

CHANGING DIMENSIONS OF ACCOUNTANTS' ROLE

In a rapidly changing information technology environment, accountants' organization roles and skill requirements are also changing. This article examines the changing dimensions of the role and functions of the professionals, using a survey of 36 companies in the Kingdom of Bahrain and reviews the related research literature available globally.

— *Prem Lal Joshi and **Wayne G Bremser

During the last two decades, the role of accountants in the corporate sector has been changing pretty fast. Caglio points out that the professional literature has widely acknowledged that the boundaries of accountants' activities and practices are undergoing considerable changes (Caligo, 2003). As we look ahead in the 21st century, the management accountants' role is expected to evolve beyond the traditional performing, scorekeeping, problem solving and attention directing functions. There is a substantial move towards a wide-ranging adviser role, cutting across conventional boundaries and skills. Corrigan explains that in the past, the role of the accountant, whether working within organization or in public practice, has been defined along lines based on technical skills, which were often removed from the realities of the business environment (Corrigan, 1997). In response to the challenge to be value added, accountants appear to be transitioning from number crunchers and crossing

functional lines in the pursuit of relevance and value to their organizations.

Parkar reviews contemporary driving forces that constitute the management accounting environment and the changing skills demanded of contemporary and future accountants (Parkar, 2002). For accountants working in companies, this change is reflected in a new expanded role that takes a wider perspective than the more traditional approach as 'scorekeeper' of past performance. Many accountants are now seeing their role evolving to information facilitators rather than information providers, in which they facilitate management actions instead of evaluating and controlling them. Instead of management accountant, chief accountant and controller, we see titles such as financial analyst, systems manager, chief financial officer, finance manager, vice-president of finance



and treasurer.

Traditionally, accountants have tended to apply their discipline to a set of data. In recent years, accountants have used new analytical techniques and methods to take an active role in strategy implementation. Goldstein states that rapidly changing technology, increasing needs of measurable results downsizing, restructuring, and recruiting future financial managers, are some of the issues confronting accountants pursuing careers in economy, a strong case can be made that accountants'

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vision for the future should be to reposition and retool themselves as financially oriented business managers rather than financial technicians.

Literature review

Research on the different roles and functions of accountants has explored traditional dimensions and changes due to new technologies, the information economy, changing management systems, and other factors. Albrecht and Sack identify three key drivers of change in the business environment – technology, globalisation, and concentration of market power in large pension and mutual funds (Albrecht and Sack, 2000). These in turn have led to inexpensive information and increased competition, which is evidenced in today’s complex fast-moving world. They warn of serious problems in accounting education because the gap between edu-

cation and practice is widening. In their view, accountants need a different skill set in the new environment than before.

Albrecht and Sack (2000) report that their survey of practitioners and accounting graduates to be performing five years from now. Table 1 shows the ranking of services. There is agreement of systems consulting and strategic consulting. When asked about the expected demand for accounting graduates and types of jobs, faculty and practitioners ranked business consulting and advising highest, followed by planning and strategy.

Table 1

S.No	Faculty	Practitioners
1	Audit	Financial analysis
2	E-commerce	Financial planning
3	Systems consulting	Financial reporting
4	Tax consulting	Strategic consulting
5	Strategic consulting	Systems consulting

Source: Albrecht and Sack (2000)

Albrecht and Sack make a case for accounting educators to make significant changes in course content, curricula, pedagogy, and skills development. They document Robert Elliott’s model of the five stages of the ‘value chain’ of information. Table 2 presents the model and Elliott’s estimate of the hourly worth of each type of activity, recognizing that technology has made the recording and accumulated business information increasingly inexpensive. Albrecht and Sack observe that accounting education has traditionally focused on prepar-

ing student to perform stage 1 and

Table 2. The value chain information (Robert Elliotts five stages of the ‘Value-Chain of information)

	Business Data Information Knowledge Decisions event				
Value per hour	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
	\$10	\$30	\$100	\$300	\$1,100

