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| Supervisor(s) | Matti Niinikoski, Ulla-Maarit Valve | | |
| <p>Abstract</p> <p>This thesis examines whether the life-cycle of an organization affects the role of the management accountant and what elements characterize this possible change. The study also explores the various factors that impact the work and role change of modern accountants. The study is qualitative in nature and is based on a field study conducted at the case organization between 2013 and 2017. The study focused on the effects of the life-cycle on management accountants during turbulent times that the case organization went through during the time of the study. Empirical evidence of the research consist of discussions, meeting observations, internal documents and a questionnaire that was sent out to the finance community of the case company. The results suggest that certain dichotomy exists with modern rehearsing of the profession; we conclude that the changes in the life cycle of the company provides opportunities to those management accountants that are willing to take the necessary leap of faith in terms of new ways of working and adapting new roles and responsibilities. Consequently, the findings indicate that the role of the management accountant is affected by the changes in organizational life cycle. However, the changes in the role seem to take place indirectly in relation to the life cycle. The change in life cycle stage might trigger other changes, such as changes in top management, organizational restructurings or some form of M&A actions. These changes then trigger the need to revisit the roles of management accountants. Based on the empirical findings this study suggests that management accountants are moving towards more strategic and business partnership based role. The findings of the study are subject to some limitations and further research for instance on the new, emerging roles of MAs is encouraged.</p> | | | |
| Key words | Management accounting change, enterprise life-cycle, role of controller | | |
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Tiivistelmä

Tämä tutkielma tarkastelee sitä, että onko yrityksen elinkaaren muutoksilla vaikutusta johdon laskentatoimen ammattilaisten rooliin ja mitä piirteitä tähän mahdolliseen muutokseen liittyy. Tutkimus analysoi myös niitä lukuisia muuttujia ja tekijöitä, jotka määrittävät modernin johdon laskentatoimen ammattilaisen työnkuvan- ja roolin muutosta yleisesti. Tutkimus on luonteeltaan laadullinen ja perustuu kenttätutkimukseen joka suoritettiin vuosien 2013 ja 2017 välisenä aikana. Case-tutkimus keskittyi tarkastelemaan elinkaaren muutosten vaikutusta johdon laskentatoimen harjoittajiin aikana, jolloin case-organisaatio kävi läpi vaikeita aikoja. Tutkimuksen empiirinen aineisto koostuu case-organisaation sisällä käydyistä keskusteluista, havainnoista, sisäisistä dokumenteista sekä kyselystä, joka lähetettiin yrityksen koko talousorganisaatiolle. Tutkimuksen tulokset viittaavat siihen, että johdon laskentatoimen ammattilaisten rooliin liittyy tietty dikotomia; henkilöt, jotka ovat valmiita mukautamaan toimintaansa vastatakseen tulevaisuuden haasteisiin ja ottamaan tarvittavat rohkeatkin askeleet ovat etulyöntiasemassa ja näille yrityksen elinkaaren muutokset tarjoavat mahdollisuuksia. Lisäksi havaitsimme, että yrityksen elinkaaren vaiheilla on vaikutusta johdon laskentatoimen rooliin, mutta tämä vaikutus on useimmin välillistä kuin välitöntä. Empiiriseen todistusaineistoon ja tutkimustuloksiin perustuen voimme todeta, että johdon laskentatoimen ammattilaiset ovat enenevässä määrin ottamassa strategisempaa ja business partner-ajatteluun perustuvaa roolia. Tällä tutkimuksella on omat rajoitteensa ja lisätutkimukset aiheesta ovat toivottuja.

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| Asiasanat | Johdon laskentatoimen muutos, yrityksen elinkaari, controllerin rooli |
| Muita tietoja | |

MANAGEMENT ACCOUNTING CHANGE AND THE ROLE OF CONTROLLER IN DIF- FERENT STAGES OF ENTERPRISE LIFE CY- CLE

Case study on a large manufacturing company

Master's Thesis
in Accounting & Finance

Author (s):
Miikka Hämäläinen

Supervisors:
M.Sc. Matti Niinikoski
LicSc (Econ) Ulla-Maarit Valve

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Helsinki

The originality of this thesis has been checked in accordance with the University of Turku quality assurance system using the Turnitin OriginalityCheck service.

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1 INTRODUCTION

1.1 Background and previous research

The rapidly changing, contemporary business environment is far more complex than what has been witnessed in the past. Product diversity has increased, cost structures have become more overhead-intensive driven by activities rather than volume, the importance of non-financial indicators has increased and the rise of the service sector is phenomenal (Scapens et al. 2003, 31-32). The above complexities and changes make management accounting a continuously evolving craft. In these circumstances, traditional or conventional management accounting (MA) techniques are of little value (Nandan, 2010, 65). All the above-mentioned changes require a lot from the practitioners of management accounting profession. Adaption to the ever-changing environment and circumstances must take place on multiple levels.

Management accountants of the 21st Century are required to understand data, database structures, process flows, financial accounting procedures and organizational change as well as (all) the core business processes. Understanding the market, its sentiments, customers, following and benchmarking against competition have all become more and more important and integral part of MA field and the work of management accountants. Nevertheless, the so-called bean-counting part of management accounting work still exists and continues to exist as part of MA tasks at least for the foreseeable future. Bean-counting should be understood in this context as the practice of collecting and reporting the “routine” data of an organization. Something that is an essential part of monthly routines of entity’s reporting performed by accountants, but more and more moving towards direction of standardization, automation and out of the core of a company. In this scenario, management accountant is merely an observer and garrison of validity instead of active data collector and reporter.

Management accountants can become business partners and integral parts of their management teams if they look to break out of their traditional role as compilers of data and reports and move more towards roles that aim to interpret the figures, advise the leadership and add value in the organization. Management accountants must understand the meaning of the figures they are playing with and relationships that these figures have to the business. Additionally, it is important to relate the numbers to actual business activities and possibly recommend alternative courses of action (Harrison 1993, 329). What Harrison stated back in 1993, is still a valid statement. Stepping out of the traditional role and developing MA work to be something that effectively and pro-actively supports business, is still work in progress. Järvenpää (2007, 10) divided the earlier studies covering changes in management accounting into three major categories. To start with, there are

some classical studies about the roles of accounting, like the ones written by Simon et al. (1954), Hopper (1980) and Mouritsen (1996). The second category includes papers that cover the current role change from different perspectives. The third class of articles, according to Järvenpää (2007, 10) covers accounting and organizational culture. Simon et al. (1954) conducted a classical work about the overall roles of accounting. In this study Simon and his colleagues introduced a deep-diving classification of the roles of accounting (scorekeeping, attention directing and problem solving). Hopper (1980, 401-411) divided the role of accounting into scorekeeping and customer service. Hopper found that there was a conflict between the needs of line management and those of the staff in terms of decision-making support and control. Mouritsen (1996, 283-303) divided the possible roles of accounting departments into five types: bookkeeping, consulting, banking, controlling and administration as illustrated in table 1 below. Mouritsen discovered that consulting oriented accounting departments are more likely to interact with their organizational functions and top managers and on the other hand are keener to adapt to modern ways of working such as product and customer profitability and profit estimates. Mouritsen (1996, 283-303)

| Role of accounting department |
|--------------------------------------|
| Bookkeeping |
| Consulting |
| Banking |
| Controlling |
| Administration |

Table 1 Five types of roles for accounting department (Mouritsen, 1996)

The Mouritsen's five roles still exist within organizations, although strategy could be added as an emerged role, and on the other hand, bookkeeping increasingly moving into shared service centers or the like. This brings a question on whether book-keeping remains as part of the accounting department or if it will be a purchased, non-core service in the future.

Friedman and Lyne (1997, 60) connected role analysis with activity-based approaches and analyzed the so called ‘bean counter’ and the ‘new management accountant’ roles. Bean counter should be understood in management accounting context as someone who is skewed towards details and not actively tying figures to the business side of things. Chenhall and Langfield-Smith (1998, 15) studied how management accountants participate in development initiatives on performance management and also the larger organization-wide change programs. They authors noted factors that influence the role; a shared view of the role of the accounting function (1), senior managers’ support for accounting innovations (2), an accounting champion (3), the technical and social skills (4) and the formal authority of accountants (5). This leads us to look at the wide concept of business partnering, which has been a hot topic in the academic research and discussion over the past decades. This study builds on the research of management accounting change, business partnering, enterprise life cycle, institutional theories and stakeholder theory.

1.2 Purpose of the study

The purpose of a case-study is to give a comprehensive, holistic and deep-diving view of a real-world phenomenon by utilizing multiple sources to gather information. Case-study is often qualitative, but it may, and in this case-study does utilize information gathering methods of quantitative research. This study builds on the prior literature of management accounting change and aims to strengthen the understanding of the role of management accountants in a modern business set-up. The focus of the study is on the role of the accountant in the constantly changing business environment and especially on how accountants see themselves, how they are seen by others and what the possible future areas of expertise are for management accountants. Furthermore, the study explores the role of management accountant in relation to the life cycle of the company. The study aims to answer the question that does the role of the management accountant change alongside the company life cycle, and if it does, what are the drivers behind the change. The study explores a major, stock-listed Nordic manufacturing company, which has seen great returns, drastic downturns as well as multiple M&A actions in the past decades. The empirical evidence draws on multiple years of in-house experience, discussions and interviews within and outside of the finance function of the company as well as a questionnaire, which was sent out to the finance community of the company to gain insights especially on how accountants place themselves in the organization, how they see their role and what positive and negative sides they feel of having in regards to their role. The ultimate purpose of this study is to build the management accounting research forward by providing deeper understanding for the relation of management accounting change and changes in organizations life cycle stages.

1.3 Philosophy, methodology and structure of the study

A scientific challenge can be defined as something that deepens our understanding on the real-life phenomena and the relationships between them. By subtracting understanding out of these causal relationships is in the essence of scientific explaining. (Aaltola & Valli 2001, 18-19). This statement suggests that any research must investigate questions that are by nature philosophical. This applies to empirical study as well, even though the theoretical basis for the study would be less profound. Even when a research approaches practical problems or applications of working life, it will still include hidden assumptions about people, the world and for instance acquiring information. These assumptions form the philosophical base for any study or research. The Finnish research on the field of accounting is generally divided into four categories; Neilimo & Näsi (1980, 28-35) the categories are action research, nomothetic research, concept analytical research and decision-methodological research. Later on Kasanen, Lukka and Siitonen (1993, 241-264) added the so called constructive approach, which is often referred to as the fifth approach in the research of accounting.

