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Creating Value, Not Just Measuring It: The Vital Role of Management Accountants

Quick: What do you think of when you hear the word “accountant”? Most people, even accounting students, may envision a man or woman employed at a major public accounting firm, probably in a large city, perhaps doing tax or audit work. While that picture is accurate in some instances, it certainly does not reflect the entire scope of opportunities available within the accounting profession.

What IS a Management Accountant?



The term “management accountant” can cause confusion. For the uninitiated, it may appear that it refers to accountants who manage other people – or perhaps to managers with finance backgrounds. In fact, neither of these labels aptly describes

what management accountants do, which is to monitor, interpret, and communicate operating results, evaluate business performance, implement and oversee internal control operations, and make strategic decisions about an organization’s direction.

Professionals in management accounting work across a gamut of industries and hold a variety of job titles. They are accounting and finance professionals serving in public and private companies, nonprofits, and government with titles such as:

- Staff Accountant
- Cost Accountant
- Senior Accountant
- Financial Analyst
- Budget Analyst
- Internal Auditor
- Finance Manager
- Controller
- Vice President, Finance
- Treasurer
- Chief Financial Officer (CFO)
- Chief Executive Officer (CEO)

While their titles and job responsibilities may vary, the goal of these individuals remains the same: to serve as trusted business partners to executives in all areas of an organization by offering the expertise and analysis necessary for strategic business decisions, planning, and support.

The truth is, most accounting professionals do not work in public accounting. In fact, of the more than 5 million accounting and finance function professionals in the U.S., more than 90 percent of them are employed inside organizations, providing decision support, planning and control functions (Source: U.S. Bureau of Labor Statistics, 2005). The organizations in which management accountants work include Fortune 500 companies, privately held concerns, nonprofits, and government. Professional titles for those working in “industry” range from Staff Accountant to Controller to Chief Financial Officer (CFO).

Although their titles may vary, the goal of management accountants remains similar: to provide their organizations with the financial information necessary to succeed in today’s business environment. Day to day, that means serving as a valuable business partner with senior management and offering strategic counsel. Explains Sandra Richtermeyer, Ph.D., CMA, CPA, associate professor of accountancy at Xavier University and professor-in-residence at the Institute of Management Accountants (IMA[®]), the premier organization of the management accounting profession, “When you work in industry, you get to be involved in all elements of how a business operates. That means helping to decide, for example, what products to buy, what vendors to use, what lines of business to add or discontinue, what facilities to purchase or sell. You become a critical voice in the internal decision-making process that impacts an organization.”

As key players in the company, management accountants are involved in areas such as designing and evaluating business processes, budgeting and forecasting, implementing and monitoring internal controls, and analyzing, synthesizing, and aggregating information – all to help improve their organization’s business performance and profitability.

Especially in today’s business world, the role of the management accounting professional has grown increasingly important. In the wake of recent corporate scandals, both the public and the profession have demanded more ethical financial reporting practices and greater accountability. Among other reforms, the Sarbanes-Oxley Act of 2002 introduced groundbreaking legislation that requires new disclosure requirements for public companies. Further, IMA is working to “rebalance” the profession, to bring focus back to the value-added roles of professionals working inside organizations. Says William L. Brower, Jr., CMA, CFM, retired Johnson & Johnson vice president and IMA chair, “The current environment strongly increases the responsibilities and obligations of accountants working within businesses to meet the necessary ethical and regulatory requirements.” This presents an excellent opportunity for

anyone considering a career in management accounting.

Wanted: Qualified Accountants

Although the industry is clamoring for professionals to address the current ethical and accountability concerns, recent studies have identified a shortage of people who possess the needed qualifications. A 2006 IBM report, *The Agile CFO: A Study of 900 CFOs Worldwide*, found a severe scarcity of professionals who can work as strategic business partners across all areas of an organization. Skill and education levels were highlighted as the most pressing areas of deficiency.