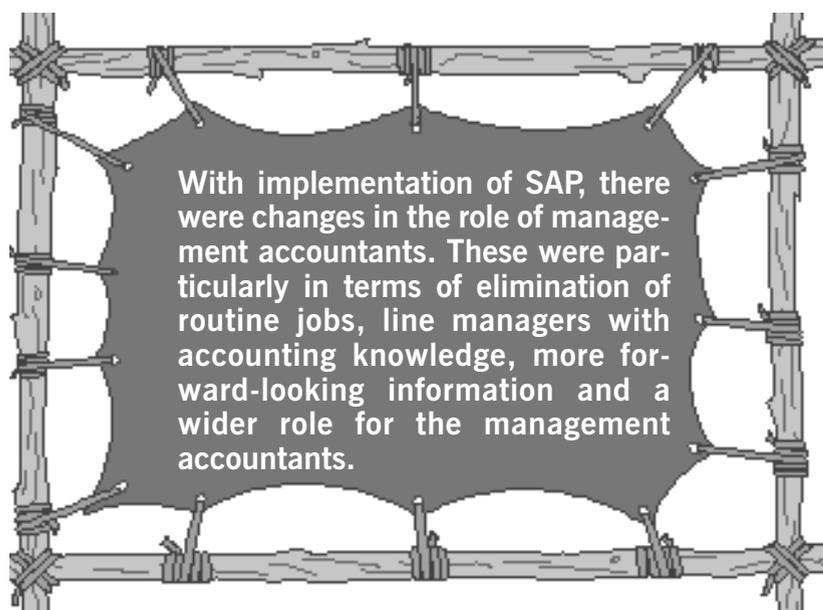
(Source: Robert Elliott has presented this model at numerous professional meetings, and it is documented in Albrecht and Sack, 2000)

stage 2-type work.

The challenge facing accounting educators is to prepare students for stages 3-5-type work enabling them to move up the ‘value-chain’ of information. This means a different skill set is needed. The skill set taught in universities can be expected to vary by academic institution and country. Pistoni and Zoni report on a comparative study of undergraduate education in Europe (Pistoni and Zoni, 2000). They observed similarities in topics taught. However, they concluded that differences are outweighing similarities due to the high variance in the percentage of class time devoted to topics.

Information systems and reengineering:

Accountants manage and supervise accounting systems in organization. They are responsible for the conceptual design of accounting systems. They serve as information analysts and consultants. They work as systems, operational, and financial auditors. Changes in technology have altered the role of accountants. According to Robert Half International Inc, survey of approximately 1,400 chief financial officers, 39% stated that tomorrow’s accounting and finance professionals would shatter long-standing stereotypes as they



With implementation of SAP, there were changes in the role of management accountants. These were particularly in terms of elimination of routine jobs, line managers with accounting knowledge, more forward-looking information and a wider role for the management accountants.

shift from being backroom statisticians to boardroom strategists (Robert half International Inc., 2001). Furthermore, the survey forecast that accountants would play a greater role in technology and information systems initiatives over the next five years. An IMA study by Siegel and Sorensen, from 800 responses (response rate 20%) reported that among the top ten most important activities performed by accountants, 'accounting systems and financial reporting' was the ranked top activity (Siegel and Sorensen, 1996).

In a survey of 288 Chief Finance Officers (CFOs) and accounting professionals at USA (58%) and European corporations (42%), CFO research services (2002) found that 58% of them play an active role in IT project decisions, including final spending, governance and 20% of them spent more than a quarter of their time on IT management issues (CFO Research Service, 2002). Furthermore, 67% of them claimed that they have improved decision-making with real time analytics while 60% stated

that they are using IT to enhance their financial planning, forecasting and budgeting. In another study, Siegel and Sorensen reported that today's management accountant spends far more time on strategic planning, internal consulting and computer-based operations (Siegel and Sorensen, 1999). In an earlier survey, Siegel et al, (1997) stated that computer systems and operations were ranked among the top five in importance of work activities that the respondents expected to be performing in the next two-three years (Siegel and Sorensen, 1996).

Using a case study in an Italian context, Caglio examined how the adoption of a new Enterprise Resource Planning (ERP) system challenges the definition of the expertise and roles of accountants within the organizations, leading to new hybrid positions (Caglio, 2003). Accountants were successful in managing the pressure of the ERP project. They not only managed to maintain their legitimacy but also improved professional recognition for their occupations and expertise. Furthermore, with the

introduction of ERP in the organization, the study found that a higher degree of standardization of accounting activities and practices was achieved, a stronger need for integration and inter-functional collaboration was felt, and a more prominent role for the accounting department in managing the new IT system was created.

