



# 40

YEARS OF  
EXCELLENCE  
1972 – 2012

## CERTIFICATION

By Doreen Remmen, CMA, CAE

# Using the CMA Toolbox

In order to perform your management accounting duties to the best of your ability and help your company succeed, you need the right set of tools as well as the right skills.

**D**o you have a favorite set of tools that you return to, again and again? I have many that I've borrowed from colleagues over the years. I've been using them so long that I believe they're mine now. My favorite tools, the ones I really "own," are labeled "CMA®," and my certification is proof of ownership.

Some tools are burnished with years of daily use. Like many of you, I've spent large blocks of my career working out the details of cost and performance management. This is the essential work that has helped my employers understand profitability across product lines, time periods, and market segments.

In some cases, my CMA tools have contributed to breakthrough understanding. I introduced the concepts of activity-based costing (ABC) to the industrial distributor where I worked for a number of years, providing clear evidence that a certain segment of customers, despite strong gross margins, was a drain on resources and was unprofitable. This under-

standing gave the company's leadership the courage to change the business model, shed long-held product lines, "fire" customers, and focus on the aerospace segment where real value was being delivered and rewarded. My CMA tools helped us design data-driven programs that were tightly synchronized with the lean manufacturing initiatives of our key customers. An understanding of the Theory of Constraints (TOC), Just-in-Time (JIT), and Material Requirements Planning (MRP) gave me the opportunity to work closely with our customers' procurement professionals and engineers in manufacturing plants across North America and Europe. Together we improved efficiency and removed costs across the customers' supply chain.

The CMA toolbox also contains reliable instruments to aid in the identification of risks facing your company. An understanding of enterprise risk is tested thoroughly on Part 2 of the exam, specifically in the areas of "Corporate Finance" and "Decision Analysis and Risk Management." A CMA can take this understanding and mitigate enterprise risks by implementing strong internal controls, internal audits, and risk transfer

programs. The CMA also makes an important contribution to risk management through reliable, timely reporting of operational results, variance analysis, and trend analysis.

Perhaps the CMA's most important role in enterprise risk management (ERM) is through a contribution to the ethical culture of the company. If you have responsibility for a formal ethics program at your company, you may rely, as I have, on the CMA tools, including those gained through mandatory annual continuing professional education. CMAs understand the links between competence and ethics, the meaning of confidentiality, how to recognize and handle a conflict of interest, and the importance of clear, objective communication of all relevant information. These concepts are tested on both parts of the exam and are supported with deep resources in the form of case studies and articles, a highly regarded column in this magazine, and continuing education products.

The most dangerous risks facing a company often lie outside its walls and inside the operations of its suppliers, customers, and com-

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petitors. The level of detailed information available in the financial disclosures of your publicly held partners and rivals is truly amazing. Be sure you are tracking it! Who better than a CMA to identify serious cash-flow trends, inventory buildup, and profitability issues in other companies that could impact your own? I've used my CMA tools to analyze the financial statements of suppliers, recognizing dangerous conditions that could impact my company and recommending alternate supply paths. When two major competitors were offering pricing and consignment programs that my distributor employer couldn't match, we were able to track their quarterly financial disclosures. Recognition of their pain points gave us the confidence to wait out their strategy and move quickly when their financing became difficult and impeded their ability to deliver to the customers we shared. Using the CMA toolbox, we were able to turn risk into opportunity.

My favorite CMA tools are those that provide a view of the future. It is my privilege to be the staff liaison to the Planning and Development Committee of the IMA® Global Board of Directors. Our staff Senior Leadership Team and our volunteer Board work together to set strategy and direction for the association. We use CMA tools to probe data, identify leverage points, and develop forecasts and plans that transform resources into value for our profession.

What's in your management

.accounting toolbox? IMA would love to hear about your favorite tools and the ones you would like to add. Please contact me at the e-mail address below. **SF**

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