

The Activities of Management Accountants: Results from a Survey Study

By Tjerk Budding, Ph.D.; Martijn Schoute, Ph.D.; Aagtje Dijkman; and Elbert de With

EXECUTIVE SUMMARY

The main activities of management accountants are in budgeting and financial reporting. But there are large differences between for-profit organizations and public (governmental) and nonprofit organizations and at different hierarchical levels.

In the academic field and in professional practice, there is a lot of interest in the activities of management accountants. Nowadays, management accountants are not only in charge of financial/administrative processes but also are increasingly responsible for advisory and decision-support activities for management.

In the United States, ICMA® (Institute of Certified Management Accountants) surveys management accounting professionals generally every five years about activities management accountants perform in practice. These results and others are used to adjust the CMA® (Certified Management Accountant) certification program and exam.

In the definition that IMA® (Institute of Management Accountants) uses for the management accounting profession, activities concerning decision support of management are included. IMA uses the words “partnering in management decision making” in the definition:

“Management accounting is a profession that involves partnering in management decision making, devising planning and performance management systems, and providing expertise in financial reporting and control to assist management in the formulation and implementation of an organization’s strategy.”¹

In the Netherlands, as in many other countries, the profession of management accounting arose around the end of World War II.² Then in 1986, the first postgraduate program

in management accounting was started, and, in 1988, the Netherlands Association of Registered Controllers was created. Nowadays, students at seven universities can choose to follow a program to become a Registered Controller or to follow the CMA program. The Netherlands has a relatively high number of management accountants with a CMA certification.

We conducted a study that analyzed which activities are actually performed by management accountants, who, in the Netherlands, are typically referred to as “controllers.” We do not focus on the activities of individual management accountants but on those of the controllership function as a whole. That is, we focus on the activities of all employees who carry out controllership activities (as opposed to financial accounting or external financial reporting activities) in their organizations or units. Our aim is to explore what management accountants see as the primary activities of the controllership function and whether advisory and decision-support activities really are fundamental in daily practices. Furthermore, we also analyze the effectiveness of the execution of these activities by the controllership function. A special feature of our study is that it takes into account management accountants working in the for-profit sector as well as those working in the public and nonprofit sector. (By “public,” we mean governmental as opposed to publicly traded on a stock exchange.)

THE SURVEY AND ITS FINDINGS

In spring 2016, we distributed a survey to more than 5,000 management accountants in the Netherlands. All targeted respondents had either completed or were currently completing a degree of a postgraduate management accounting program of a Dutch university.³ We believe the results of this study have much wider applicability than the Dutch context, however, because:

- (a) Definitions of the roles of management accountants in papers focusing on the Dutch context are similar to those in other countries, including the U.S.⁴
- (b) U.S. textbooks typically are used in Dutch management accounting education.
- (c) A development toward converging man-

agement accounting practices in Europe and the U.S. can be observed.⁵

Each targeted respondent received two emails with a link to the online questionnaire. A substantial number of them also received the questionnaire by mail. The response rate was 13.3%.⁶ In the questionnaire, we emphasized that the questions about the activities referred to all employees who carry out controllership activities in their organizations or units. We chose to focus on this group level instead of on the individual level because we are primarily interested in the activities of the controllership function as a whole and not so much in the activities of the responding individuals.

Characteristics of the Respondents

The average respondent can be described as quite experienced and around 42 years old. Twenty-three percent of the respondents are female, and 77% are male. Forty-five percent have leadership positions. On average, the respondents have approximately seven years of working experience within their current organization and six-and-a-half years of experience in their current position. In addition, most of the respondents have a university degree, which is in line with the targeted group. (See Table 1 for the characteristics of the respondents.)

We asked at what level of the organization the respondent was working in order to make a distinction between various hierarchical levels. In this article, we only distinguish two levels, however: the concern level and the non-concern level. Respondents at the concern level are working at the headquarters or for a staff department of the headquarters. Respondents at the non-concern level are working at lower organizational levels. The CFO is definitely working at the concern level, but controllers may be working at different organizational levels and thus can be working at the concern or non-concern level. Almost half the respondents, or 46%, are employed at the concern level and 54% at the non-concern level. Finally, 62% are working in the for-profit sector and 38% in the public and nonprofit sector.