Similarly, Scapens and Jazayeri examined the impact of ERP systems on management accounting change (Scapens and Jazayeri, 2003). Their study reported a longitudinal case study of the implementation of SAP in the European division of a large US multinational, in which management accounting change was viewed as an evolutionary process. With the implementation of SAP, there were changes in the role of management accountants – in particular –

- Elimination of routine jobs
- Line managers with accounting knowledge
- More forward-looking information
- A wider role for the management accountants.

Accountants are deeply involved in the AIS reengineering process. An important dimension of cost management is to eliminate non-value added administrative costs. Cost management techniques such as benchmarking can be used to identify opportunities to eliminate waste in finance, human resources, IT and procurement. Companies are streamlining processes to free up employees to pursue value-added activities. (LcLemore, 1997).

Customer and product profitability: The Siegel and Sorensen IMA study reported that customer and product profitability analysis

The Institute of Chartered Accountants of Australia Vision 2020 Taskforce reported that accountants now need both generalist and specialist knowledge (ICAA, 1998). Similarly, AICPA Vision 2011 project also argued that CPAs should become market driven rather than regulation driven, offering more value-added and less traditional compliance related services (AICPA, 1998).

was low on the list of important activities performed by accountants (Siegel and Sorensen, 1996). However, when the respondents were asked to rank in order of importance the professional activities that will be most valued by he employers in two or three years, respondents named customer and product

profitability analysis as number one activity. However, Foster argues that this is still a relatively new area of management accounting and much research still needs to be done (Foster, t al., 1996).

Budgeting: Accountants review budget requests along with top management and prepare related budget documents. The traditional accountant's role is to consolidate all budgets and prepare a master budget for the management review and coordinate the implementation of the plan. In a study by Joshi and Jasim in the context of Bahraini organizations, it was found that budgets play multiple roles and accountants were heavily involved in those roles, especially in planning, evaluation and control (Joshi an Jasim, 1999). There is also evidence of increasing use of information technology by accountants in budgeting functions.

The emergence of the 'beyond budgeting concept' is another indicator of a shift to a strategic focus.



Hope and Fraser state that in 'beyond budgeting' companies continuously review their strategic position (Hoe and Fraser, 1997). The new emphasis is on continuously looking for opportunities and threats in the future rather than continuously looking backwards at historical performance. Furthermore, they point out that in 'beyond budgeting' companies, measurement and reporting is confined to a few key performance indicators rather than a mass of detail. The quality of the information is more important than the quantity of the information.

Strategic planning performance measurement: Accountants participate to some extent in strategic planning and short-term planning, which includes budgeting. Strategic planning includes modeling, collaboration, process management and forecasting. It is a vital component for the company's success as it is the creation and execution of actionable plans and supports the company's strategic and

diverse key business decisions.

The Balanced Scorecard (BSC), a model for strategy implementation and control developed by Kaplan and Norton, is a highly visible performance measurement model (Kaplan and Norton, 1992, 1996,2001). The BSC is the key element of a strategic management system that requires organizations to translate strategic goals into measures of performance. The Balanced scorecard is formulated at the top of the organization, and it is cascaded downward so that BSC measurements are used in various organizational segments to implement strategy from four perspectives – customer internal business process, learning and growth, and financial perspectives.

Corrigan states that the accountant has traditionally been the information provider of the organization (Corrigan, 1997). Therefore, it should only be a matter of updating skills to move from provider to facilitator of information despite the shifting emphasis towards non-financial performance measurement, the reliance on financial information will remain the cornerstone of an organisation's reporting system. He further adds that some broad categories that have been identified as growth areas for the future are: strategic and profitability and management (e.g. customer profitability analysis) revenue generation strategies (e.g. impact on pricing strategies) cost management (e.g. cost reduction programmes)

information management, competitive forecasting decision analysis productivity improvement (e.g. new performance measurement systems) cash flow maximization.

Results from a recent survey on the expanding role of the accountant by Robert Half International Inc., in the US, confirm such trends: 71% of executives believed that accountants in the past five years have become more critical to overall operations, future demand will be for accountants who are skilled strategists and team players who will contribute a forward-thinking perspective and accountants will need to reengineer themselves into broad-based business people (Robert Half International Inc., 2002).

