

TRANSFORMATION OF THE ROLES AND TASKS OF MANAGEMENT ACCOUNTANTS IN A MALAYSIAN ORGANISATION

Zairul Nurshazana Zainuddin

Suzana Sulaiman

Sharifah Fadzlon Abdul Hamid

Accounting Research Institute (ARI) & Faculty of Accountancy,
Universiti Teknologi MARA, Malaysia

ABSTRACT

The roles and tasks of management accountants have evolved overtime. In the past, management accountants were known as information providers normally involved in supporting, controlling, communicating and coordinating organisational activities. The current scenario however, indicates that their roles and tasks have extended to include forecasting and analysing business performance in pursuit of providing timely information to assist the board members in forming quality decisions. Moving forward, the roles and tasks of management accountants are expected to transform with the changes in the expectations of stakeholders and competitive environments. This case study is carried out to examine the past and future roles and tasks of management accountants in a Malaysian organisation. An extensive interview was conducted, and the findings show that the roles of management accountants have transformed and will continue to transform to facilitate the changes in the global business environment. From being information providers, management accountants are becoming value creators and strategists. Factors that caused these changes are both internal and external to organisations.

Keywords: roles and tasks of management accountants, management accounting change, factors that drive changes, change drivers

ARTICLE INFO

Article History :

Received : 24 March 2014

Accepted : 15 September 2014

Published : 30 December 2014

INTRODUCTION

In recent years, pressure from globalisation and the advancement of technology has led to an increase in competition and quick dissemination of information (Siegel and Sorensen, 1999). Demand from the business market has urged companies to move ahead of their competitors (Zainuddin et al., 2014). Thus, providing timely, holistic information in tandem with global changes has become crucial for companies. Management accountants play an important role in providing this information. Ramli et al. (2013) agreed that the role of management accountants is dynamic and requires adjustments to meet the changing environment. Management accountants will not only serve as information providers but also as advisors to strategic decision makers (Garg et al., 2003). Only then will they overcome their rivals in the industry.

Management accounting becomes very important in companies because it involves the collection and analysis of past, current and most importantly, future information of companies. Hence, the roles of management accountants include managing resources, activities and people to fulfil the objectives of the company. In doing so, accountants are creating and adding value to the companies (Hilton, 2004). Horngren et al. (2009) found that management accountants are expected to groom themselves when dealing with their companies' important customers, substituting products in the market as well as ensuring cash fund adequacy by taking and negotiating appropriate strategic moves (Horngren et al., 2009).

Companies in Malaysia are also experiencing changes in their business operation, and have to cope with the current changes (Smith, Abdullah & Abdul Razak, 2008). This study is conducted to examine the changes in the roles and tasks of management accountants as well as the factors that drive these changes by studying the case of a Malaysian organisation.

OBJECTIVE

The main objectives of this study are outlined as follows:

1. To explore the past and future roles and tasks of management accountants in a Malaysian organisation; and

2. To discover the factors that drives the changes to the roles and tasks of management accountants in the organisation.

LITERATURE REVIEW

Definition of Management Accounting

Management accounting is an area of accounting that includes generating information for managers, and is an important part in the strategic process within an organisation (Tuanmat and Smith, 2011). Unlike financial accounting information, management accounting information is designed and intended for use by managers within the organisation and not for shareholders, creditors or public regulators (Fry and Steele, 1995). Management reporting is normally confidential and used by the management and not for public reporting (CIMA, 2000). It comprises both forward-looking and historical data. Information is provided with reference to the needs of managers. Managers often use management information systems instead of general financial accounting standards (Talha et al., 2010). Management accounting is an integral part of management that requires the process of identification, generation, presentation, interpretation and communication as well as the use of information in pursuing the goals of an organisation (IFAC, 1998). Information should be relevant to formulating business strategies, planning and controlling activities, forming decisions, utilising resources efficiently, improving performance and enhancing value (Lobo et al., 2004). This information also includes financial and operational data for the purpose of planning, controlling and ensuring the effectiveness of the use of resources by management (Talha et al., 2010).

Information is essential for an organisation to monitor and control its current activities as well as to plan its future strategies, tactics and operations (Lobo et al., 2004). Management accounting information is also important for optimising the use of the resources of an organisation, measuring and evaluating performance, enhancing the objectivity of managers in the decision-making process and improving internal and external communication (IFAC, 1998).