ACTIVITIES OF THE CONTROLLERSHIP FUNCTION

To clarify what activities are being performed, we asked

Table 1: Characteristics of the Respondents

| Respondent Characteristics | Mean | SD | Min. | Max. |
|---|------|-----|------|------|
| Age (in years) | 41.8 | 8.4 | 19 | 65 |
| Gender | | | | |
| - Male (%) | 77% | - | - | - |
| - Female (%) | 23% | - | - | - |
| Leadership position | | | | |
| - Yes (%) | 45% | - | - | - |
| - No (%) | 55% | - | - | - |
| Working experience within current organization (in years) | 7.1 | 6.8 | 0 | 45 |
| Working experience in current position (in years) | 6.4 | 6.2 | 0 | 35 |
| Hierarchical level | | | | |
| - Employed at the concern level (%) | 46% | - | - | - |
| - Employed at the non-concern level (%) | 54% | - | - | - |
| Sector | | | | |
| - Working in for-profit sector (%) | 62% | - | - | - |
| - Working in public and nonprofit sector (%) | 38% | - | - | - |

Notes: These statistics are based on the overall responses to the survey. The statistics based on the useful responses are almost the same.

the respondents two questions. First, we asked them to assess the importance of 29 activities for the controller-ship function of their organization or unit. Second, we asked them to assess the effectiveness of the execution of these activities by the controllership function.

The activities presented to the respondents were divided into four core areas, which we adopted from a report about the profession of the financial professional published by the Dutch Association of Registered Accountants and the Dutch Association of Registered Controllers:⁷

1. Strategic Management,
2. Performance Management,
3. Finance Operations & Reporting, and
4. Governance, Risk & Compliance.

Within each of these core areas, we distinguished between advisory and decision-support activities (indicated with verbs such as “analyzing” and “advising”) and activities focused primarily on financial/administrative processes (indicated with verbs such as “executing,” “administering,” “reporting,” and “creating.”) We used various sources for identifying and defining the activities. One is the earlier-mentioned ICMA studies.⁸ We used a Likert scale to measure the importance of the activities and the effectiveness of their execution. This scale varied from 1 (not important) to 5 (very

important) and from 1 (not effective) to 5 (very effective).

Top Five

When we analyzed which activities were considered to be the most important, we found the following top four—all with scores above 4.0 (see Table 2).

1. Advising about and presenting financial reports,
2. Setting budgets and making budget reports,
3. Advising about budget setting, and
4. Making financial reports for accounting purposes (e.g., monthly reports and consolidations).

It is remarkable that all these activities are from the core area Finance Operations & Reporting and that all involve budgeting and financial reporting.

For the fifth place, we found two activities with the same score of 3.74 (see Table 2):

1. Advising about new ways to achieve the objectives of your organization or unit, and
2. Advising about and developing cost-reducing and revenue-generating plans through operational improvements and resource management.

The top five is the ranking for which we combine the responses of the respondents working in the

Table 2: Importance and Effectiveness of the Activities of the Controllership Function