The shortfall is not the result of waning interest in accounting. In fact, the outlook for accounting jobs and salaries is – and is expected to remain – excellent (see sidebar). For example, accounting majors earn one of the highest starting salary offers, according to the National Association of Colleges and Employers (NACE) Spring 2006 Salary Survey. The average starting salary paid to a new college graduate with a degree in accounting is pegged at \$46,188. As a result, accounting has emerged as one of the most popular majors at colleges and universities and, according to the Princeton Review, ranks with business administration/management as the top areas of study among U.S. undergraduates.

What do most accounting students do after graduation? Typically, they begin their careers with large public accounting firms. Says Richtermeyer, “The fact is that the majority of entry-level graduates go into public accounting. That’s mainly because it’s a good training ground for their career, and large public firms recruit effectively on campus. Sometimes, though, students aren’t aware of opportunities in industry.”

Regardless of where new graduates begin their careers, between 80 and 90 percent have usually left public accounting within three to five years. The reasons for the departure can depend on the individual, but several factors often influence the decision. According to Richtermeyer, “Students who go into public accounting often decide, as they progress in their career, that they want to expand their options and want broad exposure to the operations of an organization. They want to see different sides of the profession,

and when you’re conducting audits, you’re providing assurance of the work, not doing it. Also, they begin to have other priorities, like family, so they want a work-life balance.”

Paul Sharman, ACMA, IMA president and chief executive officer, agrees: “If you ask most students what kind of work they want to do, most will say they want to be involved in responsibilities that create value – for an owner, a business partner, even society at large. When you’re at a public accounting firm, you’re checking other

Accounting Job Market and Salary Prognosis: Excellent!



Just how good is the accounting job market? According to the National Association of Colleges and Employers (NACE), which recently conducted their Spring 2006 Salary Survey, “private accounting” tops the list of hot jobs for 2005-2006 bachelor’s degree candidates. And what is private accounting? According to the NACE’s definition, it is “performing accounting

functions in an in-house accounting department for any organization.” In other words, management accounting.

A newly minted accounting major working in industry can expect to earn a generous starting salary: on average, \$46,188, according to the NACE survey. Further, based on data from the Robert Half 2006 Salary Guide, the earnings potential of management accounting positions increases considerably the more experience one acquires. As you progress in your career, earnings potential for senior finance executives can climb to six-figure salaries (salaries vary based on geographic location, experience, and size of organization). Add about 10 percent to the salary base for those holding an additional credential – a CMA, for example.

If you are interested in a career with an excellent job outlook and salary, now is the time to consider management accounting. For more information on salary, please visit the NACE Web site at www.nacweb.org or Robert Half International, Inc. at www.rhi.com.

Q&A with IMA President and CEO Paul Sharman

Paul Sharman, ACMA, a 20-year veteran of the management accounting profession himself, took the helm of the Institute of Management Accountants (IMA®) just over a year ago. Since that time, he has led an effort to revitalize the organization, the centerpiece of which is a three-year Strategic Plan, adopted in September 2005, which advances some ambitious goals. Following is a summary of a discussion with him:



Q: Why is now a good time to be a management accountant?

A: Recent corporate scandals have awakened the public to a tragic lack of properly trained individuals who are working inside organizations. While legislation such as SOX 404 has helped to address this crisis, clearly the burden of improved ethical responsibilities and financial reporting practices rests on the shoulders of the organizations themselves, not the auditors. For those interested in the accounting profession, this presents a marvelous opportunity to serve in a role that I think most aspire to: helping to create value and facilitate the development of a business. If you are asking yourself how can I contribute to growing the economy – well, the people who facilitate that growth are management accountants.

Q: What are some of IMA's current strategic initiatives?

A: IMA is undertaking a variety of initiatives to help transform the management accounting industry in the U.S., including:

- **Branding of IMA and its CMA certification:** We want to create a brand identity that is relevant, credible, distinct, and inspiring to all our stakeholders. To do so, we've recently unveiled new logo designs, new taglines, even a new Web site (www.imanet.org). Far too many

organizations fail to recognize the CMA brand, even though it is a globally relevant certification. We want people to know that the vast majority of accounting professionals work inside organizations and that the CMA is the most relevant certification for this skill set, linking strategy to performance excellence.