Management accounting consists not only of the application of practical techniques to produce information but also involves the skills (locus of competencies) and role (from that of a pure information provider through an information interpreter to a business decision-making partner) of the management accountant (Sulaiman and Ramli, 2006). Appropriate action can be taken by management if sufficient, relevant and timely information is provided (Kariyawasam, 2009). Therefore, management accounting undoubtedly provides the required accurate information to all levels, from the top management to the supervisory level within an organisation. However, the relevance of management accounting practises since 1987 has become questionable because it did not keep up with environmental changes or with the latest technology (Johnson and Kaplan, 1987). The statement has become a concern that brought vigorous developments in the management accounting profession globally. Similar issues were also raised on the image of the accountant after the wake of the 2008 global financial crisis, especially by the media (Warren and Parker, 2009).

Evolution of the Roles and Tasks of Management Accountants

Management accountants were believed to have significant influence in directing the goals of an organisation and in assisting the manager in forming correct decisions for the continuity of business operation (Lobo et al., 2004). Management accountants were assumed to be equipped with knowledge and understanding of all business activities in enhancing business performance (Ramli et al., 2013). Bamber et al. (2008) found that management accountants were located throughout the company and worked across function teams that perform various functions such as research and development, design, production, marketing, distribution and consumer services. They have to report to vice presidents of various operations. Nowadays, management accountants spend their time on strategic management accounting, which involves more than merely focusing on traditional management accounting (Hilton, 2004). Management accountants not only provide information but are also more importantly involved in decision-making, and in assisting managers in reaching better decisions (Cooper and Dart, 2009). Previous studies claimed that these accountants could also be called hybrid management accountants both involved in bean counting and business advisor-type of activities (Burns and Baldvinsdottir, 2005; Albu et al., 2008).

Several findings indicate that management accountant are still viewed more in their traditional roles as bean counters, cost controllers and budget preparers, especially those who work in smaller-sized firms (Verstegen et al., 2007; Zoni and Merchant, 2007). The roles of management accountants vary among companies because they depend on the size of the organisation, type of company, culture, industry and other factors (Albu et al., 2008). In a survey, Loo et al. (2011) found that other factors that affect the roles of management accountants today are personality traits, experience in finance and accounting, financial status of the company and changes in the laws and regulations. Ahid and Augustine (2012) highlighted that management accountants must constantly advance their knowledge in diverse areas and improve their communication skills to effectively communicate to internal and external parties and to all levels in their organisations to ensure success in business partnerships. This requirement is particularly important in a multicultural society. Therefore, management accountants are expected to play proactive roles in their organisations (Bamber et al., 2008). Management accountants should be ready to adapt to the changes and equip themselves for the challenges ahead, transforming into significant decision makers, strategic planners and reliable business advisors (Zainuddin et al., 2014).

Ramli et al. (2013) mentioned the differences in the roles and tasks of management accountants, as summarised in the table below.

Table 1: Evolution of the Role and Tasks of Management Accountants

PAST	Bean counters or number crunchers
	Corporate policy enforcer
	Scorekeeper
	Information provider
	Internal consultant or advisor
	Decision enabler
	Budgets or business planner
	Manager
	Cost or financial controller
	Business, risk or financial analysts
FUTURE	Strategy formulator
	Planner
	Value creator
	Future-oriented leader
	All-round personnel
	Designer or manager
Preparer of management information systems	

Factors that were also found to have caused the changes in the roles and tasks of management accountants are summarised as follows (Zainuddin et al., 2014).

Table 2: Factors that Drive the Changes

Environmental Factors:	Organisational Factors:
Globalisation of Markets Business Internalisation or Open Market-Oriented Advances in Information and Production Technologies Changes in Management Accounting Systems and Techniques Increased Competition Socio-Economic Condition Socio-Cultural Changes Non-Accounting Competitors and Alliances Expansion Corporate Governance Requirements External Reporting Requirements Introduction of E-Commerce Changes in Laws and Regulations Call for Academic Exposures	Greater organisational emphasis on Core Competencies Customer Focus Size and Type of Organisation Product Quality Initiatives Form of Ownership Autonomy-driven Competencies Profitability-driven Competencies Authority-driven Competencies New Management Style or Organisational Restructuring Calls for a Broader Scope of Accountability Changing Work Patterns and Attitudes Financial Position of Organisation

RESEARCH METHOD

In this study, a case study approach was adopted to explore the past and future roles and tasks of management accountants, and the factors that drive these changes in a Malaysian organisation.

