Message from the Chair

Taking a Stand

BY WILLIAM BROWER, CMA, CFM

If you are comfortable when floating with the tide, what about when it's necessary to swim against it? Do you rise to the occasion and challenge the status quo? I had a mentor at work who encouraged me to speak up, emphasizing that the failure to challenge or correct a misrepresentation would only undermine my credibility. He was a supportive person to work for, as he expected that everyone should state and defend what they believed was in the best interests of the enterprise. Not only that, but he gave you license to do so even when you disagreed with him in a forum of his peers and superiors. It was a great lesson because credibility and trust are at the heart of leadership, good governance, and personal relationships. When there is mutual trust and respect—and an environment of openness—it's easy to swim against the tide.

Today the management accounting profession finds itself swimming against a tide of highly visible business failures and a general public distrust of business ethics stemming from these failures. And the latest revelation on backdating of option grants will only increase the volume of voices calling for greater controls and disclosures. Will we drown in the rising tide of increased regulations and additional reporting and auditing requirements? As a management accountant, do you find that you have less and less time to support and participate in the critical decisions of your firm?

Recently I had the opportunity to sit in on a meeting of IMA's Financial Reporting Committee in Washington, D.C. I can't overstate the importance of this committee to and its contributions for management accountants. It represents our point of view and has great credibility with the regulatory bodies. During the two days, both Financial Accounting Standards Board (FASB) and Securities & Exchange Commission (SEC) representatives participated in a give-and-take on recent pronouncements and emerging topics. It was a great discussion that provided verbal support to the written input that the FASB and SEC receive as part of the ongoing due process they follow regarding new accounting pronouncements.

Unfortunately, our voice is a minority voice. While we all want improved clarity and understandability of reporting, only the management accountant seems to voice a concern over the expense of implementation. The financial and security analyst community that claims to represent the stockholder will never say that it has too much information or data. More is better, regardless of the redundancy or the cost of implementation. The audit community seems to be fine with increasing complexity, so we find ourselves alone when we argue for simplicity.

Nowhere is this more evident than in the forthcoming requirement to implement fair value accounting. For those of you who had the opportunity to hear Al King speak on this topic at the 2006 Annual Conference in Las Vegas, you had to come away with a grave

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concern about the difficulty of implementation arising from the FASB's new definition of market value and about the complexity of having auditors develop values and offer opinions on them. I would argue that there is an imbalance in the regulation-setting process. In the push to move the business from an income-reporting mentality to a balance-sheet focus, there is a bias toward theoretical purity that seems to ignore the practical implications of usefulness, simplicity, objectivity, and, most importantly, the cost of implementation. We need to continue to challenge the status quo and make our voices heard.

What do you think? Please share your thoughts with me at bbrower@imanet.org. ■