- **Chapter and Community**

Revitalization: This includes reaching out to growing constituencies, such as women, who now represent 60 percent of those employed in the accounting and finance profession. We are recommitting ourselves to connection with our members on a community level, keeping them active and helping them grow as professionals.

- **Corporate Development:** World-class companies actively support the CMA designation because they realize they can save time and expense by building excellence from within. We want to revitalize this program by reassessing corporate needs and offering customized products.

- **New Products:** We're introducing an array of new products and services developed by and for practitioners. We launched a new experiential ethics course this summer to help CMAs meet the new ethics continuing education requirement. We're also sponsoring a CFO benchmarking panel in the U.S., with 180 corporations already scheduled to participate.

We also recently began our monthly Webinar series, Inside Talk. And later this year, we plan to unveil our new Virtual Learning Campus, which will be like attending school on the Internet.

- **Advocacy:** We've recently hired a new Director of Advocacy to expand our sphere of influence with standard-setting bodies of the accounting industry. This person is charged with helping IMA respond to exposure drafts, issue position papers, develop white papers, and nominate industry positions.

Q: What do you see for the future of the profession?

A: I believe the growth of the global economy will drive business growth within the U.S., and as a result, the demand for qualified accounting and finance professionals will be insatiable. This is a turning point for management accounting and presents an opportunity for those qualified to really have a voice at the table to shape the destiny of an organization – and the profession.

people's work. If you want to be involved in actual decision making that impacts a business, then management accounting is where you want to be."

Further, gaining the broader accounting knowledge and skills required for management accounting can prove a valuable asset in the marketplace. "For those who want to keep their career options open," says Brower, "preparation as a management accountant makes a good deal of sense." Indeed, by acquiring a management accounting skill set, one becomes a more attractive job candidate -- no

matter what kind of accounting work one pursues.

The CMA Designation: An Assurance of Excellence

For those preparing to work in management accounting, earning a Certified Management Accountant (CMA[®]) designation, awarded by the Institute of Certified Management Accountants (ICMA[®]), the certification division of IMA, can provide a point of differentiation when looking for a job (see sidebar). And that is true regardless of where you begin your accounting

career. Says IMA Manager of Student and Academic Relations Jodi Ryan, CPA, "Even if you are on a CPA career track, the majority of younger professionals leave and go into management accounting. And once you leave public accounting, the CMA designation is much better matched to the work you are actually doing."

During his tenure at Johnson & Johnson, Bill Brower witnessed firsthand the value CMAs bring to an organization. Johnson & Johnson has been committed to the CMA credential since then Vice President of Fi-

CMA Certification: One Step Toward Success

For college students who want a point of differentiation as they enter the working world, becoming a Certified Management Accountant (CMA[®]) is a great place to start.

The first step to becoming a CMA is to take the CMA exam, which is offered daily, according to local business hours, at Thomson Prometric Testing Centers across the country. While still in school, students can take the exam at a discounted fee. The exam, which is computer based, consists of four parts of varying length and format:

Part 1: Business Analysis – 110 multiple-choice questions on subjects such as economics and business finance (3 hours).

Part 2: Management Accounting and Reporting – 140 multiple-choice questions on subjects such as cost management, performance measurement, and external financial reporting (4 hours).

Part 3: Strategic Management – 110 multiple-choice questions on subjects such as strategic planning and decision analysis (3 hours).

Part 4: Business Applications – 3 to 7 written response essays and problems that include topics from Parts 1, 2, and 3, as well as "soft" topics such as organizational communication, behavioral issues, and ethics (3 hours).

The first three parts of the exam may be taken in any order, but all three parts must be passed before the fourth part is taken. Score reports for the first three parts are available immediately



at the testing center; results for Part 4 are mailed 6 to 8 weeks after the test.

Other requirements to becoming a CMA include:

- **Education requirement:** Candidates must hold a B.A. or B.S. degree from an accredited college or university.
- **Experience requirement:** 2 years of relevant work experience above entry level, where you are applying the principles of management accounting (a candidate has up to 7 years after passing all parts of the exam to complete the experience requirement).