| | Importance | | | Effectiveness | | |
|---|---------------|--------------------------|------------------------------------|---------------|--------------------------|------------------------------------|
| | Total | For-Profit Organizations | Public and Nonprofit Organizations | Total | For-Profit Organizations | Public and Nonprofit Organizations |
| Strategic Management (n = 506 – 513) | | | | | | |
| Advising about new ways to achieve the objectives of your organization or unit | 3.74 | 3.79 | 3.66 | 3.12 | 3.16 | 3.07 |
| Analyzing of and advising about the profitability of customers, products, and/or services | 3.57 | 4.07** | 2.81 | 3.01 | 3.38** | 2.44 |
| Advising about the strategy of your organization or unit | 3.46* | 3.43 | 3.50 | 2.86 | 2.85 | 2.88 |
| Advising about and providing support for possible acquisitions, mergers, and/or investments in new assets | 2.97** | 3.07 | 2.82 | 2.71** | 2.79 | 2.59 |
| Advising about the planning and strategy regarding tax issues | 2.40** | 2.37 | 2.45 | 2.34** | 2.33 | 2.36 |
| Advising about investments in funds (such as bonds) | 1.30** | 1.30 | 1.29 | 1.23* | 1.22 | 1.23 |
| Performance Management (n = 496 – 503) | | | | | | |
| Advising about and developing cost-reducing and revenue-generating plans through operational improvements and resource management | 3.74 | 3.94** | 3.42 | 3.12* | 3.28** | 2.88 |
| Advising about and providing decision support regarding cost accounting items (e.g., cost prices of products/services, variance analyses, and overhead costs) | 3.73 | 3.90** | 3.46 | 3.23 | 3.43** | 2.92 |
| Advising about and evaluating performance measures | 3.66 | 3.67 | 3.64 | 3.06 | 3.14 | 2.94 |
| Advising about and providing decision support regarding quality and control systems (e.g., internal control measures) | 3.53 | 3.41 | 3.71** | 3.03 | 2.95 | 3.14 |
| Executing and monitoring operational improvements and resource management | 3.41* | 3.55** | 3.19 | 3.03 | 3.19** | 2.78 |
| Administrating of and reporting about performance measures | 3.38 | 3.52** | 3.17 | 3.01* | 3.25** | 2.64 |
| Administrating of and reporting about cost accounting items (e.g., cost prices of products/services, variance analyses, and overhead costs) | 3.34 | 3.51** | 3.07 | 3.01** | 3.24** | 2.66 |
| Administrating of and reporting about quality and control systems (e.g., internal control measures) | 3.13 | 2.99 | 3.36** | 2.78 | 2.70 | 2.91 |
| Advising about and providing decision support regarding human resources | 2.47 | 2.38 | 2.60 | 2.42 | 2.39 | 2.48 |

(Continues on next page)

| | Importance | | | Effectiveness | | |
|---|---------------|--------------------------|------------------------------------|---------------|--------------------------|------------------------------------|
| | Total | For-Profit Organizations | Public and Nonprofit Organizations | Total | For-Profit Organizations | Public and Nonprofit Organizations |
| Finance Operations & Reporting (n = 495 – 502) | | | | | | |
| Advising about and presenting financial reports | 4.27 | 4.33 | 4.18 | 3.75 | 3.86* | 3.58 |
| Setting budgets and making budget reports | 4.17** | 4.30** | 3.97 | 3.56* | 3.71** | 3.32 |
| Advising about budget setting | 4.16 | 4.13 | 4.21 | 3.56 | 3.58 | 3.53 |
| Making financial reports for accounting purposes (e.g., monthly reports and consolidations) | 4.02 | 4.14* | 3.84 | 3.61** | 3.84** | 3.24 |
| Leading the finance function | 3.54 | 3.74** | 3.24 | 3.13 | 3.29** | 2.88 |
| Advising about and providing decision support for projects | 3.53 | 3.40 | 3.72** | 3.01 | 2.91 | 3.15* |
| Running the working capital administration and reporting about this (for example, cash, stock, and debtors) | 2.73 | 3.12** | 2.14 | 2.50 | 2.85** | 1.97 |
| Running the project administration | 2.71** | 2.65 | 2.80 | 2.45** | 2.44 | 2.45 |
| Running the tax administration and reporting about this | 2.22* | 2.47** | 1.85 | 2.11 | 2.31** | 1.82 |
| Governance, Risk & Compliance (n = 499 - 501) | | | | | | |
| Advising about risk management | 3.47** | 3.23 | 3.84** | 2.78 | 2.70 | 2.91 |
| Making reports for compliance obligations toward government and/or regulatory authorities | 2.84** | 2.60 | 3.20** | 2.62** | 2.44 | 2.89** |
| Advising about the internal audit findings | 2.80 | 2.50 | 3.26** | 2.52 | 2.31 | 2.86** |
| Doing internal audits and reporting about this | 2.45** | 2.14 | 2.93** | 2.21 | 1.94 | 2.62** |
| Making reports for tax legislation | 1.97* | 2.09* | 1.79 | 1.92 | 2.03* | 1.75 |

Notes: ** and *, respectively, refer to significant differences at the 1% and 5% significance level (two-tailed). In the “total” columns, significance indicates that there is a significant difference between the organizational levels for the activity in question, where bold indicates that the score is higher for the concern level, and bold and underlined indicates that the score is higher for the non-concern level. In the other columns, significance indicates that there is a significant difference between the sectors, with bold and italics indicating that the score is higher in the sector in question. The *n* refers to the total number of respondents from both sectors.