Case study is an in depth study of a particular situation and thus different from statistical survey. Case study as a method is used to narrow down a field of research into a topic that is approachable in terms of scale and scope. Case study does not usually answer a question completely, but will rather give indications and allow further elaboration and hypothesis on the research topic. The case study research method has proved to be useful when testing if the scientific theories and models apply in the real world. (Yin 1994, 23). Action research applies well to an empirical study, but is more skewed toward humanistic sciences. The Action-analytical research aims to separate, but also to understand and interpret the research subject or phenomena. It often seeks to answer questions “how” and “why”. The empirical part is nevertheless only included in one or a few subjects or cases. The collection of material, analysis and interpretation are often performed in optional ways and with optional methods. The research material is often rich in quantity and qualitative in nature. The aim of the research is in many cases to gain in-depth understanding of the research topic.

Case study research is a method that aims to take complex issues and transform them into an understandable form and build the understanding on what is already known on the subject through previous research. Case study research emphasizes analysis on a limited number of events and searches to explore relationships and conditions where the events of the research subject occur in. Researchers have used the case study research method for many years across a variety of disciplines (Dooley 2002, 335). Case study is prescribed as scholarly research that investigates a contemporary phenomenon within its real-life context. Yin describes this as a situation where boundaries between phenomenon and context are not clearly evident and where there are multiple sources used to gather

evidence. (Yin 1994, 33). In case study research, theory building is often a backbreaking process. Case study research seldom fits into generalization or prediction of a phenomenon. The researcher who embarks on case study research is usually interested in a specific phenomenon and wishes to understand it holistically by observing all the variables and the interactions and relationships between these variables. Start of a theory may be formed from this single observation and this may provoke the researcher to study the same phenomenon within the boundaries of another case after another. This would become multiple, independent single case studies. Further research can also take place between individual cases as cross-case analysis as the theory begins to take shape.

What is important to acknowledge regarding case studies, is that theories do not emerge instantly but will develop and grow over time as the research horizon extends through studies that build on each other. This iterating philosophy is referred to as the multiple case study and occurs over an extended period of time. It is only after multiple set-ups of the same research topic have been tested, when the new theory starts to shape up and gain traction (Dooley 2002, 337). A new theory, however special it may be, is rarely revolutionary compared to earlier research. The reconstruction process of prior theory and the reevaluation of what has been held as facts before takes place over a longer period of time. (Kuhn 1996, 7). Whereas especially in quantitative research, only one paper can induct or formulate a full theory this is hardly the case with qualitative research, let alone for case study research. Case studies should be seen more as a network of studies, which slowly, but surely, build more and more realistic picture of the world.

Merseth (1994, 734) defined a case as a descriptive research document, which often-times is in narrative form and builds on a real-life phenomenon. According to Merseth case studies attempt to draw a multidimensional representation of the context, participants, and reality of a situation. Cases build on discussion and aim to include sufficient detail to make analysis possible and allow interpretation of different perspectives. This definition describes three elements of case studies. Case studies should be real, based on thorough research and allow the development of multiple perspectives. (Merseth, 1994, 735). Case studies then emphasize the study and contextual analysis of a limited number of events or conditions and their relationships. Yin (1994, 12) noted that case studies can also be used for both theory testing and theory building. Yin didn't describe the process steps even though the tester and the builder of a theory start the scientific process from differing angles.

The following are typical characteristics for qualitative research (Creswell 2007, 38):

- Research is conducted in its natural habitat
- Research material is collected in interaction with the examinees.
- Researcher is an actor and collector of research material

- Research material comes from multiple sources, and can be text, pictures, interviews etc.
- The analysis of the collected data is inductive, recursive and interactive.
- Attention of the study is on point of views, meanings and opinions of the examinees.
- The goal is to get a comprehensive understanding of the researched phenomenon

First chapter of the study covered introduction to the topic, goals for the research and guided through the methodology and scientific philosophy behind the study. The second chapter builds the theory of management accounting change. We will look at components of management accounting, the belief-systems, identity and image of accountants as well as the concept of business partnering. The second chapter aims to build a solid theoretical background for the study through the lens of management accounting change. The third chapter searches to unfold the relationship between life cycle of the business and the role of controller. In this chapter we cover the prior literature on corporate life-cycle and mirror the management accounting change against institutional and stakeholder theories. The fourth chapter is reserved for presenting the empirical evidence and its findings. The fifth chapter includes conclusions, limitations of the study and suggestions for further research.

2 FROM MANAGEMENT ACCOUNTANTS TO BUSINESS PARTNERS

2.1 The concept of business partnering

One of the most burning topics on management accounting research over the past decades has been the discussion over business partnering. A business partner can be defined as someone who works closely with an organization's senior management to support the overall aims of the organization and to align the agendas and strategies of the different functions. The process of alignment is major part of the business partnering concept. (Norton 2005, 72-80) A HR business partner seeks to spread and execute the strategy and agenda of the HR function in cooperation with personnel from other functions. Likewise, the accounting or finance business partner seeks to build relationships across the organization to be in better situation to execute the finance strategy. Business Partnering is about being selfish without disadvantaging colleagues or sister departments. Business partners are often more senior professionals within the department, as they need to be equipped with experience and usually a wide network within the organization. They must feel comfortable networking in and outside the organization and feel comfortable in the field they operate in.

Communication skills are very important for any business partner as the financial value and future impacts of decisions made need to be communicated to the company's leadership in a manner and form that adds value instead of just raising more questions. High-level decisions then need to be communicated down to other members of the department and the whole organization. Prior research (see for instance Daff & Jack 2018, Byrne & Pierce 2018) and real-life experience has shown that the communication has always been the heel of Achilles for accountants. This is one of the main drivers that distinct a business partner from an old-school accountant. A modern business driven accountant knows how to, and how important it is to properly and timely inform and communicate on projects and results to different parts of the organization. Massachusetts Institution of Technology (MIT) Human Dynamics Lab studied the importance of communication in building high performing teams. They equipped 1264 different teams with electronic badges that collected data on their individual communication behavior such as tone of voice, body language, whom they talked to and how much, and more. With remarkable consistency, the data confirmed that communication indeed plays a critical role in building successful teams. In fact, MIT Human Dynamics Laboratory found patterns of communication to be the most important predictor of a team's success. They actually found that the patterns of communication is more significant than all the other factors of teams success combined.

The other factors being individual intelligence, personality, skill, and the substance of discussions. (Pentland 2012).

Business partnering as a concept is becoming more popular as organizations are starting to see the value in aligning agendas toward a common goal. The often-heard phrase about breakdown of traditional silos and greater collaboration is one of the ultimate goals of the whole concept of business partnering. According to a report by Orion Partners (2018), the very best business partners have:

- Self-belief in their personal ability to make a difference to the business
- Belief in the value of the finance function
- Confidence in expressing themselves and bringing out subject that might prove unpopular
- Business acumen that implies knowledge, experience and ability to interact with a language that is familiar to the business counterparts
- An ability to build relationships with both internal and external stakeholders.
- A delivery mind-set and way of operating that harnesses the whole function to deliver better business outcomes

According to Schäffer and Weber (2015, 8), the ‘business partner’ -concept has been on everybody’s lips lately. They state that the term established itself very quickly, perhaps because it sounds American or because the word “partner” has such positive connotations. Related terms such as economic conscience, adviser or critical counterpart are seen to sound more challenging and more complex. The term used for a finance partner within an organization can be surprisingly important for the success of the whole exercise, when introducing the ‘business partner’ -concept. The subject of the title relates to the language issue. Finance people would need to want to adapt their discourse to come understood and accepted as partners by other functions and departments.

Schäffer and Weber (2015, 8) also touch one of the ultimate questions regarding the ‘business partner’ -concept, when they ask, whether all and every controller should become a business partner. So far, the community appears to be divided on this point. According to the authors the controllers who work closely with the management should be, without a doubt, business partners. Yet it can be taken under discussion and debate whether every accountant should follow the lead. On one hand, there is a threat of society that is divided into two: The first being the ones that don’t seem to fit into the description of business partners, and thus risk being labeled as second-class controllers and bean counters. On the other hand, one could ask whether the controllers who have virtually no interaction with the management should have to establish a relationship with it. If these people are tool specialists or pure subject experts then their clientele is most likely the controlling department itself. (Schäffer & Weber, 2015, 9)

There are two points of view behind the idea of the “business partner” which are still open to debate according to Schäffer and Weber (2015, 10): On the one hand, the term can be linked to a perspective or a philosophy of supporting the management in decision-making. On the other hand it can be associated as a range of tasks which would include tasks and outcomes that controllers produce in direct contact with the management. If the latter view would be true a question of what to call those controllers who cannot be labeled to be business partners. As to date, there is no name for them (Schäffer & Weber (2015, 10). Terms such as “professionals” or “experts” can be heard in this context. Whatever their names would be, their professional future seems uncertain. The scope of work for the “professionals” or “experts” is threatened by standardization and robotization. The increasing level of automation suggests that the need for non-business partner type of experts is likely to decline. This change is already being witnessed in larger companies. (Schäffer & Weber 2015, 10) The experts’ tasks are increasingly being bundled into shared service centers which in turn are seeking for efficiency and optimization of costs. Without a doubt, the emerging technologies will change and reform the way controllers work, how the profession will look like in the future and what capabilities are required from business partners that remain. It seems inevitable, that business knowledge, communication and networking skills and even skills related to coding and other system infrastructure will be beating those of debits and credits, ledgers and accounting procedures. Increasing “threat” of e.g. artificial intelligence, machine learning and internet of things starts already to be visible in the work and everyday life of management accountants. The existing and emerging technologies that can have an effect on accounting work among others are:

- Artificial Intelligence
- Machine Learning
- Internet of Things
- Robotics Process Automation (RPA)
- Intelligent Process Automation (IPA)
- Blockchain
- Voice assistant technologies

How much the field of work will change in the future very much depends on developments on the field of IT. The latest trends in terms of infrastructure are having different effects on controlling than what the so called first wave of enterprise resource planning implementations. Back at the time when ERPs were first introduced, the resources of controlling were moved to producing additional analyses or conducting project work. This has increased the influence of controllers in the organizations and placed them more on the front row. Now it seems that some of this free capacity is cut back. The amount of

controllers in organizations is likely to decline despite the fact that controllers have gained acceptance and are playing an important role in companies' success. (Schäffer & Weber 2015, 10).