While becoming a CMA takes considerable effort, the investment pays off. As Priscilla Payne, CMA, vice president, certification, Institute of Certified Management Accountants (ICMA[®]), which administers the exam, says, "The exam is foundational. It tests the necessary skills needed to be an effective decision maker and manager. By taking the exam, it enhances your professionalism, shows you care about career development, and shows that you are prepared for greater responsibilities."

For further information about CMA certification, visit the IMA Web site at www.imanet.org/certification.asp.

Red Alert: Shortage of Accounting Ph.D.s

Across U.S. universities today, fewer and fewer students are pursuing doctoral studies in accounting. By some estimates, the number of students enrolled in accounting Ph.D. programs during the past 10 years has declined by 50 percent. The reasons? For one thing, many large universities are eliminating or reducing their accounting Ph.D. programs for economic reasons. Accounting doctoral programs simply do not attract the dollars that, say, executive education programs do. Further, student interest in these programs has waned, in part because the excellent job market has made the opportunity cost of foregoing three to five years' salary just not worth it.

This drop in enrollment comes at a particularly bad time because a good portion of faculty members is nearing retirement age. How severe will the shortfall be? According to a recent survey by the American Accounting Association (AAA), during the next three years, U.S. and Canadian universities will attempt to hire 942 new Ph.D.s – but will have only 621 graduates to fill those slots.

IMA's Director of Research Raef Lawson, Ph.D., CMA, CPA, aptly summarizes the situation: "Not only are we not producing enough Ph.D.s to meet current demand, but the problem will be exacerbated by the large number of faculty retiring in the next five to 10 years."

According to Lawson, the impact will be felt throughout the profession: "The shortfall potentially threatens the future of the entire industry. Without qualified faculty, schools might be forced to cut enrollments, even accounting programs. In addition, slots may be filled by less qualified candidates, which may adversely affect the training of accountants in the future."

IMA's Response

As a recognized leader in the management accounting profession, IMA is taking a proactive role in attempting to address this critical problem. For example, IMA is spearheading a roundtable discussion that will bring together all the major accounting associations – such as the American Institute of CPAs (AICPA), Financial Executives International (FEI), and the American Accounting Association (AAA), among others – to discuss concrete ways to address the shortage.

Further, through IMA's Foundation for Applied



Research (FAR), a nonprofit, educational organization, the association is helping to increase the economic viability of doctoral student research. Founded in 1994, FAR's goal is to "assist with funding, development, and dissemination of timely research that assists management accounting and finance professionals in their roles." Aimed specifically at Ph.D. students, the FAR Doctoral Student Grant Program provides funds to doctoral candidates who are pursuing research that could potentially contribute to the management accounting profession, including subjects related to IMA's five key practice areas of research:

- Leadership Strategies and Ethics
- Technology Enablers
- Strategic Cost Management
- Business Performance Measurement
- Enterprise Risk and Controls

By assisting doctoral students, IMA helps not only to address the Ph.D. shortfall but to fulfill its role within the industry. Says Lawson, "IMA is already the premier organization in management accounting and finance, but to maintain this position, we must not only be on the cutting edge of research – we must help create it."

For further information about IMA's initiatives in this arena, go to www.imanet.org/research_foundation.asp.

nance Clark Johnson first championed the program in the 1980s. More than 20 years later, that commitment continues to flourish, thanks to innovative incentives and training offered by the company. More than 100 of the company's finance professionals are CMAs, including most of the domestic finance directors who support manufacturing, sales, and marketing.

Johnson & Johnson considers its support of the CMA part of the company's investment in the future. "When employees pass the exam," Brower says, "We ensure that our staff stays current with the best practices of management accounting. The CMA helps to make certain that our people have the skill set to meet the new regulatory requirements and assure that the requirements to maintain adequate business controls are achieved."