for-profit sector and those employed in the public and nonprofit sector. If we make a distinction between both groups, however, we see that the top four are exactly the same (in a slightly different order), but there is a different fifth place. The respondents from the for-profit sector consider “Analyzing of and advising about the profitability of customers, products, and/or services” to be No. 5, whereas those from the public and nonprofit sector consider “Advising about risk management” relatively more important. In short, the first four places in the top five are fairly uniform for the controllership function in for-profit organizations and public and nonprofit organizations, but the fifth place is not.

Strategic Management

Several authors argue that contemporary management accountants are expected to consider strategic issues.⁹ To what extent this actually happens in practice is still an open empirical question. Our survey shows a somewhat mixed picture. First, the data suggests that it is definitely not always the case that the controllership function is asked to advise about the strategy of the organization or unit. Furthermore, the controllership function is only involved to some extent in major financial decisions such as acquisitions, mergers, and/or investments in new assets (2.97) and even less in advising about the planning and strategy regarding tax issues

(2.40) and about investments in funds (1.30). At the same time, the controllership function typically has an important role in the implementation of the strategy. This is demonstrated by the fairly high scores for the following activities:

- Advising about new ways to achieve the objectives of your organization or unit (3.74) and
- Analyzing of and advising about the profitability of customers, products, and/or services (3.57).

The latter is especially important for the controllership function in for-profit organizations. Also, four of the six activities in this area are more important for the controllership function at the concern level than at lower hierarchical levels, indicating that, for this core area, the relative importance of many activities depends strongly on the hierarchical level at which the controllership function operates.

Performance Management

Nine activities are within the core area of Performance Management. The three most important ones for the controllership function are:

1. Advising about and developing cost-reducing and revenue-generating plans through operational improvements and resource management (3.74),
2. Advising about and providing decision support regarding cost accounting items (3.73), and
3. Advising about and evaluating performance measures (3.66).

The first two activities are significantly more important for the controllership function in for-profit organizations than in public and nonprofit organizations. This also applies to three other activities focused on primarily financial/administrative processes concerning the same type of issues (operational improvements and resource management, performance measures, and cost accounting items). On the other hand, the data shows that for the controllership function in public and nonprofit organizations, activities that involve quality and control systems (such as internal control measures) are considered relatively more important. For only one of

the nine activities in this area do we find a significant difference between the hierarchical levels: “Executing and monitoring operational improvements and resource management” is relatively more important at lower hierarchical levels.

Finance Operations & Reporting

As noted, budgeting and financial reporting activities, which are part of the core area Finance Operations & Reporting as identified by the Dutch Association of Registered Accountants and the Dutch Association of Registered Controllers, belong to the core activities of the controllership function. Within this core area, we also distinguished five other activities. Those seen as relatively important are:

- Leading the finance function (3.54) and
- Advising about and providing decision support for projects (3.53).

The other activities in this area involve running the administrations concerning working capital, projects, and tax, and reporting about this, and they have relatively low scores—all below 3.0. It is important to note, however, that five of the nine activities in this area are more important for the controllership function, and one is less important in for-profit organizations than in public and nonprofit organizations. Plus, for three of these activities, there are differences between the controllership function at different hierarchical levels. This indicates that the relative importance of many of these activities depends strongly on the type of organization in which and the hierarchical level at which the controllership function operates.

Governance, Risk & Compliance

The final core area, Governance, Risk & Compliance, includes internal audit and risk management activities, but it is also about meeting compliance obligations toward several organizations, such as the Tax Authority, the Dutch Health Authority, and the Authority for Consumers & Markets. Except for “Advising about risk management” (3.47), on average the scores for these activities are relatively low (all below 3.0). Most activities in this area are more important for the controller-

ship function in public and nonprofit organizations than in for-profit organizations.

The only exception is the activity “Making reports for tax legislation,” for which the opposite applies. Similarly, four of the five activities in this area are more important for the controllership function at the concern level than at lower hierarchical levels. This indicates that also for this core area the relative importance of many activities strongly depends on the type of organization in which and the hierarchical level at which the controllership function operates.