Experts will most likely be needed in the future as well. Currently the amount of experts exceeds the amount of business partners in most organizations. The amount of the no-business partner experts is likely to decline, though. The business partner's success is nevertheless dependent on the quality of the experts' work. It is important for an organizations success that business partners understand this dependency and act in a way that enforces a good relationship with the experts. The partners and important stakeholders for business partners are not only on the top floor, but also in the finance and controlling department itself. Experts are the ones that provide business partners with figures and for their part ensure the quality of the reporting. (Schäffer & Weber 2015, 10). Business partners should understand that they need to harness their business understanding to be shared with the experts in a manner that is sustainable and drives business acumen within the whole organization. This is the way to allow experts be in position to meet their demands as suppliers of data and information. It is the business partners' responsibility to spread the knowledge in the organization. Business partners need to help others to help themselves. Business partners need to seek ways for being on equal footing with both the managers and the experts. (Schäffer & Weber 2015,11). Becoming a business partner and a strategic adviser for the management means that the focus of work changes. This change is illustrated in Figure 4.

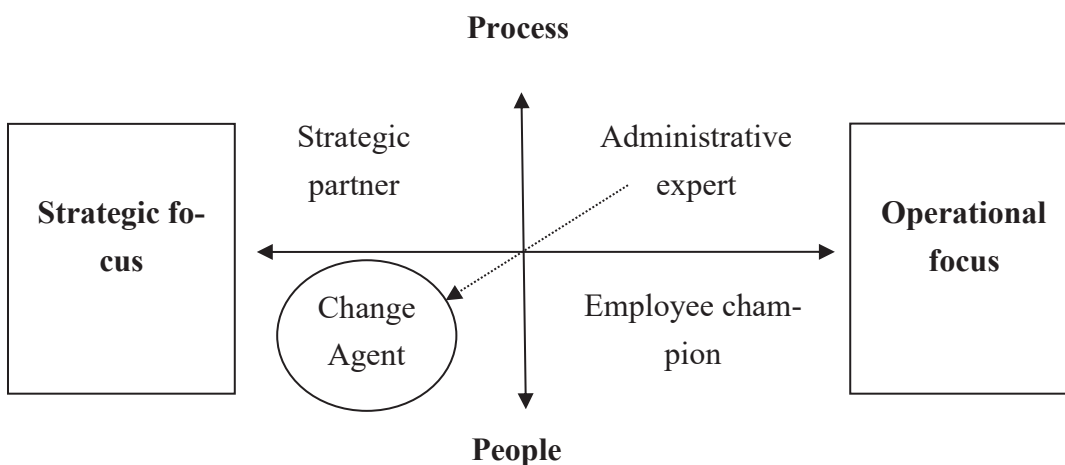


Figure 4 Focus of work on management accountants (Ulrich 1997)

As the adjusted Ulrich's (1997) figure above illustrates, the emphasis and weight of management accounting teams is moving towards the bottom left corner of being a change

agent. Management accountant's work is increasingly becoming a function of people and strategic bridge building more than a pure bundle of process-driven activities with operational focus. The management accounting and accounting in general will most likely include these fields still for years to come, but questions remains open on what is the body that runs this show. For heads of controlling, the deviation to experts and business partners means that fostering a spirit of cooperation and ensuring that everyone is treated equally despite differences in career progression come to play an increasing part, while some controllers stay in specialist role for a longer period of time and others grasp opportunities of management careers. This interplay would force controllers to decide for themselves whether becoming a business partner or aiming for a management career is the correct course of action.

Robert Kaplan describes that this is an exciting time for management accountants (Sharman, 2008, 19). Kaplan states that a confluence of forces has occurred that has enabled management accountants to become higher-value-added contributors to corporate success. The amount of data available for the companies has steadily increased and as management accountants have a first-hand access to this data, the existing access to transactional information allows them to build analytic capabilities that exceed anything that has been witnessed earlier. (Sharman, 2008, 19).

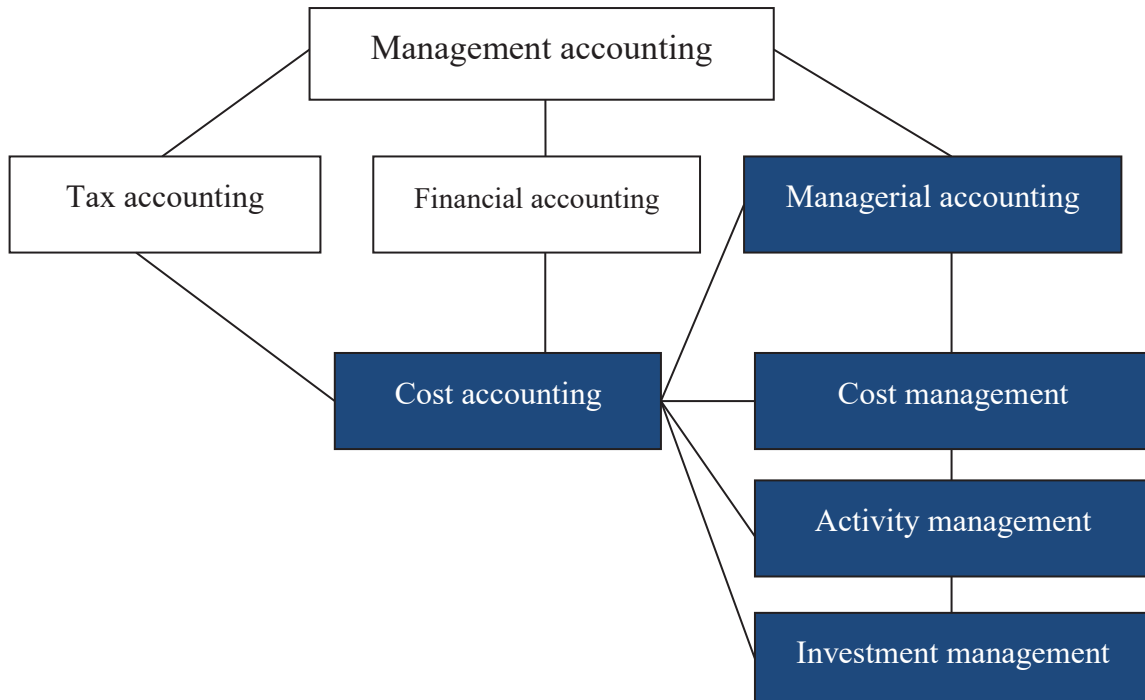


Figure 1 Components of management accounting (Management and Accounting Web)

The components of management accounting have stayed relatively stable for the past decades (see figure 1). Tax and financial accounting form the solid companions alongside internal auditing to the core of management accounting; cost and managerial accounting. Cost accounting lays down the basis for management accounting in this traditional set-up and is inter-related with the other management accounting fields.

Traditionally, management accountants have finance and accounting background. If the future workload would be more on modeling, statistical analysis and econometrics in general, it may well be, that more and more people from mathematics and economics take their chances on the controlling path. Kaplan continues by stating that competition has clearly increased and that timely and accurate information about operations and strategy has been gaining even more traction. Top management needs the guidance from management accountants about where to spend their limited hours, their focus and the limited resources of the organization. Traditionally, management accountants have been focusing more on operational side of the business. While strategy starts to play an increasingly important part and simultaneously data driven, management accountants should be taking the leap and participate in discussions regarding strategy development, strategy translation and strategy reviews. (Sharman 2008, 19). According to Kaplan, management accounting analytics are no longer constrained by access to information. But to excel at analytics, management accountants will need skills in fields such as modeling, statistics and econometrics. (Sharman 2008, 19).

The accounting discourse and research over so called data scientists has been increasing over the past decade. A data scientist is a highly skilled individual who is able to combine mathematical and statistical skills with business knowledge as well as knowledge of computer science and IT. A data scientist in its purest form would know how a piece of software is built up, how the code in it works and how it needs to be adjusted, if business calculations require it to be changed. Data scientist is located in the cross-section of the Figure 2. A data scientist is many times seen as the “it” factor and the super hero when discussing the future of controlling and accounting function. As Granville (2014, 74) states, “data scientists are not statisticians, nor data analysts, nor computer scientists, nor software engineers, nor business analysts. They have some knowledge in each of these areas but also some outside of these areas.” Granville continues that data scientists need to be familiar with computational complexity, algorithm design, distributed architecture, and programming. Data scientists developing production code and working in teams need to be familiar with software development life cycle and lean architectures. Data scientists also need to be domain experts in one or two applied domains and have strong business acumen with ability to assess the ROI that data science solutions bring to their clients or their boss. Many of these skills can be acquired in a short time period if the to-be data scientist already has several years of industry experience and training in a lateral domain such as operations research, applied statistics working on large

data sets, computer science, engineering, or an MBA with a strong analytic component. Thus, data scientists also need to excel in communicating to understand what issues their client, manager or executive is trying to solve. “Translating high-level English into simple, efficient, scalable, replicable, robust, flexible, platform-independent solutions is critical.” (Granville 2014, 75).

Granville’s data scientist could be summarized to withhold skills and expertise of computer science, statistical science, business management and software engineering with a touch of domain expertise and new statistical science as illustrated in figure 2.

