and fifth. We managed to create a situation in the U.K. where accounting was first and operations was second. The way we did that was understanding the business, building relationships, and showing we were willing to participate in the day-to-day operation of the business. For instance, in 1996, before I came to the U.S., I spent seven months going through full-time operations training in a restaurant, starting as a crew member and ending up as an assistant manager, so that I understood what the

operations folks had to do on a day-to-day basis. Once I got to that level, the rest of it was just normal management practice. So it was a willingness to go well beyond just thinking about accounting to thinking about the business as a whole that generated that kind of reputation.

MAKING THE TRANSITION

The transformation to business partner requires vision, hard work, and perseverance. It occurred differently in each of the six companies we interviewed, so we thought it would be beneficial to concentrate on one company at a time.

In this article we focus on Caterpillar, where changes were driven by a corporate reorganization. We'll tell Caterpillar's story in the words

of the accountants who experienced the changes—a controller, a vice president, a financial reporting manager, and several business managers of product lines (business managers are at the same level as product managers).

Accounting at Caterpillar has always been held at a pretty high plane, partially because in the 1950s and 1960s, two of the Caterpillar chairmen were former controllers at Caterpillar. They and the whole organization realized the importance of accounting. Also, they were instrumental in creating Caterpillar's cost system, which we are very proud of and which is seen as a world-class cost system. Accounting wasn't just a function at Caterpillar—it was a *vital* function.

Changes started about 1986 when Caterpillar initiated a

The opportunity to become a business partner may arise due to:

- ◆ Direction from top management
- ◆ Change in top management (change in vision or leadership)
- ◆ Organizational change or crises
- ◆ Business process changes
- ◆ Environmental or market changes
- ◆ Changing compensation plan
- ◆ Management initiatives
- ◆ Technological advancement

Prepare for the change

- ◆ **Build the foundation**
 - Have rock-solid accounting skills
 - Make a commitment to lifelong learning
- ◆ **Develop excellent interpersonal skills**
 - Influencing
 - Persuading
 - Negotiating
 - Listening
- ◆ **Develop informal communications with people across the organization**
- ◆ **Understand the business**
 - In-house training
 - Work in the business
 - Understand core competencies
 - Understand business processes
 - Understand the customer's perspective
- ◆ **Educate the organization**

\$2 billion worldwide modernization program, a large sum for any company. And Caterpillar is conservative. We run things by the numbers a lot, and this modernization program was such a big commitment that people really looked to the accounting organization for the objective and financial perspective on how things were going. They wanted to make sure that we got the returns we expected in terms of working capital improvements, labor efficiencies, and so on. They looked to the numbers to help support the direction in which we were going. This really created the partnership or cemented the partnership relationship. By 1989, I felt we were partners with the manufacturing people, the planning people, and the executive officers.

Then in 1990, Caterpillar reorganized itself into profit centers. Before the reorganization, we were an extremely centralized, bureaucratic company, with decisions being made at the top. Then we changed from a functional organization to one that was organized on a profit-center basis with about 26 profit centers or business units. The person in charge of running a business unit was evaluated on return on investment and the unit's profitability. Each vice president had to run his business with a P&L. Each unit had a business manager reporting to the profit center in that organization. These business managers were accountants. With the creation of business units, obviously, you become a business manager rather than an accountant. As a business manager, you get involved in all aspects of the business, in finding ways and solutions to help the

business achieve strategic objectives.

In the old days, you had a plant accountant who worked at the plant and didn't have much responsibility other than to cost the product. But after the reorganization we had an entrepreneurial relationship within that plant. Caterpillar created, for the first time, high-level managers at the plant level who had total responsibility for the product, for the design, manufacturing, pricing, and all those functions that used to be in a central location in the functional organization. Then the business manager was created at the business-unit level who was at as high a level as the product managers who ran the company.

What helped make the accountants partners and a big part of the management community is that each vice president relied on us to help run his business. We analyzed the results, answered questions about why things were better, and, maybe even more important, why things were worse. This is critical.

ORGANIZATIONAL EDUCATORS

The organizational change was advanced by a company-wide educational program initiated by the accounting leadership. Caterpillar business partners describe that effort.

To get people to really understand what we were doing, we spent a large amount of time training this new organization that we split into business units. The accountants took on the burden of educating the various divisions about what the numbers meant and how they could impact them. We had a program called "Understanding the Business 101" that we presented to all 1,100 salaried people and all 2,000 hourly people. Everybody was interested because they knew it was going to impact their incentive plan. We taught them what financial results are, how we get the information, and how we measure it. We showed them how a welder impacts our business, how a purchasing person impacts our business. This put us in something like a counseling position because we were the teachers. One of the great things that the reorganization did in unbundling the corporation and developing 26 different business units was to create 1,000 businesspeople. Now, the best engineer is a general manager, and the best planning person is running a new business.

We accountants took the leadership role, became counselors, and helped cultivate a real business sense within Caterpillar. We would have floundered had we not done that. These businesspeople we created came back to us and involved us in running their business, which was a major transformation for the company.

LINES OF RESPONSIBILITY ARE IMPORTANT

The following vignette reveals the thought that went into building a new organization and the importance of clear lines of responsibility.