Effectiveness of the Execution

In addition to the question of how important the different activities are for the controllership function, we also asked the respondents how effective they assess the execution of these activities to be. On average, there is a difference of 0.38 between the scores for the importance of the activities and for their effectiveness. We see a small difference in this gap between for-profit organizations and public and nonprofit organizations. For the former, this difference is 0.35, while the latter, on average, show a gap of 0.42. This suggests that, according to the respondents, there is more room for improvement in the public and nonprofit sector than in the for-profit sector. Our survey did not address the causes of these differences in terms of the importance of activities and the effectiveness of their execution.

Our data shows that the largest differences between the scores for importance and effectiveness are in the area of risk management. Respondents from the public and nonprofit sector are most critical: They suggest, on average, that they experience a difference of almost a whole point between the importance and effectiveness of activities in this area. For the for-profit organizations, the difference is almost half of this. Another area in which there is a significant gap between the importance and effectiveness scores in the public and nonprofit sector is budgeting. Among the for-profit organizations, the largest discrepancies are in the core areas of Strategic Management and Performance Management. The largest difference between the importance and effectiveness scores for them can be observed for the activity “Analyzing of and advising about the profitability of customers, products, and/or services.”

THE CMA PROGRAM AND ACTIVITIES OF THE CONTROLLERSHIP FUNCTION

We used the scores about the importance of the activities to analyze whether the CMA program covers today’s most important activities of management accountants. Our main conclusion is that all activities that are considered most important for management accountants are included in the CMA program and are given substantial attention. Yet we also observed some points that need attention.

First, there are some CMA subjects, such as ethics, that are not included in our questionnaire, just as there are some activities included in our questionnaire, such as tax issues, that are not covered in the CMA program. Ethics, however, is not so much a separate activity that management accountants perform but rather has more to do with how they perform their activities. At the same time, although we find tax issues to be important for management accountants, especially for those working in smaller organizations, given the global nature of the CMA program and the locality of many tax-related issues, it seems quite difficult to cover it well in this program.

Second, whereas internal controls are a main element of Part 1 of the current CMA exam (15% of the questions are about internal controls), activities that relate to this subject score relatively low in our survey.

Third, strategic management is not a main subject in the current CMA program, but our results show that this area is important for today’s management accountants.¹⁰ In our study, we presented six activities in the strategic management area, and four of these activities were rated above 3.0. Therefore, this might be a subject that deserves more attention in the CMA program.

(Note: The information in our study and article is based on the current CMA exam. ICMA recently announced changes to the exam that will be effective in January 2020. For information about the exam parts and topics, visit bit.ly/2XCBIz6 and bit.ly/2WW0gWv. Strategic management is part of the changes. ICMA also has a certification called CSCA® (Certified in Strategy and Competitive Analysis), which is designed for IMA members who have passed both parts of the CMA exam (bit.ly/2R7DJjO).

MORE RESEARCH IS NEEDED

Within the contemporary controllership function, advisory and decision-support activities and activities focused on primary financial/administrative processes are addressed. Both groups of activities are considered important. Within the controllership function, a wide range of activities is performed that can be divided into four core areas:

1. Strategic Management,
2. Performance Management,
3. Finance Operations & Reporting, and
4. Governance, Risk & Compliance.

Our survey shows that when we look at the importance of the activities of the controllership function, the most important ones are from the core area Finance Operations & Reporting. These activities involve budgeting and reporting about financial items. There is little difference here between for-profit organizations and public and nonprofit organizations. For many other activities, however, our survey shows significant differences between these sectors, with activities from the core areas Performance Management and Finance Operations & Reporting typically being more important in for-profit organizations and activities from the core area Governance, Risk & Compliance typically more important in public and nonprofit organizations.

In a similar vein, for certain activities our survey also shows significant differences between different hierarchical levels, with activities from the core areas Strategic Management and Governance, Risk & Compliance typically being more important for the controllership function at the concern level than at lower hierarchical levels. Overall, these findings indicate that the relative importance of many controllership activities strongly depends on the type of organization in which and the hierarchical level at which the controllership function operates.