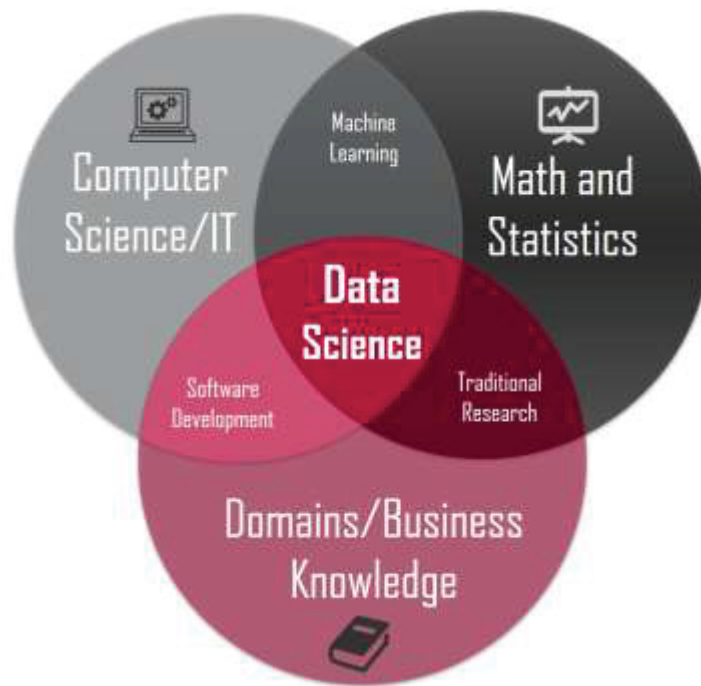


Figure 2 The Data Scientist scheme (Barber 2018)

Bowne-Anderson (2018, 2-5) interviewed professionals on the field regarding this so called “sexiest profession of the 21st Century”, and asked which skill is more important for a data scientist: the ability to use the most sophisticated deep learning models or the ability to produce attractive presentations. Jonathan Nolis, a consultant working on the topic with major companies was convinced that communicating will remain as crucial part of work for business controllers or the data scientists alike. Another recurring theme witnessed in the paper was that the skills that are now necessary are in danger of being replaced in a relatively short period of time: “As we’re seeing rapid developments in both the open-source ecosystem of tools available to do data science and in the commercial, productized data-science tools, we’re also seeing increasing automation of a lot of data-science drudgery, such as data cleaning and data preparation. It has been a common trope

that 80% of a data scientist's valuable time is spent simply finding, cleaning, and organizing data, leaving only 20% to actually perform analysis". Bowne-Anderson (2018, 3). This ratio is familiar with current work of business controllers' and the like. It is somewhat surprising that same chords of finding, cleaning and organizing data occupy most of the data scientists time as is the case with their more traditional peers. At least for the time being, that is.

Scapens (2006, 1-30) notes that accountants' analytical skills, when supported strong business knowledge can place MAs in position where they are able to recognize the more strategic impacts of taken decisions and actions in the individual areas of the business. According to Scapens, such role for management accountants is crucial for the organization, as it helps to integrate the various activities and functions of the business. One could argue, that 'it makes sense' to have management accountants being actively involved in strategy formulation and implementation. Management accountants, in many instances, have the knowledge, the databases and the data as well as contacts and sources for information like no other function in a company. Management accounting function can be the cross-roads of crucial information. Thus, it should be a place to "stop" for the senior management as well in search of relevant information regarding strategic decision alike.

Kaplan and Norton (2004, 72-80) found need for a new corporate function called "the office of strategy management". This function would play a previously missing role to coordinate the multiple processes required for successful execution of strategy. Participating in, and perhaps showing the way for office of strategy management can present to be a huge opportunity for management accountants. The office of strategy management can work as a platform that allows to leverage the historic skills in measurement, knowledge in systems and in reporting, but it also requires extended capabilities in areas such as project management, planning and strategy, communication, and leadership. According to Kaplan, integrating these skills into the traditional focus on measurement and reporting will be a challenge for management accountants. (Sharman 2008, 20). Another challenge that rose in the discussion was the role reserved for management accounting in terms of risk management. Many large financial institutions that have extensive organizations that take care of their risk management, have huge losses because they have failed to understand some of the risks they are taking on. All companies, not just financial ones, need to have better methods to assess and monitor their risks. According to Kaplan, focusing on these areas alongside increasing knowledge and professional expertise could add substantial value to an organization. The big challenge for MAs is to engage in producing relevant information to strategy, value-creating processes, and risk management in their organizations. (Sharman 2008, 20).

The Balanced Scorecard (BSC,) that is developed by Bob Kaplan and David Norton, looks at the four value drivers of the performance of an enterprise: financial, customer, internal, and learning & growth. BSC looks at an organization through four different but

interrelated lenses: in terms of past performance, future potential, an outsider's view, and an insider's perspective. Traditionally, accounting courses have focused mainly on financial measures such as revenues, growth, free cash flow or return on equity to determine how their company is doing. However, focusing purely on straight P&L or balance sheet extracted measures does not usually capture the links and relationships between the different drivers of organizational success. In addition, the sole use of financial measures puts the organization at risk of not understanding the value created in intangible assets, which often form the cutting edge and competitive advantage for a company (Sherman, 2010). Furthermore, financial results that fail the forecasts are many times caused by serious issues in core business processes. Most critically, as one author notes, using financial measures alone is like driving a car looking through the rear-view mirror (Niven, 2005). Figure 3 below illustrates the Balanced Scorecard of Kaplan and Norton, but on the other hand, it also reflects and captures the essence of current work of management accountants as well as, to some extent, the possible future developments of the profession.

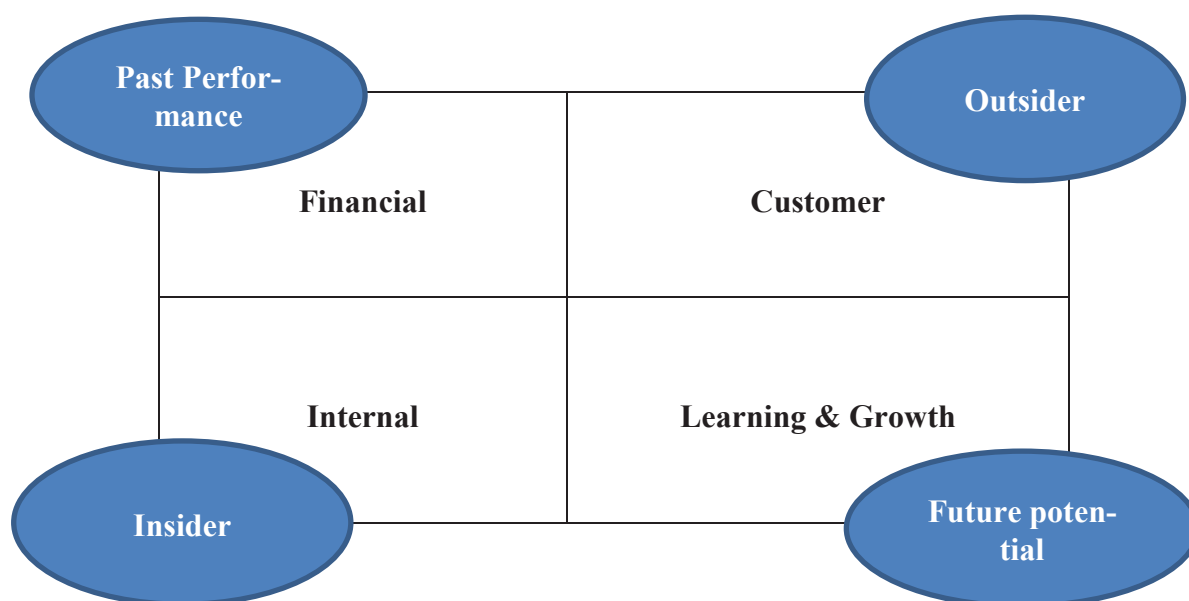


Figure 3 Four dimensions of management accounting (adjusted from Kaplan & Norton 2005)

The placement of the boxes could tell us that financial information catches the past performance, customer is the only outsider view and that all future potential comes from learning and growth. Correct, but false at the same time. All four fields need to cover all the lenses for the business to thrive and add value. Financial information must look at the

past performance, but even more so, look at the future development, benefits and potential. Simultaneously, the generated financial information must meet the needs of both external and internal stakeholders, be it management, shareholders or the customer. The same applies to customer, internal and external perspective.

Burns and Scapens (2000, 4) have long talked about concepts of "habits", "routines", and "institutions" to describe how accounting practices can turn into routines and become incorporated into organization's belief system over time. These ideas and beliefs are many times deep in the heart of an organizations culture. After some time, they are not even considered to be questioned. Accounting practices and routines can be characterized as "institutionalized" when they become so widely accepted in the organization that they are taken for granted. Although accounting would not become entirely institutionalized, there is significant potential for this to take place in these circumstances according to Burns and Scapens. This study is not based on institutional theory, but builds on some the findings from institutional studies. Transformation from traditional accounting towards business partnering can be witnessed to have taken place through institutionalized beliefs. (See e.g. Kantsurov 2014 or McLaren, Appleyard & Mitchell 2016). In other words, accountants themselves have started to see their function more as an office, member or a team that provides added value business information and that needs to answer to the needs of both internal and external stakeholders of the organization.

There are some major variables and contributors to how the transformation from traditional accounting to strategic business partnering evolves and can be witnessed through; image & identity, life cycle phase, the state of the organizational health, personal attributes and aspirations of controllers. All these play a role on how the profession is seen and what sort of a role the management accounting function plays in the organization.

2.2 Changing acumen towards strategic business partnering

Technical skills and capabilities of management accountants must be developed constantly and in an organized manner. Regulatory environment, software solutions such as business data warehouses, dashboards and other business intelligence (BI) tools keep on changing and improving year after year. It takes a huge effort to keep track and be part of the evolution of this landscape. BI is not something that is performed or which happens in a separate silo. Understanding the BI tools and how they work is indeed required within management accounting function as well. The amount of data available for analyzing has increased dramatically alongside the development of IT capabilities and applications. Mining the data and finding the essential out of possibly massive sets of data has become an essential part of work for ever-growing mass of management accountants.

Legislation and accounting principles develop and evolve; management accountants need to keep track of these changes as well. In addition to the changes in IFRS, EU regulation is changing regarding disclosure of non-financial information for Board of Directors. Variance analysis is another essential part of controller's work, and this analysis requires knowledge on accounting process, general ledger as well as the systems and processes of financial accounting. The skill-set required for a management accounting team or an individual controller is growing alongside the expanding role and the expectation that management accountants are constantly able to cut through the complexity and pick up the value-adding pieces on the way. An increasing amount of academic discussion and debate covers the changing role of management accountants and more over the concept of business partnering (Järvenpää 2007, Paulsson 2012). According to Brewer, there may be a need to expand the definition of management accounting and the role of management accountants to include terms such as business partnering, leadership skills as well as other competencies. "Management accountants need to appreciate the value of leaving the safe physical confines of the finance department and the safe linguistic confines of debits, credits, variances, and the like to understand the operational process flows and terminology that drive the business." According to Brewer carrying process knowledge and related skills would allow controllers to collaborate with non-accounting business partners in a continuously seek opportunities to improve operations (Brewer, 2008, 26).

| (2008-2012) | (2013-2017) |
|--|---|
| Cost Management | Business performance evaluation |
| Planning/Managing budgets | Cost/financial control |
| Business performance evaluation | Cost management |
| Interpreting/presenting the management accounts | Planning/ managing budgets |
| Forecasting | Forecasting |
| Managing the accounting/ finance function | Formulating policies/strategy |
| Profit improvement | Risk management |
| Functional cost analysis | Generation/creation of value |
| Working capital/short term finance management | Interpreting management accounting information |
| External financial/statutory reporting | Provision of timely & relevant information |

Table 2 Changing acumen of management accounting (Järvenpää 2007)

Since the Millennium a large amount of research addressed different angles of controllers' business mind-set and the changing role from clerical number crunchers towards business partnering. Modern controlling work is determined more through interactions

with different levels of the organization and is moving towards advisory and consulting type of a role (See eg. Granlund and Lukka, 1998; Mouritsen, 1996). For example, Burns and Baldvinsdottir (2005) reveal a change of accountants' roles towards "hybrid accountants". Which means that management accountants' role is combining accounting knowledge and business acumen clutched by the changes in surrounding conditions. Table 2 above shows both the speed of the change in the acumen and the changing landscape and scope of work.