The depth of the CMA exam often surprises people. According to Sharman, "Management accounting is much broader than most students realize. Many schools just offer one course with that title, and it's typically little more than cost accounting. The field really encompasses an array of disciplines – not only accounting, but corporate finance, information technology, communications, ethics, and economics – as well as various job titles." (see sidebar)

Many accounting professionals sit for their Certified Public Accountant (CPA) exam early in their career, then realize later that the CMA credential would better fit the work they perform on a daily basis. The two designations, rather than competing with one another, are actually complementary. In fact, more than 20 percent of IMA members are CPAs. "Both designations are valuable, and, depending on your career, each can serve you well. If you work in public accounting and are auditing a financial institution or manufacturing concern, you are learning information

An Inside Look at an IMA Student Chapter

One of the best places to learn about management accounting is through local IMA® student chapters.

Hundreds of these chapters are located at campuses across the country, and they offer students an excellent opportunity to meet both peers and mentors who share similar career goals. In addition, the chapters provide a great place to develop leadership skills – a valuable asset in today's working world.

Patrick Hansen is a junior at the University of Wisconsin-Whitewater, and he's been actively involved in his IMA student chapter for the past two years. Hansen's chapter boasts about 65 members, and membership is open to all majors (one woman who served on the board last year was a psychology student, in fact). What they do share, however, is an interest in management accounting and a desire to learn about professional opportunities in the field.

The cornerstone of the chapter's activities are its weekly speaker meetings, which feature a local professional who works in management accounting. Speakers select a topic to discuss, such as finance, ethics, or other challenges facing the profession. Typically, about 25 students attend these events, and, as Hansen says, the informal socializing after the meeting provides some of the evening's most memorable moments: "The speakers love to talk to the students after the formal program. It's a great time to share stories with people who have a common interest, who know what we're going through, and can offer insight and advice."

Once a month, the chapter holds a "parent-chapter dinner," which is a joint project with the local IMA chapters in Madison and Milwaukee (Whitewater is about equidistant between the two). Like all IMA student chapters, the chapter in Whitewater is affiliated with one or more local IMA chapters or councils, which enables students to take advantage of professional training and networking opportunities with established



IMA members from the University of Wisconsin-Whitewater student chapter take a break during IMA's 6th Annual Student Leadership Conference in Orlando, FL.

professionals in the field. Whitewater's parent-chapter dinners are more formal gatherings and are open not only to students but also to local accounting professionals, including retirees, in both public and private accounting. This diversified approach gives students a chance to see the options available to them. "It's an excellent opportunity to network and get to know the local professionals in our area. With the number of jobs there are out there right now, firms and companies like to come talk to us. In this kind of arena, it's like doing a mini interview with them," says Hansen.

Not all the benefits of joining a student chapter are career related. For Hansen, one of the most valuable aspects of being involved in his chapter is the leadership skills he is cultivating. "The work I've put in to take on a leadership position is very rewarding. It's certainly a resume builder, but it's also a great experience in learning about decision making, working in a group, and communicating with others."

Jodi Ryan, CPA, IMA manager of student and academic relations, agrees: "Being part of an IMA student chapter really builds your networking and leadership skills. And there are plenty more opportunities to start chapters all over the country. Starting a student IMA chapter – think about how great that would look on your resume."

IMA Student Membership Benefits

Students who join IMA® receive a variety of benefits. Not only is the annual membership only \$37 (versus \$185 for regular members), but IMA student members also gain access to tools they need to help build successful careers, including:



- Subscription to IMA's three professional publications: Strategic Finance Magazine, Management Accounting Quarterly, and Strategic TechNotes. These publications keep members current with the latest developments in corporate strategies, technologies, and research.
- Access to the IMA Job Bank, featuring the largest targeted network of job postings in accounting and finance.
- Invitations to IMA's Annual Conference & Exposition in June and IMA's Annual Student Leadership Conference in November, where renowned industry experts and respected educators share insight and advice on topics in management accounting, career development, and more. The student conference also provides an excellent opportunity to network with peers, academics, and professionals.

As Jodi Ryan, CPA, IMA manager of student and academic relations, says, "For students, IMA is a great place to build professional contacts and increase career opportunities. When you get involved, you'll see the value of the organization and how it helps your career goals."

