

A Bridge Over Troubled Water

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The U.S. financial regulatory bodies are focused on auditing...America's undergraduate programs lack courses in management accounting...At least 80% of graduates pursuing a career in accounting go into public accounting first...The number of certified management accountants in Britain and Canada is 10 times greater per capita than in the U.S.

Are these signals that something is amiss in the seas of accountancy? Are we in troubled water?

The answer is an emphatic “yes.” The current perception of accountancy in the U.S. revolves around public accounting and auditing. Yet the reality is that more than 90% of finance function professionals in this country work inside organizations, providing decision support, planning, and control, according to U.S. Department of Labor statistics.

What Kind of Accountant?

When someone asks me: “So, what do you do for a living?” and I answer: “I am an accountant,” the inevitable response is: “Oh, you’re a CPA?” or “Hey, can you do my taxes?” When I say: “No,” they



don't understand. How many times has that happened to you? Not only is it frustrating to have your job so misunderstood, but it's a clear sign the system is out of bal-

ance and the water is troubled—polluted, in fact.

The most important aspects of accountancy are facilitating business performance, doing accounting, supporting good decision making, doing business planning, and designing, implementing, and managing internal controls. This is what IMA® members are charged with every day.

Raising capital and ensuring a risk-relevant return on investment are fundamental to that process. Among nearly five million finance function workers inside organizations, fewer than 10% are involved in audit, tax, and external financial reporting. These activities are certainly important, but they are hardly the only or even the most important facet of economic development or social importance. No one would argue that it takes more people to “do the work” than it does to “check the work.”

Imagine that you are building a bridge, but you don't educate and certify the welders or the riveters, and you don't inspect the materials being used. Yet you do educate and certify the inspectors, who aren't central to the design and building

process. They are just there to inspect the bridge. If the bridge falls down, who's responsible? Isn't it true that quality has to be built from within? If the bridge falls down, it's because it wasn't built properly, not because of the inspector. The only way to have a successful audit outcome is by having properly trained and certified professionals working inside organizations in the first place.

A Skewed View

In the U.S., the massive perception for the industry is that the only professional accountancy designation of merit is the CPA. How did this happen, and how is it perpetuated? Most water problems, such as pollution, tend to be generated at the source.

First let's look at universities, where the curriculum of the undergraduate degree in accounting is dictated largely by the state licensing boards and the National Association of State Boards of Accountancy (NASBA). Both are focused only on meeting public accounting needs. In fact, at most universities there is only one undergraduate course described as management accounting, and this course doesn't teach management accounting—it only addresses traditional cost accounting. Another area overlooked by these programs is the skills and training needed by "government accountants," yet there are 800,000 of these accountants in practice today.

The number of Ph.D.s in accounting is half what it was 10 years ago. What's even more alarming is that the number of graduating Ph.D.s will be insufficient to replace the number of professors who are due to retire in the next five to 10 years. This shortage will ultimately lead to

a progression of underqualified students entering the accounting profession, which will adversely affect the training of future accountants. Schools may also eliminate Ph.D. programs because of lack of interest if they don't appear to be cost effective to operate.

Most young people who aspire to a career in accountancy believe the only path is that of the CPA, simply because they aren't educated about all of their options. With this mindset, they join an accounting firm and then leave after two to three years to go into industry—where they had always intended to be. Unfortunately, they quickly find their university and real-world experiences represent only a tiny fraction of the competencies they actually need to apply in their corporate activities.

What has been created by this situation is a tremendous skills gap—one that I've heard about from our members directly. There's a vast difference in the nature of the work performed by "accountants" as university undergraduate degrees define them vs. the type of work accountants within organizations face in their daily jobs. Here is where IMA provides a strong and well-built bridge to close that gap.

Management Accounting Facilitates Business Performance

Management accounting is a whole career with many layers of different topics—a rich and vibrant body of knowledge. While the CPA has value for auditing functions, the CMA® is the appropriate certification for 90% of the profession. CMA certification is a comprehensive credentialing program that addresses economics, corporate finance, cost management, internal controls, performance measurement, financial reporting, deci-

sion analysis, organization management, and strategic planning, with a strong emphasis on ethics. IMA's recent psychometrically certified Job Analysis confirms that the CMA exam content is consistent with the on-the-job functions performed by accountants who work inside organizations.

All this isn't meant to undervalue the need for objective, competent assessment of financial reporting in the context of disciplined laws and regulations. But we must remind ourselves that the most important purpose of accountancy is to facilitate business performance and economic development, without which investors, capital markets, standards setters, and regulators become pretty redundant. Facilitating business performance involves a different set of skills than audit, tax, and financial reporting require.

Indeed, I perceive that there is systematic institutional bias, something that penetrates every aspect of society. We need to make sure we have certified accounting professionals with proper education relative to their roles and responsibilities. We also need to ensure that institutions in society have an appropriate representative mix. The benefits to society must justify cost, and we should ensure that the sponsoring parties aren't the most significant beneficiaries.

We have said for a number of years that we urgently need to "re-balance the profession." Doing so requires a hard, objective look at the system. IMA is dedicated to open, honest, and candid discussions about these issues to find a solution to help the U.S. economy and our society. What do you think? Please share your thoughts with me at psharman@imanet.org. ■