Some of us were concerned about the control aspects of the new organization—we weren't very familiar with it. There was some thought given to the idea that maybe the business managers ought to report to the corporate controller rather than up through the profit-center chain. While that might have made us feel better from a control standpoint, it wouldn't have cemented the partnership relationship. So our business managers report to the profit center. That was a big decision. As it turns out, control issues haven't been a problem over the years.

Coupled with the reorganization of the profit centers was a change in the function of the corporate offices, which were once accounting general offices that told people what to do. In our new organization, we had to charge for our services, which also makes for a partnership point of view. We had to become very customer friendly, and, rather than tell people what to do, we had to jointly agree on things, and we had to get them to agree to take charges for our services.

CHANGING ACCOUNTANTS' SELF-IMAGE

What effect did the change to business partner have on accountants' self-image? What were some of the challenges encountered in the process of change? Caterpillar business partners describe the events:

First and foremost is the mental attitude—accepting the fact that you have a different role to play other than just reporting the results. That was the first thing the accountants had to learn.

Our purpose now was to help guide the different business units and profit centers—help them achieve their strategic goals and objectives. Accountants had to say: "We have a different role to play. We are no longer going to be people who just present data or monitor activities to ensure that people perform according to certain guidelines. We are here to identify opportunities that we could capture and lock in."

Everything started from defining our role. Was it simply to collect and present the data, or was it to analyze the data and look at opportunities outside the accounting functions and say, "How do we leverage that to make this more of a successful approach to doing the business?" We became involved in different aspects of the business. We got involved in marketing strategies, in acquisitions, in designing strategic directions. It became important that

Transitioning strategies for the business partner

- ◆ Show value-added analysis
- ◆ Gain trust by
 - Becoming part of a team
 - Changing your image
 - Becoming more approachable, non-threatening, and perceived as value added
 - Fostering relationships
 - Being available
- ◆ Balance financial, strategic, and operational perspectives
- ◆ Give high-quality advice
- ◆ Help users of financial information find solutions
- ◆ Help the "financially challenged" understand the information
- ◆ Understand the needs of decision makers, even if they have trouble articulating their needs
- ◆ Promote the value of financial advice
- ◆ Be involved in all stages of decision making
- ◆ Be persistent

we were viewed as a partner with the different business units rather than their just viewing us as presenting information or monitoring.

ORGANIZATIONAL CULTURE

The change in self-image coincided with a change in the organizational culture at Caterpillar.

It used to be, "I'm an engineer; I design. I'm an accountant; I will keep track of the cost." The culture evolved to where everybody's role was broadened in that they became part of a business and became better businesspeople. Engineers had to think: "How much does it cost to produce a part if I design it this way or that way?" They didn't think this way before. They used to design a part, give it to a manufacturing guy who had to provide it, and then down the road the accountant had to cost it. But now, as a result of the reorganization and the fact that every business unit has their own P&L responsibilities, everybody is more aware of the commercial aspects of what they are doing. Everybody's level was raised, and the accountant became a higher species in the food chain. They were looked to for guidance as things were thought about in a P&L commercial aspect, which wasn't the case before.

Common obstacles in making the transition

Lack of

- ◆ Time
- ◆ Expertise
- ◆ Top-management support
- ◆ Operational support

Difficulties with

- ◆ Culture
- ◆ Trust
- ◆ Attitudes
- ◆ Gaining access to information

OBSTACLES

Common obstacles in making the transition to business partner are lack of time, expertise, top-management support, and operational support. In addition, difficulty changing the corporate culture, obtaining trust, and gaining access to information may also create roadblocks.

Here's what the Caterpillar financial professionals say:

The biggest obstacle on the path to becoming a business partner was the cultural change in getting people to think more broadly. Another challenge was having to come up with a balanced set of measures to measure the new organization—a set of measures that could be used for incentive pay to motivate the behavior the company wanted. That was probably our biggest challenge.

Some people found the change to be difficult. But the majority saw it as an opportunity to grow and contribute. In any kind of activity, there are those who are locked into the way they think and behave, but those who were open-minded and had a broader perspective succeeded. As accountants and younger people saw the successes of some of the original participants, they tried to emulate that. They wanted to get outside the accounting pigeon-hole they had been identified with. The more they did differently and the more they participated, the more the enterprise valued them and the more in demand they became. The more they were in demand, the more activities they became involved in. The more activities they were involved in, the more attractive it became for the other managers to ask for their help.

EFFECT ON NONACCOUNTANTS

We also asked the Caterpillar accountants how the change to business partner affected nonaccountants. They told us:

Many leaders in the business units were not accoun-

tants, not finance people. They were marketing people, manufacturing people, and others, so they tended to depend more and more heavily on the accountants for their success. As the rest of the organization began to recognize that the accountants not only talked about numbers but talked about strategies and approaches to business, they began to listen to them. It started at the top. It definitely didn't bubble from the bottom up. It started at the top by the business-unit managers and profit-center vice presidents depending more and more on the accountants and using the accountant as a right-hand man or woman in helping them guide their businesses. The organization, having seen that, was willing to listen to the accountants.

WILL YOU MAKE THE LEAP?

Once more, becoming a business partner takes a great deal of hard work, perseverance, vision, and spirit. Most of the financial professionals we interviewed who have made the transition say the effort was worth it and that they are thriving in their new roles. They say they feel more valued, more a part of the business, and more challenged to do excellent work. Will you make the leap and join them? ■

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