Ten years ago cost management, planning & forecasting and different fields of business performance evaluation and analysis covered the whole set-up. From 2013 to 2017 emphasis moved towards value creation, strategy formulation and risk management, all highly discussed and important topics in the post-modern business environment. Timelines and relevance are also newcomers to the list. The amount of data available for analysis will be 50-fold in 2020 compared to 2010 according to some predictions (see e.g. Miller 2017 and EMC 2012). This would mean that the digital universe will reach 40 zettabytes (ZB) by 2020. One zettabyte is equal to one trillion gigabytes or one billion terabytes. In brief, the amount of data to analyze for controllers or data scientist is multiplying even every year. This increase can make the provision of timely and relevant information a bit trickier than it sounds at first bite.

Findings of Järvenpää (2007, 2009) suggest that increasing business orientation among management accountants is mainly driven by managerial expectations. At the same time, getting too close with the management carries risks for controllers. When talking about outcomes of the business partner relationship, the topics of independence and moral hazard rise up. Prior research does not single-handedly support a positive impact coming out of business partnering concept but labels it rather as "myths" (Burns and Baldvinsdottir, 2005, p. 726). The need to remain independent can be conflicted when getting too close with the management. This approach gains support from studies conducted by Lambert and Sponem (2005), Bhimani and Bromwich (2010) as well as Davis and McLaughlin (2009).

2.3 From masters of data to business partners

According to Schäffer and Weber, controllers have undergone a very successful transformation. This transformation follows a logic of three stages. This logic implies that business partnering needs to be seen as a strategic approach for the business controlling function. The journey embarks with a stage that is called "master of numbers", where controller is seen as guardian of financial data, who ensures transparency and that supplied information to the management is accurate, consistent and timely. In this set-up the controller is the supplier and the manager her client. (Schäffer & Weber 2015.)

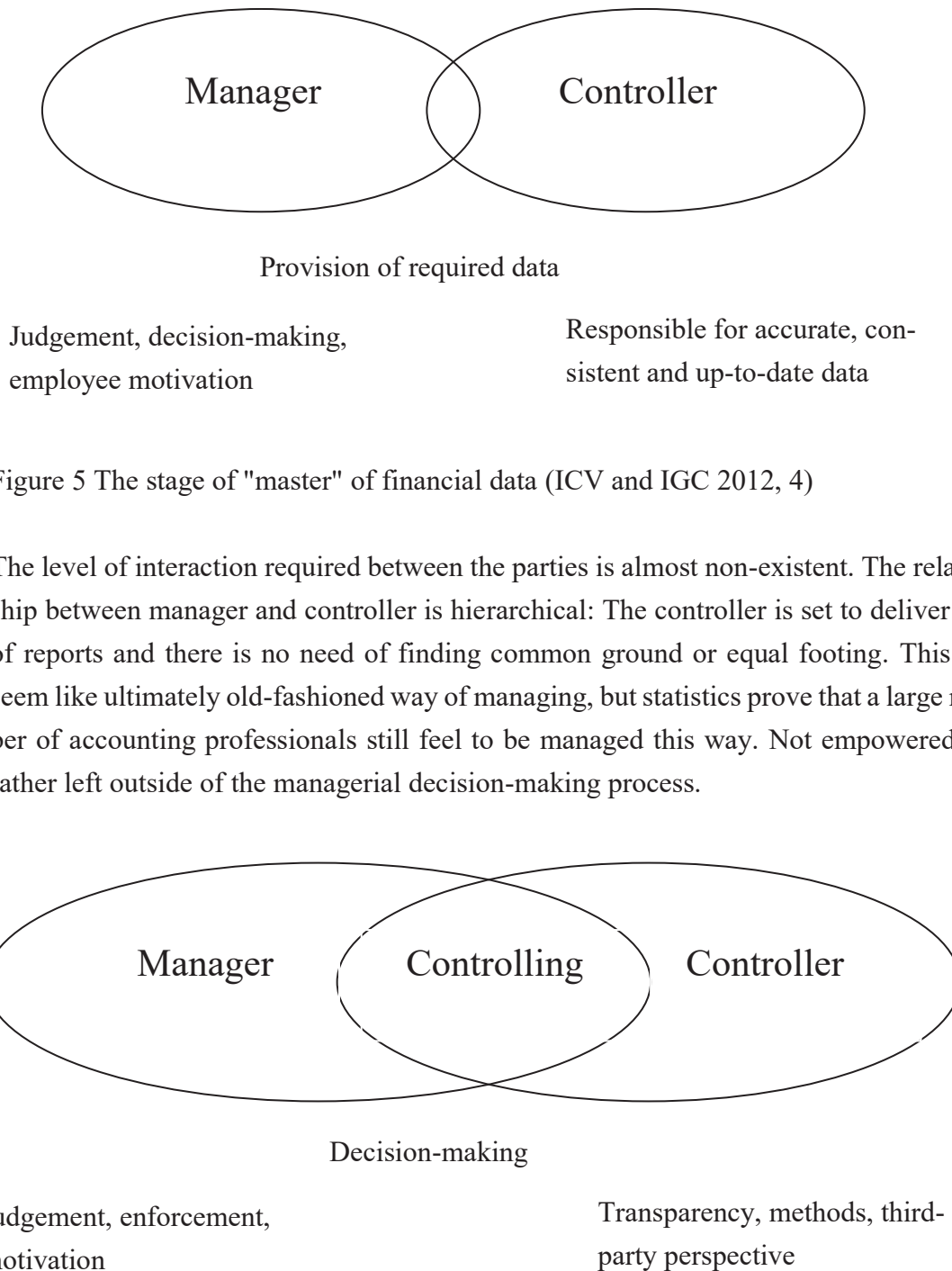


Figure 5 The stage of "master" of financial data (ICV and IGC 2012, 4)

The level of interaction required between the parties is almost non-existent. The relationship between manager and controller is hierarchical: The controller is set to deliver a set of reports and there is no need of finding common ground or equal footing. This may seem like ultimately old-fashioned way of managing, but statistics prove that a large number of accounting professionals still feel to be managed this way. Not empowered, but rather left outside of the managerial decision-making process.

Figure 6 The stage of navigator based on Albrecht Deyhle (ICV & IGC 2012, 4)

The second stage focuses on the navigator. Navigator stage is based on data transparency. In the Navigator stage, controllers are expected to take responsibility for the used business methods and to contribute to decision-making process. The level of cooperation needs to increase between the controller and the manager compared to the "master of financial data" role. In this stage, controllers do what their title tells them to do. They

control the decision and support and interact in helping to achieve better decisions and results. The set-up between the manager and the controller is more equal and there is common ground to stand on, which can be witnessed also in the Venn diagram above. In the next stage, the controller is able to take somewhat more of a strategic role. Interacting with the management takes new forms and discussion covers more than just day to day topics. This requires changing behavior on both sides of the table (Schäffer & Weber 2014). Modern managers have acquired much better business skills than their earlier peers. It may well be that some managers are not needing the aid from controllers anymore to understand their figures. Today's managers also have the software and systems in place, which allows them to search for the answers themselves in a timely manner. In contrast, controllers are building on their managerial skills, and by the time they reach the competence level required of a business partner, they most likely have a solid understanding of the underlying business as well. This would indicate that they so called "self-controlling" is something that can be witnessed in the near future. In this stage, the overlap between managers' and controllers' tasks and responsibility areas is vast as shown in Figure 7.

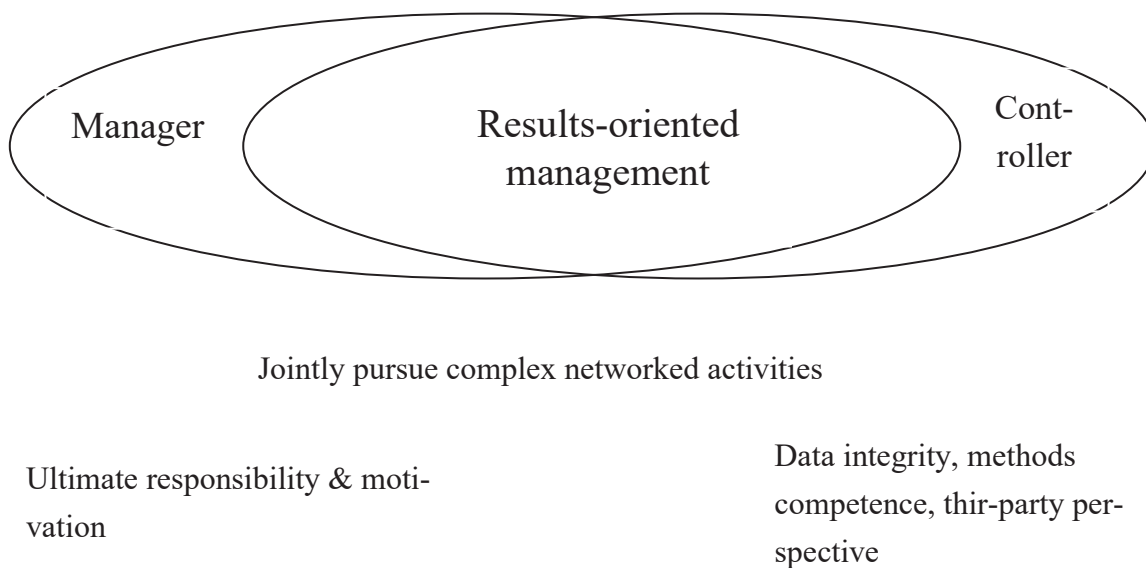


Figure 7 The stage of business partner (Schäffer & Weber 2014)

The results-oriented management or ROM is a style of management first introduced by Schouten and van Beers (1996). According to the authors, the ROM aims to achieve maximum results based on clear and measurable agreements made upfront. Result-oriented management is based on an idea that people will be better motivated and work with more enthusiasm if:

- the expectations set for them are clear
- these expectations are built in a dialogue
- are allowed to participate in determining the measures to meet the expectations

- and they get regular feedback on their performance

Results-oriented management requires freedom and sense of ownership from all parties. It also requires open and honest communication and a culture that supports this. Involvement, clear expectations, self-guiding and honest feedback are the cornerstones of result-oriented management.