Primary data were collected through a semi-structured interview with key personnel of the management accounting division in the organisation, whereas secondary data were sourced from the National Award for Management Accounting (NAfMA) Report 2011, the company website, 2011 annual report and newspapers. These sources were combined with interview data from the participants.

The company considered in this case study is an established company in Malaysia that has won the NAfMA 2011 ‘Excellence Award’. The name of the company will be confidential, and thus will be referred to in this study as ‘Company T’.

Initial contact was made with the company in March 2012 via email followed by a telephone conversation to negotiate access. Company T was willing to provide access generously, with a full range of materials made available (under the usual terms of confidentiality, where appropriate) such as excerpts from the NAFMA 2011 reports, annual reports for year 2011, and newspaper clippings.

NAFMA

NAFMA is an annual award jointly organised by the Malaysian Institute of Accountants (MIA) and the Chartered Institute of Management Accountants (CIMA) in collaboration with Universiti Teknologi MARA (UiTM). The award is given to recognise companies adopting the best practises in management accounting and creating value that leads to business excellence. The companies must also be able to promote the application of management accounting techniques and systems within organisations in Malaysia in pursuit of world-class business performance.

Interview Guide

A guide was prepared and followed closely during the interview. The interview guide was divided into four parts that address the following key themes:

Part One

1. Vital past roles and tasks of management accountants
2. Important past management accounting techniques or tools

The first part relates to the prominent roles and tasks of management accountants in the past and the significant changes between the past and future. A small section was also provided to identify past management accounting tools or techniques.

Part Two

1. Future roles and tasks of management accountants
2. Required management accounting techniques or tools for the future

Part two explores the expectation of future roles and tasks of management accountants within the organisation and the required management accounting techniques or tools for the future.

Part Three

1. Factors that drive the changes in the roles and tasks of management accountants
2. Impact of the market environment on the roles and tasks of management accountants

This part captures the drivers of changes in the roles and tasks of management accountants. Opinions were gathered on the effects of market environment and the challenges faced by management accountants in recent years.

Part Four

1. Relevance of management accounting in the modern era
2. Suggestion to enhance the relevance of management accounting in Malaysia

Finally, part four investigates the awareness on the need for a specific management accounting department within an organisation. Views on the relevance of management accounting and recommendations on improving the relevance of management accounting in Malaysia were also considered.

The interview was conducted on 17th April 2012 at the Management Reporting Unit of the Headquarters of Company T.

Company T

Company T was identified as the focus of our case study because for two reasons. First, the company is a NAFMA winner for the year 2011. Company T can be described in Table 3 as follows.

Table 3: Background of the Organisation

Size of company	Large (has operated since 1990)
Type of industry	Electric utility company (listed)
Assets	RM71.4 billion
No. of staff	28,000 (both in Peninsular Malaysia and Sabah)
Core activities	Generation, transmission and distribution of electricity.
Other activities	Repairing, testing and maintaining power plants, providing engineering, procurement and construction services for power plant-related products, assembling and manufacturing high voltage switch gear sand coal mining and trading. Its operations are carried out in Malaysia, Mauritius, Pakistan, India and Indonesia. It offers higher education through its university, aimed at producing outstanding individuals in various fields.
Recognition	<ol style="list-style-type: none">1. Ranked 100th in a list of 250 power companies in 2008 by Platts2. Ranked 3rd among electric utilities in Asia in 20113. Ranked 24th by Platts for global provider of energy in 20114. The Prime Minister's Excellence Award in 2007
Vision	To be among the Leading Corporations in Energy and Related Business Globally
Mission	Committed to Excellence in Our Products and Services
Corporate Social Responsibility	Education, sponsorships and contributions are channelled through their own trust foundation. As a responsible corporate citizen, the company also places great emphasis on its engagement with the community to ensure that the society gains and benefits from their efforts. The shared values of the company emphasise on integrity, customer focus, business excellence and caring.