We also found in our research that there potentially seems to be room for improvement. On average, there is a gap of nearly 0.4 points between the scores concerning the importance of activities and those concerning the effectiveness of their execution. This difference may have several causes, however, and we have not

examined those in our survey. Therefore, we advise that follow-up research on this matter should be conducted. We have the same advice regarding future developments. The controllership function is constantly evolving, and we recommend repeating research like ours periodically—say, every five years—preferably also in other countries. This way, the development of the function can be followed in a good way, and better care can be taken to ensure that the education of management accountants matches current and future needs of professional practice. ■

Tjerk Budding, Ph.D., is program director of the post-graduate Certified Public Controller program at the Vrije Universiteit Amsterdam, the Netherlands. You can reach him at (31) 20 598 6073 or g.budding@vu.nl.

Martijn Schoute, Ph.D., is an assistant professor of accounting at the School of Business and Economics at the Vrije Universiteit Amsterdam, the Netherlands. You can reach him at (31) 20 598 2328 or m.schoute@vu.nl.

Aagje Dijkman supported this research project and the CMA program part-time and is currently working as a business analyst for the Technische Unie, a wholesale company in B-to-B distribution of electrical products and related services. You can reach her at (31) 20 598 6110 or cma.sbe@vu.nl.

Elbert de With is the CMA program director at the Vrije Universiteit Amsterdam, the Netherlands. You can reach him at (31) 20 598 6110 or cma.sbe@vu.nl.

ENDNOTES

- 1 IMA® (Institute of Management Accountants), Statement on Management Accounting, *Definition of Management Accounting*, 2008, bit.ly/2WoVMlg.
- 2 In 1953, a plea was made for the introduction of controllers in the Netherlands, see: H.J. van der Schroeff, *De administratieve functie gezien vanuit organisatorisch gezichtspunt—een pleidooi voor de invoering van de controllers' functie (The administrative function seen from an organizational point of view—a plea for the implementation of the controllership function)*, Nederlandse Beroepsgroep van Accountants.
- 3 All members of the Association of Registered Controllers, the Association of the European Institute of Certified Public Controllers, and the IMA Institute Amsterdam were approached. Furthermore, the current students in the program for Registered Controller, the program for Certified Public

Controller (CPC), and the CMA (Certified Management Accountant) program at the Vrije Universiteit Amsterdam were sent a questionnaire.

- 4 For example, refer to the publication already mentioned in endnote 1 for the U.S. context and to the definition in a recent article about Dutch controllers: “Controllers are professionals with primary responsibilities for management accounting (including budgeting, internal reporting, and costing) and related activities (including financial reporting and the development and maintenance of the administrative systems underlying management and financial reporting functions).” See Henk J. ter Bogt, Jan van Helden, and Berend van der Kolk, “New development: Public Sector Controllershship—Reinventing the Financial Specialist as a Countervailing Power,” *Public Money & Management*, July 2016, pp. 379-384.
- 5 See, for example, T.T. Sheridan, “Management accounting in global European corporations: Anglophone and continental viewpoints,” *Management Accounting Research*, September 1995, pp. 287-294.
- 6 The useful response rate is lower than the overall response rate because no preselection could be done on the targeted respondents. In the questionnaire, respondents were explicitly instructed to refrain from further filling in the questionnaire if their daily work did not involve controllership activities, and in that case to answer only some questions about their own background and about some general characteristics of their organizations.
- 7 The Netherlands Association of Registered Accountants and Registered Controllers (NBA/VRC), *Visiedocument over het beroep van de Financieel Professionaal (Vision document about the profession of the Financial Professional)*, 2014.
- 8 See Keith A. Russell, Gary H. Siegel, and C.S. “Bud” Kulesza, “Counting More, Counting Less,” *Strategic Finance*, March 1999, pp. 38-44.
- 9 For a short overview of recent literature, see Lukas Goretzki, Erik Strauss, and Jürgen Weber, “An institutional perspective on the changes in management accountants’ professional role,” *Management Accounting Research*, March 2013, pp. 41-63.
- 10 See, for example, Raphaela Erhart, Matthias D. Mahlendorf, Marko Reimer, and Utz Schäffer, “Theorizing and testing bidirectional effects: The relationship between strategy formation and involvement of controllers,” *Accounting, Organizations and Society*, August 2017, pp. 36-52.

Reproduced with permission of copyright owner. Further reproduction prohibited without permission.