2.4 Accountants' relationship with business decision-making

The business-partner relationship demands a thorough understanding of the business and the environment that the organization is working in. Unfortunately, many accountants are not ready to accept such a challenge (Lianabel 1991, 40). It seems to be either unwillingness to change or overwhelming amount of information to digest, would one go out of the own, familiar sandbox of figures, credit and debits. As Lianabel (1991, 40) continues; "The knowledge of the business is limited; therefore, they have few ideas of value to offer the more experienced managers. Some accountants have difficulty correlating business decisions with their financial implications. Others focus only on the financial implications without factoring in any strategic or operational considerations. Unless accountants understand the business, they will be unable to provide meaningful input into the decision-making process. Understanding the business drivers and the figures derived from it allows on to catch the performance of an entity in a holistic way."

Drivers are the compelling reasons to partner, such as sharing information, enhancing performance, finding ways to better manage costs or finding more optimal ways of working and sharing tasks. Facilitators are the supporting environmental factors that can enhance partnership growth. Facilitators can thus be management support, communication channels, office environment including set-up and seating order, existing connections and relationships or cross-functional projects. Components are the joint activities and processes that build and sustain the partnership. These can be among other things cross-functional meetings, share points, dinners or brainstorming sessions; anything that highlights and enforces the importance of relationship building. After drivers, facilitators and components are in place, outcomes tell us how well and to what extent performance met the expectations. Outcomes should then feed feedback back into drivers, facilitators and components. This way the partnership model becomes a self-iterative tool of partnership building.

Harrison (1993, 30) talks about proactive controllership in his case study covering changes in accounting and all of finance function. In Harrison's study, employees from the controllers' department attended staff meetings with employees from the marketing and IT functions, giving presentations in other sessions and listening in others. Key point

being, that they were present. Thus, the management accountants learned about the concerns of the marketing managers and saw the difficulties caused by some of the existing policies and procedures. "Proactive" is one of the key terms defining a strategic business partner. In other words, a controller that is a strategic business partner is proactively seeking and sharing information disregarding the hierarchy levels and functional barriers. This way the business partner can get almost a 360-degree view on what is going on in the business. Interacting with different parts of the organization allows the controller to verify sources of information. It is too often that day-to-day reporting and analysis is based solely on data. To get the maximum out of the data, controllers should reach out in their network to get a variety of inputs for validation of their analysis. This way it is possible to build a full story on the business. Harrison proceeds: "In addition, the management accountants had opportunities to ask the field forces and headquarters staff what kinds of information they needed to run their business better. Then they developed methods to get the groups that information. It was a new experience for the field forces to have the accountants coming to them and saying, "What do you need? We'll find a way to get it." Harrison (1993, 30).

Harrison's discoveries in his case study back in 1993 are the first steps on the path of becoming business partners and value adding "proactive controllers". The leap is about stepping and reaching out to other functions and parts of the organization to find out how the expertise of accountants could be harnessed to help the whole organization. "...in turn, it was a new experience for the accountants. They spent weeks with marketing and network employees examining in great detail the cost allocation process that separated costs between regulated costs and non-regulated costs... this exchange gave marketing and network employees a much better understanding of the accounting process that separates costs and the FCC rules that require this separation. It gave our accountants a much more complete understanding of many field operations and a chance to see parts of the business they didn't see normally." (Harrison 1993, 31). The whole organization needs to 'open up' to gain full added value of the business partners. Once members share the mind-set of learning from each other, involvement is the next step.

Fern and Tipgos (1988, 25) surveyed the controllers and chief executive officers of 272 Fortune 500 industrial companies on the controller's role in the strategic planning process. They concluded that the level of controller involvement was exceptionally high. The controllers would have hoped for even higher level of participation in these key planning activities: the development of a mission statement, objectives and the strategy formulation process. The same phenomenon was witnessed in the case company. Management felt, that MAs were playing a major role in the planning and strategy formulation process, while MAs felt, that they were merely data providers and validators. The establishment of a business-partner relationship is a long and arduous process.

Authors also found sharp differences in the expectations of CEOs and controllers in terms of expanded involvement in the strategic planning process. While controllers desire to expand their participation in planning activities, CEOs believe that the controllers already play a substantial role. The CEOs are not inclined to increase the controllers' level of participation. Ironically, CEOs would like their controllers to participate more in translating strategies into budgets, a traditional controllership function that they already perform. (Fern & Tipgos 1988, 25) While accountants advocate a close working relationship with operating personnel and want integration into the planning and decision-making process, they have yet to be accepted as equal partners in the organization. Once accountants embrace the business-partner approach, they often encounter resistance from operating personnel. Resistance may be subtle or direct. Only good will is thus not often enough. High ambition level is needed both in finance management, as well as other members of the organizations top management to facilitate the change towards business partnering of management accountants. Fern and Tipgos also found that even though accountants no longer wear green eyeshades and heavy glasses, managers still view them as rigid, inflexible, and nerdy. They continue saying, that accountants reinforce this image by overemphasizing control, the aspect of the job that they feel most comfortable with. A CFO of a major Fortune 500 firm interviewed by Fern and Tipgos developed a theme for the finance organization: "We are in control of the control process." This chosen theme understandably reinforced the accounting stereotype within the organization and moved the organization further away from the role of business partner. If controllers restrict themselves to just control the control process, it becomes difficult to talk about adding value, business partnering or modern management accounting. To truly embrace and take advantage of the concept, top management needs to be invested in the idea.

Wolf et al. (2015, 24) studied business partnering against 'theory of reasoned action' (see Fishbein & Ajzen, 1975) and discovered significant associations between controllers' behavior to act as business partners and the contribution of the controller's department to the competitiveness of the organization from the manager's point of view. The authors argue that their findings are in line with the discourse of resource-based view as human resources are an essential part of competitive advantage and organizations would need to capitalize on them. Wolf and his colleagues claim that "the participation of the head controllers in managerial decision-making processes enhances the acceptance and the status of the whole controller's department because it is perceived to be a source of competitive advantage by general managers." This tries to say that controllers who are involved in managerial decision-making process more likely to produce business relevant information (Rouwelaar, 2007).

Lianabel (1991, 40) talks about obstacles; accountants must be credible as business partners. "To be credible the accounting department must perform its traditional role (accounting services) well. It is hard to sell a business-partner relationship to management if

you cannot process expense reports or issue financial statements on time. Accounting must also be attentive to the management reporting system. Accounting professionals cannot gain credibility as business partners when they publish reports month after month that just talk numbers. A vice president of manufacturing once interrupted my lunch and told me in a rather rude manner that the financial presentation for his division was "garbage." He was right. The presentation was neither visually appealing nor geared toward explaining the business."

Lianabel also states, that the accounting staff hurriedly revamped the presentation, focusing on graphs and charts that tied the financials to the business. The presentation was a resounding success. Accountants need to revise the reporting process to focus more on the business and less on the numbers. They need to make the format user-friendly. Accountants must demonstrate that they add value to the decision-making process and are not merely passive observers of events. They must understand both the financial and operational consequences of a decision and should provide ideas, suggestions, and recommendations. The accountant who enhances the decision-making process gains credibility with non-accounting personnel.

Second aspect of characteristics is unreasonable expectations. Accounting managers typically staff their departments to perform the traditional accounting functions: cost accounting, general accounting, planning, and reporting. The departments are not staffed to handle the additional demands of a business-partner relationship. As a result, accountants are overworked, frustrated, and unable to meet the conflicting demands of their business partners and their accounting bosses. Meanwhile, the accounting manager has difficulty justifying additional personnel because the business-partner relationship is hard to quantify and define. (Lianabel, 1991, 42.) Top management plays a key role in defining the perimeter for expectations within the different function and teams. Executive vice presidents need to set the objectives for each function. Then it is the job for senior vice presidents to define the role and tasks for teams within these functions. Accounting managers should not expect the historical accounting role and a business partner relationship to exist at the same time. "The business-partner role cannot be added to what is already a full-time job", as Lianabel states it. Managers must change the accountant's job description to include the development and maintenance of a strong business-partner relationship. They will have to reassess their departmental workload to see if additional personnel are required or if resources can be redeployed by eliminating non-value-added activities.

There is a disconnection in most companies between strategy formulation and strategy execution. (Kaplan & Norton 2005, 72) On average some 95% of employees in organizations do not understand the strategy they should be delivering against. If employees are not made properly aware of the strategy of the organization, it is extremely hard for them to help achieving the set goals. Kaplan and Norton (2005, 73) studied companies that

achieved performance breakthroughs by adopting the Balanced Scorecard. The organization that have clear strategic focus have in many cases a new corporate-level unit to oversee all activities related to the strategy: an office of strategy management (OSM). The OSM is by default meant to coordinate an array of tasks under the direct command of the CEO, including (Kaplan & Norton 2005, 73):

1. Communicating the corporate strategy
2. Ensuring that enterprise-level plans are translated into the plans of the various units and departments
3. Executing strategic initiatives
4. To deliver on the grand design
5. Aligning employees' plans for competency development with strategic objectives
6. Testing and adapting the strategy to stay abreast of the competition

The above mentioned duties can fall into the hands of controllers, especially in smaller organizations with no designated department for strategy. Whether or not this happens depends largely on expertise and resources, but on the other hand, the image and identity of the finance department.

2.5 Image and identity of accountants

Accounting researchers have discussed various potential barriers to accounting change (e.g. see Scapens and Roberts, 1993; Malmi, 1997; Granlund, 2001; Kasurinen, 2002). A study by Taylor and Scapens (2016, 1090) emphasizes the importance of exploring processes of accounting change at different organizational levels and at different organizational locations. Taylor and Scapens emphasize that research on accounting change should not ignore the identities and images of the different roles involved in the change process. Dutton and Dukerich (1991) define that the identity of a group is based on how a collective understanding of a group sees themselves, and the image consists of what the members of the think that others thinks about them. Gioia and Thomas (1996) on their behalf refer to identity and image as “taken-for-granted” ways of seeing the organization and its cultures and habits. In addition, Dutton and Dukerich (1991) emphasize, the formation of certain ways of acting within an organization. According to them, identity and image are exist only in the collective imagination of the respective group, and thus, is something that is extremely difficult to measure and study.