Second, Company T has a specific management accounting department that was established in 2004 after it became a Government-Linked Company (GLC), as expectations and objectives of the company evolved. Previously, the special department did not exist.

MAIN FINDINGS

A representative from the Management Accounting department was selected for interview and served as the source of information for the case study. The interview guide was used throughout the interview.

The department is also known as Investor Relations and Management Reporting Department. This department was established in 2004, and is divided into two units; Investor Relations and Management Reporting Units. Both units are part of the Finance Group, and 20 management accountants currently work in the organisation.

The following table shows a summary of functions for the Management Accounting Department.

Table 4: Description of the Management Accounting Department of Company T

Investor Relations Unit (IR)	Management Reporting Unit (MR)
Front liners who deal with external parties. They liaise with analysts and perform benchmarking.	This department acts as the backbone of the department and provides information for the IR team and the top management. Its function complements and provides credibility to the IR role by ensuring that the IR team fully understands and appreciates the operations of the company and is able to provide accurate and timely information to stakeholders (Annual Report 2011).

The past role of management accountants in Company T was found to be confined to providing information with no emphasis on timeliness. However, because of the changes in the status and management styles of the company, the breadth of the roles and tasks of management accountants increased. The roles and tasks are expected to change even more with the rapid changes in the global business environment.

The following tables summarises the results of the interviews pertaining to the changing roles of management accountants in Company T.

Table 5: Roles and Tasks of Management Accountants

	Past	Present	Future
Roles	Information provider for decision-making (information does not need to be timely)	Timely information provider; wider information flow within the organisations Business Partners	Board Advisor Value Creator Advocate for change Problem solver Strategist
Tasks	Analyse business performance Keep score and control financial costs Provide Information	Analyse business performance Keep score and control financial costs Forecast Circulate reports to the board and to top management on a monthly basis Assist management to monitor progress of any decision-making process	Future-oriented and forward looking tasks - Forecasting Prepare timeline and milestones; track procedures
Management Accounting Tools	Variance Analysis	Balance score cards – cascaded down to all divisions and business units Budgeting Ratio Analysis Variance Analysis Activity-Based Management Six Sigma	Balanced score cards Six Sigma Other tools for Strategic Management Accounting

The factors that resulted in changes in the roles and tasks of management accountants are also identified and summarised in the table below.

Table 6: Factors Affecting the Change in the Roles and Tasks of Management Accountants

Internal Factors	Change in management style and management structure: IR and MR departments were previously placed under the corporate communications department, but are now placed under the Finance Group, which has a different emphasis.
External factors	<p>Uncertainty in market environment and globalisation: Management accountants are now required to keep abreast with the latest prices of coals, making computations to assist in decision-making.</p> <p>Government regulations: this factor has the greatest effect on Company T and other similar companies. Management accountants are therefore required to be proactive and well prepared for the changes.</p> <p>Change in information technology: Soft and hard copies of information should be circulated to the board and to the top management to ensure smooth dissemination of information.</p>

Relevance of Management Accountants in the Modern Era

According to the interviewee, *‘Management accounting has been proven to be relevant now, and management accountants will have more roles in the future’*. The statement was made based on the perceptions of the interview.

1. Management accounting is recognised as a strategic tool in decision-making by Company T. Thus, a special management accounting function separate from its financial accounting department was created. This special management accounting function is however integrated with other management functions. The creation of the special function is to fulfil one of the initiatives when the company embarked on its GLC transformation plan.
2. The management accounting department was able to allow the information to flow more efficiently and effectively, which will ensure that the information is provided in a timely manner.
3. Management accounting information enabled the CEO to highlight and identify the right department to refer to for further information. The distribution of information became quicker and effective, thereby allowing for timely response from management accountants.

The interviewee also suggested that management accountants should acquire professional qualification, especially from CIMA. The qualification would provide the required technical knowledge and skills for future management accountants to perform their roles and tasks.

DISCUSSION AND CONCLUSION

The main findings of this research can be divided into three categories: (1) the past roles and tasks of management accountants, (2) the future roles and tasks of management accountants and (3) the factors that drive the changes.