Compliance with regulatory bodies: A traditional accounting function is to monitor and facilitate compliance of the company operations and other activities with requirements of specified laws, regulations, rules and controls. For example, in Bahrain, companies have to file their financial statements, interim reports to the Ministry of Commerce (MOC), Bahrain Stock Exchange (BSE). Similarly, banks have to file their financial statements and other quarterly reports to Bahrain Monetary Agency (BMA) for monitoring purposes.

Accountants' skills: To perform the above-mentioned roles and functions, accountants should possess certain skills and abilities, such as

mathematical reasoning, quick and accurate basic math ability, problem identification, presentation and report writing skills, and knowledge, and personal computer and accounting software-working skills. While progressing through various career stages, an accountant is expected to acquire adequate proficiency in the following types of skills either through education and training process or from experience -

■ **Technical:** To perform their jobs effectively, financial professionals will need to acquire broad-based expertise in every area of technological development- from an understanding of new applications and software to a working knowledge of wireless technologies.

■ **Communication:** Because they will be speaking with everyone from the CEO and CIO to co-workers on cross-functional teams, strong written and verbal communication skills will be critical. Accountants must be able to explain financial data in non-financial terms and offer clear, concise recommendations.

■ **Interpersonal:** Financial professionals must be flexible, proactive and able to relate to colleagues from diverse backgrounds and professions. With increased interaction between accounting and other internal departments, accountants will need to hone 'soft' skills such as persuasion, diplomacy, negotiation, coaching and team-building.

Thus, it is the ability to work with others in a consultative process, particularly in groups to withstand and resolve conflicts.

■ **Managerial:** In addition to financial knowledge, accounting professionals must develop management, marketing and operational expertise. They will need to understand all areas and functions of a company, anticipate the needs of the business and conceptualise solutions.

■ **Analytical:** Skills to quickly recognise problems and develop effective solutions, teamwork skills, initiative as well as the ability to be detail oriented and organized in a deadline sensitive environment.

■ **Professional:** IFCA's Education Committee states that the appropriate skills enable the professional accountant to make successful use of the knowledge gained through, education (International Federation of Accountants -Education Committee, 2002). These skills are not always acquired from specific courses devoted to them but, rather, from the total effect of the programme of education and practical experience. Fullan and Steigelbauer expand the definition of professional skills to include "the sum total, of formal and informal learning experiences throughout one's career from pre-service education to retirement" (Fullan and Steigelbauer, 1991). Here, the

Accountants' roles and functions are moving towards cross-hybridisation between accounting and other functional areas. Accountants need to acquire requisite professional, communicative and analytical skills to perform these functions. Future accountants would be analysts, forecasters, and strategic partners of business, moving up the 'value chain' of information.

professional skills are more of intellectual skills which enable an accountant the capacity for inquiry, research, logical thinking, powers of reasoning, critical analysis and ability to identify and solve unstructured problems.

Recent research evidence clearly indicates that accountants' will need an expanded skills set for the future. The Institute of Chartered Accountants of Australia Vision 2020 Taskforce reported that accountants now need both generalist and specialist knowledge (ICAA, 1998). Similarly, AICPA Vision 2011 project also argued that CPAs should become market rather than regulation driven, offering more value-added and less traditional compliance related services (AICPA, 1998). **It identified core competencies for future accountants as: communication and leadership, strategic and critical thinking, focus on customer and market, interpretation of converging information and technology.** Furthermore, the Siegel and Sorensen IMA study concluded that the most valued skills for entry level accountants were communication, teamwork, analysis, accounting and a thorough understanding how a business functions (Siegel and Sorensen, 1999).

On the other hand, Yazdifar and Burns found that out of top ten rated skills for 2005, the four important skills required for accountants are: analytical and interpretative, information technology knowledge, broad business knowledge, and integrating financial and non-financial information. In a UK study, Hassall found that the skills highly valued by employers included oral and written communication skills and time manage-

ment skills (Hassall et al., 1999). Ghosh and Kai reported that out of seven skills needed for accounting and finance personnel, communication skills and information technology skills were ranked one and two respectively by the respondents in their study (Ghosh and L Kai, 1996).