Taylor and Scapens (2016, 1090) found that image and identity of accountants plays a role in driving any change process. How accountants see themselves, and how they are perceived by others, influences the plans and outcomes of different projects. Thus, the image and identity can contribute to both better and worse results especially in cross-functional projects. Taylor and Scapens concluded that “whether a change implementation is successful can often be questionable, identity and image can still improve. In this sense, it seems that myopia is no obstacle to improving identity and image. Thus, a first conclusion is that, although claims of “successful” change may be questionable from an organizational perspective, there may still be an improvement in the group’s identity and image, although this may not be sustainable in the longer term.” (Taylor & Scapens 2016, 1090). Objectivity, lack of emotional attachment, and focus on details are characteristics often connected to accountants. Thus, the image of accountants as dull and uninteresting persons has become somewhat of a commonly held stereotype. However, more recently the accounting profession seems to have been promoting a rather different image of accounting and the accountant (Balvinsdottir et al. 2009, 857). Balvinsdottir, Burns, Norreklit and Scapens concluded that the image of the accountant as produced by the analyzed accounting software adverts has changed over the last four decades. In the 1970s and 1980 there was a responsible and rational accountant, providing information for rational decisions making. In the beginning of the 1990s a more adventurous and powerful image of accountants emerged. Accountants were suddenly daring and thrill-seeking explorers. The accounting discourse is still rather rationalistic, yet more disaggregated according to the authors. Balvinsdottir et al. also raised the question of trustworthiness regarding the changing identity; is the more hedonistic hyper-modern accountant as trustworthy anymore? This is a prime example on how image and identity play a double role. Even though both might be “improving” the effect might be adverse. If the identity (how accountants see themselves) is moving towards more business-oriented, strategic thinkers who aim to maximize results and have a hedonistic and even somewhat selfish mind-set, this can be seen as improvement by accountants but on the other hand, might negatively affect the image of the accountant profession by eating of trustworthiness and therefore negatively affecting the image (how accountants are seen by others) of accountants.

2.6 Required skill-set and capabilities of a modern accountant

Digital products which can be delivered online at minimal incremental cost are the new limit of the trend in commerce from manufacturing goods to providing services. This has long put more emphasis on value to consumers than on cost of production. More recently, the imperfections in free markets have become a concern. Enlightened self-interest and a

long-term approach to risks and opportunities is required if the interests of wider stakeholders and the environment are to be aligned with those of business. Tax authorities and regulators will be keen to ensure this alignment occurs (Simons 2012, 40). As described early in the study, the constantly changing environment in terms of e.g. digitalization, automation, artificial intelligence and internet of things requires constant development steps from MAs to keep track of their own work as well as all the possibilities and risks of the business. Automation and more and more standardized accounting processes take some of the routine burden off of controller's shoulders. This development is often referred to as industrialization of accounting. Simons (2012, 40) states that management accountants are now deployed across a wide range of roles in businesses across the world. The industrialization of accounting processes is a term which can be used to describe how transaction processing and routine reporting are becoming more rules-based and handled in shared service centers or even fully automated. The provision of reliable management information and analysis to inform strategic, investment and performance / risk management decisions remains the basis of the role for the time being. The range of data to be considered, the level of analysis expected and the level of influence to be exercised are all expanding.

Simons (2012, 40) continues; "Supporting in the business and performance management as a business partner gets a lot of attention as these commercial roles are topical and difficult to fill. However, reporting on the business and ensuring conformance remain important as well. Keeping proper records and statutory financial reporting requires high levels of technical financial accounting skills but the trend towards integrated reporting requires a greater commercial awareness here too. The generation of current and forward-looking information and analysis requires new technical skills and, increasingly, the use of business intelligence applications. Business partnering builds on this information and analysis to influence the business and improve its performance.

As businesses become more complex, professional management is required to ensure that decisions are properly framed, informed and managed through to impact. Finance functions, as with other overheads, have faced relentless pressure to reduce costs. Systems standardization, process improvement and forming shared service centers have reduced costs considerably. Many organizations now realize that the potential for getting more value from their finance professionals is much greater than the potential to get more cost out of their finance functions." Consolidating the knowledge and information even further could make a lot of sense going into the 2020s. Internet of things, self-learning applications and artificial intelligence are all on the verge of breaking into everyday life of supporting business. This third wave of industrial revolution will change the way organizations are set-up, organized and managed. This will without a doubt lead into substantial change, challenges and opportunities to management accounting functions throughout the globe. This approach can also contribute in a shorter term. The businesses that do best

coming out of recession are those which can balance cutting costs to improve efficiency with a preparedness to invest to improve its competitive position. To achieve this balance between current performance and prospects requires a keen understanding the business' value chain. Financial accounting is about reporting financial outcomes. Management accounting also considers the drivers of cost, risk and value across the business' value chain that lead to future financial outcomes. Often these drivers cannot be described or measured in financial terms so management accountants must learn to speak in the language of the business. This can equip them to be better business partners.

Accountants may have sometimes seen as bean counters because they were so busy producing financial reports. They often had little or no contact with the business. Advances in information technology have computerized processes which used to consume so much of accountants' time. This has released their capacity to take on a broader management role. (Simons 2012, 41.) The field of management accountants tasks can be split into four dimensions (Simons 2012, 39); Stewardship & Controlling, Reporting, Technical Expertise and Business Partnering. The former two can be interpreted as traditional reporting tasks, while the latter two deal with business performance and support for business in more full scope as illustrated in Figure 8 below.

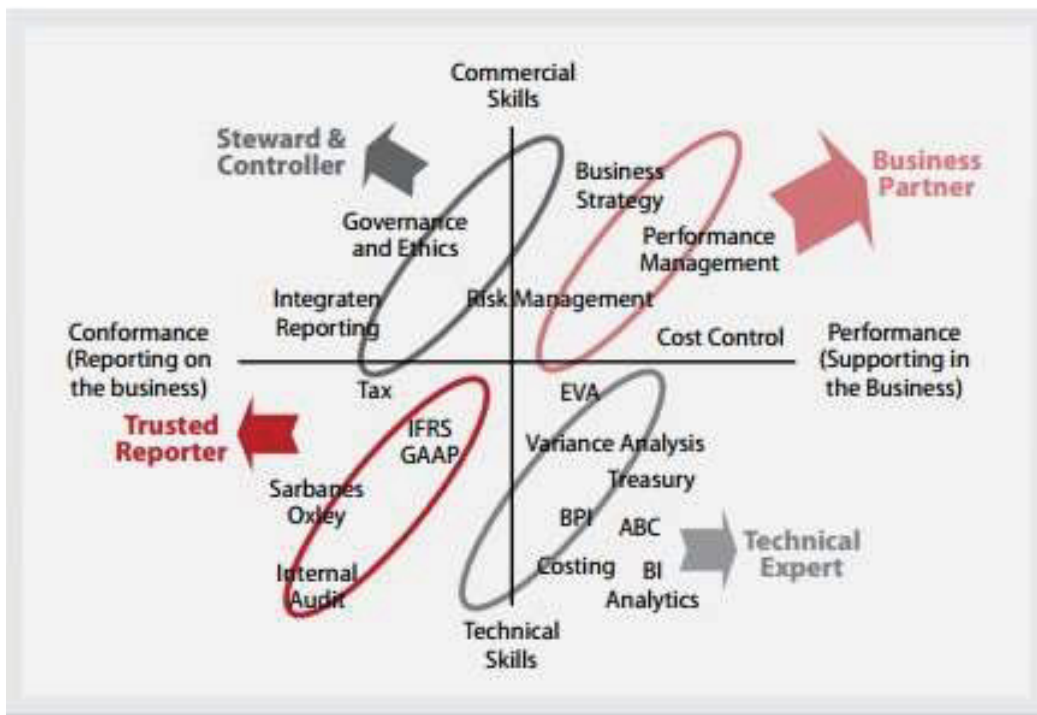


Figure 8 Required skill-set for modern accountants (Simons 2012, 39)

Stewardship & Controlling touch base with governance, ethics and integrating the reporting as well as risk management. Reporting dimension is strongly related to conforming

to requirements set by external stakeholders. This includes tax related questions, accounting principles, market legislation as well as internal audit.

Technical expertise covers knowledge and know-how on the newly developed tools and systems that support the reporting and managerial work. Lately developed tools such as Economic Value Added and Activity-Based Costing, co-operation and alignment with other functions (Treasury, Business Intelligence) and technical knowledge required for e.g. variance analysis and costing work fall into the dimension. Business partnering dimension includes the post-modern fields of MA; performance management, risk management, cost control as well as participating in strategy work. Simons (2012, 41) talks about “bigger tool box” of management accountants. Traditional tool kit of planning, budgeting and forecasting is surrounded by strategic management accounting, enabling and harnessing new technologies, as well as other disciplines. The bigger tool box is illustrated in Figure 9.

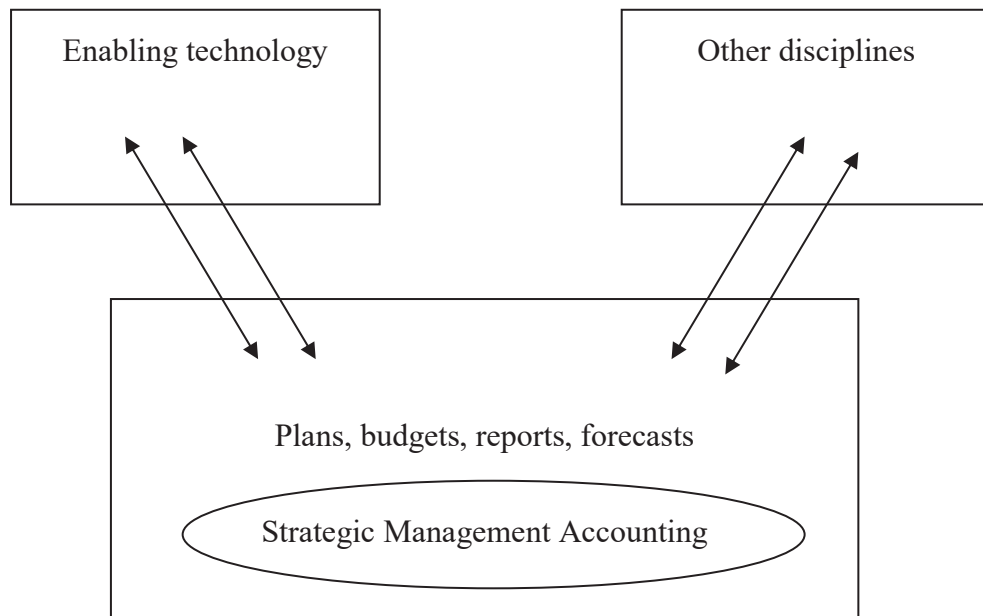


Figure 9 Bigger tool box (Simons 2012, 40)

To apply the bigger tool box, management accountant’s skill set, personal aspirations, attitudes and attributes must be at least skewed towards business partnering. The controllers must try to have a holistic view on the organization; they need to want to develop their work, the processes of the organization and general understanding of the business they are in.