Past Roles and Tasks of Management Accountants

The findings indicate that the important tasks of management accountants in the past were to provide information to the company management and to external parties, such as consumers and investors. However, the timing of such information was not a major concern. They were also very much involved in analysing business performance as well as controlling financial costs and activities related to scorekeeping. Their significant role in Company T at that time was as information providers. Variance analysis was used as a management accounting tool in the past. Currently, Company T uses balanced scorecard, budgeting and ratio analysis in their management accounting practises.

Future Roles and Tasks of Management Accountants

The findings of the case study also brought up the same perceptions related to the future roles of management accountants as they are expected to change their mindset to be future-oriented and forward-looking. They have to equip themselves with further knowledge and skills to meet the expectations of management. The respondent also provided suggestions for management accountants to have professional qualifications such as CIMA as a step up for practising management accountants today. Management accountants in the future should not only provide information, but should also propose solutions and advise the management on reacting to a situation. They are expected to monitor and keep track of the progress of such action. They are perceived to play the significant role of 'tracker' or 'key helper' within the organisation. Management accountants are also expected to be successors to

the value creation and business in Company T. According to the informant, management accounting tools such as balanced scorecard, activity-based management and Six Sigma will be required by Company T in the future.

Factors that Drive the Changes

The case study also highlighted the drivers towards the changes in the roles and tasks of management accountants. They were categorised as external and internal factors. For internal factors, Company T's management accounting function changed mainly because of the change in management style and structures. Conversely, the main external factors that caused changes were changes in the raw material supply and price fluctuation because these companies are involved in the transmission, generation and distribution of power supply. Management accountants, as the information provider for Company T, must ensure that timely, sufficient and reliable information is provided, especially in a situation that may raise the concern of the public such as increases in electricity tariffs. If insufficient information is provided, then the public may perceive it wrongly, thereby resulting significant consequences to the company, industry as well as the government. Company T's operation is also bound by laws and regulations. Thus, another external factor that drove the changes was governmental regulations. Normally, this factor has a great effect on the utilities industry and the company's operation as a whole. Changes in information technology also drive changes to the roles and tasks of management accountants. Management accountants utilise technology efficiently to enable them to prepare informed and updated reports.

Several recommendations were also provided by the interviewee with regard to enhancing the relevance of management accounting in Malaysia.

1. The discipline of management accounting should be promoted to university students at an earlier stage to instil interest in management accounting.
2. Companies should also encourage their existing staff members to proceed with professional qualifications such as CIMA.

Finally, the findings have to be considered in the light of the limitations of this study. This study only focuses on the roles and tasks of management accountants in the past and the future, as well as the factors driving the changes. A brief discussion on management accounting tools was made in the study. Further limitations are related to the case study findings as the results may have shortcomings that limit their usefulness to a single organisation in Malaysia. The reliance on the company for the case study restricts the generalisability of the results. As the interview took place in a Malaysian organisation, the results may be influenced by a Malaysian interpretation of management accounting practises. Several recommendations and suggestions are identified for future research studies. Large potential areas of management accounting need to be investigated. Future research studies could include analysis of management accounting tools or techniques and the skills of management accountants in addition to their roles and tasks. Similar studies should also extend to other companies from different industries or different countries. Comparing the management accounting functions and practises in several different industries or countries would also be useful.

ACKNOWLEDGEMENT

The authors would like to express their gratitude to the Ministry of Education of Malaysia for funding the research project through the RAGS grant. Our appreciation also goes to the Faculty of Accountancy/Communities of Research (Humanities & Quality of Life), Universiti Teknologi MARA for facilitating the research project.

REFERENCES

- Albu, C.N., Albu, N., Faff, R. & Hodgson, A.C. (2008). *The changing role of accountants in a transition economy: evidence from Romania*. Available at: <http://oeconomica.uab.ro/upload/lucrari/1020081/5.pdf>.
- Bamber, L., Broun, K., & Harrison, T. W. (2008). *Managerial accounting*. Prentice Hall.