In addition, student members become eligible for IMA's numerous student awards and scholarships, which are open, depending on the award, to juniors, seniors, students in a five-year accounting program, or those earning a master's degree in accounting. These include:

- IMA Memorial Education Fund Scholarship and Stuart Cameron McLeod Memorial Scholarship, which help students cover part of their expenses for school. Undergraduate and graduate-level students can apply.
- National Student Case Study Competition, in which teams of students respond to a published case by preparing and submitting a videotaped presentation.
- Strategic Finance Student Manuscript Competition, which provides students with an opportunity to share their membership experiences through articles submitted to Strategic Finance Magazine.
- Award of Excellence and Outstanding Student Chapter, which recognizes student chapters that promote IMA's Vision and Mission by delivering activities and services to their student members.
- Clark Johnson Achievement Award, which is presented each year at the IMA Annual Conference, to an active IMA student chapter that demonstrates innovative achievement in meeting the needs of IMA members.

For further information about IMA student membership, student awards, and scholarships, visit the IMA Web site at www.imanet.org.

that you will need as a CMA. And the converse is also true: in management accounting, you must understand the financial reporting aspects of a company," Ryan says.

Is Now the Time?

Although the CMA exam can be taken at any point in one's career, there are clear advantages to sitting for the exam early – even as an undergraduate. Students can take the CMA exam at a reduced fee while still in school.

"The exam maps well to a management accountant's on-the-job responsibilities. As a student, much of what you've probably seen in school is included in the CMA exam, including economics, business finance and cost management. Although we always recommend test prep, the test may be more manageable for people if they take it before they are too far along in their careers and removed from an educational setting," says Richtermeyer.

Students besides traditional accounting majors also are attracted to the CMA exam. The exam is well suited to finance majors, for example, especially those with an accounting minor. Gaining the CMA certification helps to broaden their finance degree.

Further, students possess the requisite study skills and concentration levels that often fade as one gets older. According to Ryan, "It's an excellent time to sit for the exam as a student because you are already in study mode. You probably have the best test-taking skills of your career, and you might as well take advantage of that preparation. It's worth the time to get the designation at that point because it will always be a tool you can use."

After taking the CMA exam and gaining two years of relevant work experience, one becomes a CMA, a credential that is beneficial across many

different industries, including service, healthcare, information technology, government, manufacturing, and non-profit, among others. The benefits are financial as well: Studies show that IMA members holding a CMA certification earn on average 28 percent more than those not certified (IMA's 17th Annual Salary of IMA Members, Strategic Finance Magazine, June 2006).

Moreover, as a CMA, you gain a certification that indicates your preparedness to be a valuable and integral part of an enterprise. "A CMA shows how accounting affects all aspects of an organization – from economics, to management, to information technology. A CMA knows how accounting supports the organization at many different levels to help gain and sustain a competitive advantage and move toward opera-

tional excellence," says Richtermeyer.

IMA Membership: From the College Years to the Golden Years

As the voice of the management accounting profession, IMA is dedicated to empowering management accounting and finance professionals to drive business performance. Among its 65,000 members, approximately 15 percent are students, who enjoy unique benefits (see sidebar). Because IMA is one of the few professional organizations that has student members but is not solely for students, joining the organization can be beneficial throughout the life of one's career. According to Richtermeyer, "You can join as a student, but that's just the tip of the iceberg. The networking, professional development, and research tools help

you in college through retirement."

Becoming involved in a professional organization not only demonstrates a commitment to a career, it also provides opportunities for networking – both today and tomorrow. That becomes a valuable commodity when one enters the professional world: "If you have an issue at work and want to talk to someone, you have a support group through your local chapter, a network outside of your organization that you can discuss your problems and solutions with," Richtermeyer notes.

Whether it is to consider taking the CMA exam as a student or perhaps just knowing there are interesting options available outside of public accounting, management accounting offers a rewarding, challenging, and increasingly popular career.

"Accounting is like baseball – you've got to have a winning strategy, an experienced team and outstanding performance."

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