A Robert Half International Inc., survey reported that, CFOs ranked technology expertise (44%) first, followed by strong communication skills (24%), general business knowledge (16%), and leader-



ship abilities (11 %) (Robert Half International Inc., 2002). Furthermore, 52% of CFOs stated that IT training will be their first priority in supporting professional development for their accounting staff in the next two years, while 22% ranked traditional financial skills development as most important. Besides, 82% of CFOs stated that their accounting departments have become more involved with the companies' technology initiatives in the last five years. More specifically, almost half (49%) of CFOs said their accounting departments have become more involved with e-commerce in the last three years. Furthermore, the survey found that in order to acquire these skills, 85% of the CFOs believed that a profes-

sional certification, such as CPA or CMA, help in career advancement.

Findings of the survey

The literature review describes changing roles, functions and skill requirements for accountants. The exploratory study done by the authors for a modern developing economy examined these issues for corporate accountants in Bahrain. The list of companies for this study was taken from a website, which includes about 350 companies from Bahrain. The data of the findings are analysed using both descriptive statistics and parametric statistics. The responses are analysed by type of listing, experience, size and in the respondents' position.

Our interpretation of the data is that the five functions with a mean score of 4 and above are the most important functions. As per the findings, 'managing accounting and finance functions' (ranked 1) was viewed as the most important function being performed by accountants in the Bahraini environment. 'Examining and evaluating the company's financial information system' and 'financial reporting' (tie-ranked 2) followed by 'designing of accounting information system' show similar mean scores for most important functions stated by the respondents. Thus, the top four are somewhat traditional core functions for corporate accountants. Quite interestingly, 'Long-term strategic planning', which is not a traditional core function, is ranked fifth.

The computer systems and operations ranked sixth, reflecting the impact of technology on accountants' roles. Short-term budgeting is a traditional function, which continues to be an important

function. This was followed by customer and product profitability analysis, financial and economic analysis and process improvements, which are usually viewed as new finance type functions for accountants. Compliance with regulatory bodies, a traditional function, is ranked 11th.

Developing balanced scorecards (financial and non-financial performance measures) ranked 12th. This is an interesting finding. Kaplan and Norton introduced the balanced scorecard in 1992 in USA and the model has evolved (Kaplan and Norton, 1996,2001, 1992). Developing balanced scorecards is viewed as important or higher by 86% of the respondents, which indicates wide use of the model in a modern developing economy.

‘Reengineering’, ‘performance evaluation’, and ‘cost accounting’ also received lower rankings, but the average scores indicated that they were important. In Bahrain, the economic activities are mostly trading, services, banking and investment. The manufacturing sector is not very well developed. Therefore, the lower ranking apparently reflects the limited scope of cost accounting as a tool of cost control and reduction. The inflation rate is just less than 3% and profit margins are generally high. While ‘internal consulting’ is often mentioned as an expanding important function of accountants, it ranked as the least important function in this study with a mean score of 2.94. However, this is not low because 63.8% of the respondents ranked as important or higher. A reason for the ‘internal consulting’ ranking could be a reflection of organisational culture, which may be perceived as less interactive than

it could be. Additionally, there has been an increasing level of non-audit services provided by the external audit firms and consultants in Bahrain.

Skill requirement: The study sought responses on six skills generally required for accountants in the today’s fast changing business environment. We defined the skills listed in Table 3 in our literature review. The responses were measured on a Likert-type scale ranging from five (very important) to one (least important). Results are presented in Table 3 and are analysed by size, experience and position.

Table 3: *Differences in perceptions on the skill requirements of accountants by firm size and respondent experience and position*

Skill Requirement	Descriptive statistics			Size		Experience		Position	
	Mean	SD	Rank	t-test	df	t-test	df	t-test	df
Professional skills	4.44	0.60	1	2.42*	34	0.73	34	0.92	34
Communication Skills	4.22	0.89	2	2.18*	34	0.87	34	0.24	34
Analytical Skills	4.22	0.95	2	1.25	34	0.93	34	0.58	34
Managerial Skills	4.16	0.84	4	0.13	34	1.42	34	1.00	34
Technical Skills	4.11	0.97	5	2.68*	34	2.04*	34	0.22	34
Interpersonal Requirements	3.63	0.93	6	0.27	34	0.87	34	0.14	34

*Indicates significant at 0.05 level

Table 3 shows that professional skills are considered the most important skills for accountants in Bahrain. Maintaining professional ethics is included in professional skills. The respondents ranked communication and analytical skills equally as the next most important. Surprisingly, interpersonal skills is perceived as the least

important skill set by accountants in Bahrain, but the 3.63 mean does indicate that they are important. Perhaps this is related to the fact that respondents considered internal consulting as a less important function performed by accountants in Bahrain. Another possible explanation is that the prevalent corporate culture in Bahraini environment is not highly interactive.