- Burns, J. & Baldvinsdottir, G. (2005), “An institutional perspective of accountants’ new roles: the interplay of contradictions and praxis”, *European Accounting Review*, 14 (4), pp. 725-57.
- Cooper, P., & Dart, E. (2009). *Change in the management accountant’s role: Drivers and diversity*. Working Paper Series.
- Fry, T. D., & Steele, D. C. (1995). The role of management accounting in the development of a manufacturing strategy. *International Journal of Operations & Productions Management*, 15 (12), pp. 21-31.
- Garg, A., Ghosh, D., Hudick, J., & Nowacki, C. (2003). Roles and practises in management accounting today. *Strategic Finance*. 85 (1), pp. 30-65.
- Hilton. (2004). *Managerial accounting*. (6th ed.). Singapore: McGraw-Hill Companies Book Co.
- International Federation of Accountants (IFAC), (1998). International Management Accounting Practise Statement: Management Accounting Concepts. Financial Management Accountants Committee.
- Johnson, H. T., & Kaplan, R. S. (1987). The rise and fall of management accounting. *Management Accounting*, pp. 22-30.
- Kariyawasam, U. (2009). Changing role of the management accountant. Achievers CIMA Graduation Ceremony, pp. 1-13. Sri Lanka.
- Lobo, M. X., Tilt, C., & Forsaith, D. (2004). The future of management accounting: A South Australian perspective. *Journal of Management Accounting Research*, 2 (1), pp. 55-70.
- Loo, I. D., Verstegen, B., & Swagerman, D. (2011). Understanding the roles of management accountants. *European Business Review*, 23 (3), pp. 287-313.
- M. Ahid, D., & Augustine, A. (2012). The Roles and Responsibilities of Management Accountants in the Era of Globalization, *Global Journal of Management and Business Research*, 12 (15).

- Siegel, G., & Sorensen, J.E. (1999). Counting More, Counting Less - Transformations in the Management Accounting Profession. *Institute of Management Accountants*, pp. 1-101.
- Smith, M., Abdullah, Z., & Abdul Razak, R. (2008). The diffusion of technological and management accounting innovation: Malaysian evidence. *Asian Review of Accounting*, 16 (3), pp. 197-218.
- Sulaiman, S., & Ramli, A. (2006). A study of structural and functional changes of management accountants in Malaysia. Institut Penyelidikan, Pembangunan dan Pengkomersilan, Universiti Teknologi MARA (UiTM) Shah Alam, Malaysia.
- Ramli, A., Zainuddin, Z. N., Sulaiman, S., & Muda, R. (2013). Changing Roles of Management Accountants in Malaysian Companies: A Preliminary Study. *International Journal of Finance and Accounting*, 2 (2), pp. 89-93.
- Ramli, A., Sulaiman, S., & Zainuddin, Z. N. (2013). *Factors Driving Change in Management Accounting Practises: Malaysian Survey Evidence*. Colloquium on Administrative Science & Technology, Kuching, Malaysia.
- Talha, M., Raja, J., & Seetharaman, A. (2010). A new look at management accounting. *Journal of Applied Business Research*, 26 (4), pp. 83-95.
- The Chartered Institute of Management Accountants (CIMA). (2000). CIMA, UK.
- Tuanmat, T., & Smith, M. (2011). Changes in management accounting practises in Malaysia. *Asian Review of Accounting*, 19 (3), pp. 221-242.
- Verstegen, B.H.J., De Loo, I., Mol, P., Slagter, K. and Geerkens, H. (2007). Classifying controller by activities: an exploratory study, *Journal of Applied Management Accounting Research*, 6 (2), pp. 9-32.
- Warren, S. & Parker, L. (2009). Bean counters or bright young things? Towards the visual study of identity construction among professional

accountants. *Qualitative Research in Accounting & Management*, 6 (4), pp. 205-223.

Zainuddin, Z.N., Sulaiman, S. & Hasnan, S. (2014). Changes in Management Accounting Practises: Evidence from Malaysian Case Studies, Global Conference on Business and Social Science, Kuala Lumpur, Malaysia.

Zainuddin, Z.N., Sulaiman, S., Abdul Hamid, S.F., Hasnan, S., & Zahari, N. (2014), Challenges faced by Management Accountants in the 21st Century, 2014 IEEE Symposium on Business, Engineering and Industrial Applications, Kota Kinabalu Sabah, Malaysia.

Zoni, L. & Merchant, K.A. (2007). Controller involvement in management: an empirical study in large Italian corporations, *Journal of Accounting & Organisational Change*, 3 (1), pp. 29-43.