Statistical differences are also noticed in the responses of the respondents when analysed by listing status. These differences are ‘technical skills’ ($t = 2.68; df = 34; p < 0.05, H$), ‘communication skills’ ($t = 2.18; df = 34; p < 0.05, H$), and ‘professional skills’ ($t = 2.42; df = 34; p < 0.05, H$) respectively, where H indicates that the mean was higher for respondents from listed

firms, which tended to be the larger firms. It seems that accountants working in the listed companies value the importance of technical, communication, and professional skills. This may be due to the fact that they work in an environment where Stock Exchanges expect high quality financial reporting and transparency in disclosures.

Future role of accountants:

Overall, the respondents indicated an expectation that accounting will become a more knowledge based services profession, and traditional audit and reporting roles will continue to be important. In open-ended questions, some of the respondents stated that financial professionals would serve as analysts, forecasters and managers and accountants will no longer be viewed statisticians, but will be considered strategic partners. Some respondents believed that investors would insist on setting standards that could be used to accurately gauge a company's performance.

Financial professionals will furnish the factual basis and strategic advice for management's decisions. These future roles of accountants will positively help their organisations to improve bottom line performance.

The Siegel and Sorensen IMA study reported that 40% of their respondents thought that work activities would increase related to the new roles to be taken up by the management accountants in future (Siegel and Sorensen, 1999). The management accountants viewed

the following work activities would be most critical to their company's success: customer and product profitability, process improvement, performance of financial and economic analysis, long-term strategic planning, and computer systems and operations. **In this study by the authors, 30% of the respondents stated that the future accountants would be more involved in computer systems and other technology procurement, strategic planning, performance evaluation, quality control accounting, and international finance and accounting.** Some of them stated that accounting systems and control as well as the strategic performance evaluation functions would dominate the functions of the accountants in the next five to ten years. Parkar rightly suggests in the context of the accountant's role: "armed with strategic, analytical, technological, leadership and communication skills, the reinvented accountant can emerge in a possibly rebranded guise to take on the value adding, knowledge based, decision leadership roles being sought by today's organisations". (Siegel and Sorensen, 1999)

Conclusion

Our literature review described changing roles, functions and skill requirements for accountants. This exploratory study examined these issues for corporate accountants in Bahrain, a modern developing economy. We conclude that managing the accounting and finance functions, financial reporting, and financial information systems remain the major domain of today's Bahraini accountants. However, there is a gradual transition in the role, functions and skills of accountants in Bahrain. The new roles include greater participation in information systems, related technology, and long-term strategic planning.

Accountants' roles and functions are moving towards cross-hybridisation between accounting and other functional areas. Accountants need to acquire requisite professional, communicative and analytical skills to perform these functions. These roles and skills do differ to a certain extent due to firm size. The survey suggests that future accountants will be analysts, forecasters, and strategic partners of the business, moving up the 'value chain' of information. ■

Cut off dates for condonation of delay in submission of Form no. 18

This is to inform the members that the Council had decided that "There shall be a cut off date for condonation of cases for empanelment purposes as on 1st January and the cases received beyond the cut off will not be considered for condonation." In view of this, it has been decided as under :-

For the purposes of Empanelment in the C&AG Panel prepared by Office of C&AG and Bank Branch Auditors' Panel prepared by ICAI (for which Constitution Certificates as on 1st January are issued every year since last two years)- **No condonation of delay in submission of Form No. 18 beyond 31st January preceding the financial year under audit** (e.g. 31st January, 2005 for empanelment for the year 2005-06) will be done by the Institute.

For the purpose of List of Firms- **No condonation of delay in submission of Form No. 18 beyond 30th April of the year** (e.g. 30th April, 2005 for List of Firms as on 1st April, 2005) will be done by the Institute."

— *Professional Development Committee*