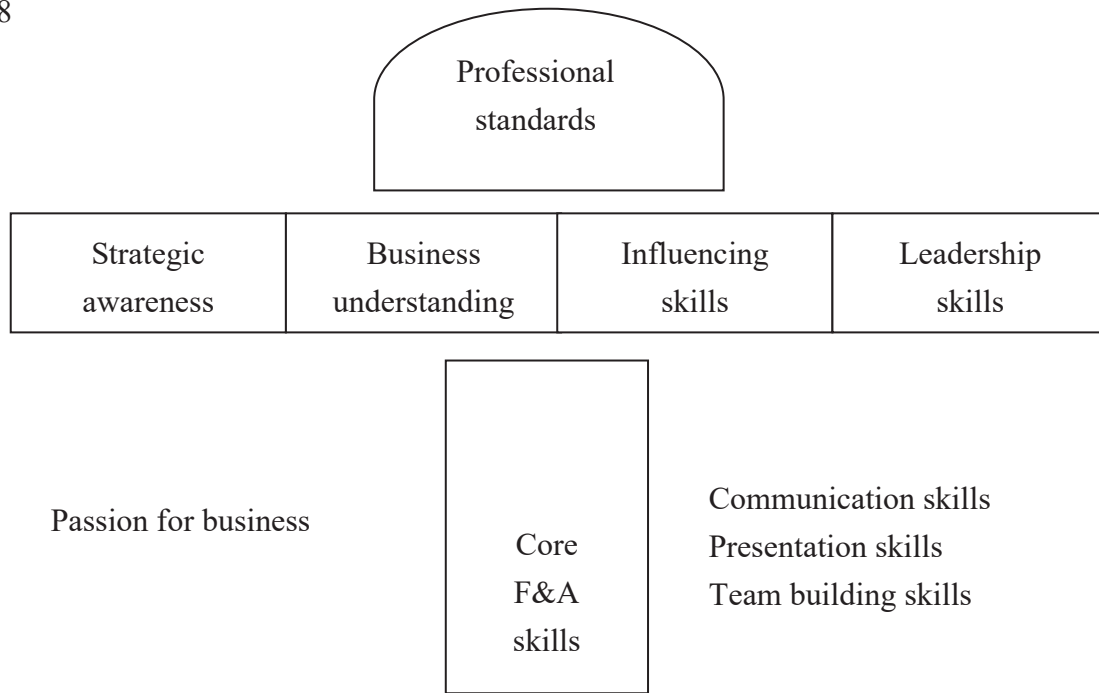


Figure 10 T-shaped accountant (Simons 2012, 42)

This approach also requires the often mentioned skills outside the traditional accounting field; passion for business, influencing skills, leadership skills, business understanding as well as knowledge and expertise in strategy. Simons talks about T-shaped accountant (see figure 10). He pictures these modern skills of accountants to apply the bigger tool box in a T-shape, where the modern skill set is built on top of the core skills. Communication, presentation and team building skills are part of the core skill set. Simons then describes the t-shaped, modern tool box user of an accountant as a holder of finance competencies and business capabilities. This split is an essential part of management accounting change.

Although management accountants are evolving more and more towards being players on the field, they will to some extent always need to keep the score on the sideline as well. Taking an anecdote from sports, business partnering could mean, that MAs are, or will be, coaching players. The type of coaching witnessed in lower divisions in many sports, where the coach is a player once on the field and puts on the coach hat whenever taking a breath on the sideline. Both the proactive participation and reactive controlling and observation are needed. Simons (2012, 43) sees finance competencies to include reporting, support, reactive approach, technical accounting expertise as well as such attributes like analytical, pragmatic and practical mind-set and risk aversion. Management accountants are also expected to consider all options, be inclined to control, have attention to detail and to identify issues. Business capabilities on the other hand include providing business insight, seeing the big picture, ability to influence and tackle problems. Business capable management accountant thus is flexible, creative and articulate, keen to take action, handles uncertainty and challenges the status quo. Competencies and capabilities of accountants are listed Table below.

| Finance competencies | Business capabilities |
|------------------------------------|-----------------------------------|
| Reports past performance | Provides insights into the future |
| Inquisitive and analytical | Creative and articulate |
| Risk averse | Handles ambiguity and uncertainty |
| Practical with attention to detail | Sees the big picture |
| Pragmatic | Flexible |
| Supportive | Challenging |
| Considers all options | Keen to take action |
| Inclined to control | Able to influence |
| Reactive | Takes initiative proactively |
| Technical expertise | Commercial acumen |
| Identifies issues | Tackles problems |

Table 3 Competencies vs. Capabilities of accountants (CIMA)

Understanding the commercial side of business is an essential part of the business capabilities as well. The duality that Simons provides between business and finance is in the core of management accounting. This duality includes attributes and skills of accountants, but also knowledge and understanding of different parts of the business, such as commercials or “seeing the big picture”, which can be interpreted as understanding of the markets, customers, pricing procurement, supply chain, production etc. Lianabel (1991, 40) studied a small start-up company in California: “The controller of a small startup company in the San Francisco Bay area "ordered" the manufacturing function to ship four systems in the last month of the fiscal year. The average production time for each system was 90 days. The manufacturing staff thought the request was ludicrous and proceeded to ignore it. Unfortunately, the revenue expectations for the year included these four systems. The controller had committed to a revenue plan that did not match the manufacturing build plan. To further complicate matters, the controller did not communicate this revenue plan to the manufacturing staff. The result was that management could not fulfill its commitments to the board and, more important, to the institutional investors.” The controller in this case didn’t understand the business he was supposed to be supporting. He failed in being a business partner. Lianabel concludes: “Traditional role of accountants must change to meet the demands of the current and future business environment. Accountants need to participate actively in strategy formulation and implementation, to be involved in the decision-making process, and to take a "forward thinking" approach in business. Gone are the days of nothing but debits and credits.” The example highlights the importance of business capabilities. The accountant in question only ran he’s process through figures

and reporting, not unfortunately supported through influencing skills, understanding manufacturing and other functions of his business. As witnessed, the outcome of traditional approach can be dramatic.

Wolf et al. (2015, 24) discovered that controllers' behavior is strongly influenced by management's expectations. Their results seem to support a concept where business partnering is seen to increase the contribution of the management accounting function to the competitiveness of an organization. Wolf et al. examined whether controllers are willing and/or general managers expect them to act as business partners and the related consequences of being a business partner from a manager's point of view. Authors studied if the business partner behavior of controllers is either associated with their individual attitudes or rather connected to their subjective norms resulting from managerial expectations. The authors also studied whether the business partner behavior of controllers is associated with increased organizational performance. The latter is a highly important question for this research as well, as increased organizational performance can often mean a changing point in the organizations life cycle. In the growth stages of the life cycle, managers may be more likely to scale up the expectations on management accountants. MAs might be expected to jump the fences of the organization to find more optimized ways performing all around the hierarchy, rather than just sticking with the reporting and delivering analysis on where to find possibilities to cut costs, which might be the case in downturn.

3 MANAGEMENT ACCOUNTANTS IN CORPORATE LIFE CYCLE

3.1 Corporate life cycle

The idea of similarity between organizations and living organisms was founded as early as 1890, by famous economist Alfred Marshall. In his research (Marshall, 1890) firms were compared to trees in the forest, using a beautiful metaphor: “But here we may read a lesson from the young trees of the forest as they struggle upwards through the benumbing shade of their older rivals”. He describes organizations in youth as they struggle to grow and reach better positions until they reach the top-tier and start to stagnate, decline and eventually die. The theoretical background for corporate life cycle idea was established by biologist Ludwig von Bertalanffy. His early work during 1920’s introduced general systems theory approach and the earliest reference in English was published in 1933. It was followed by his general systems theory, which put a framework where it was possible to research further similarities between living organisms and organizations. However, concrete idea that organizations pass through life cycle as living organisms was published two decades later (Boulding, 1950).

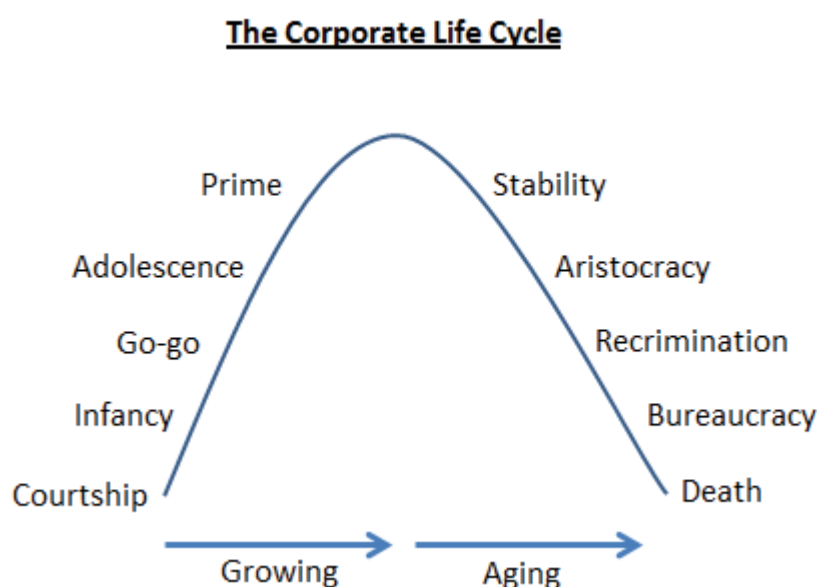


Figure 13 Corporate life cycle model (Adizes 1992)

The classic life cycle model by Adizes divides the corporate timeline to ten stages ranging from courtship to the closing of business or “death”. The Adizes original life cycle model is illustrated in figure 13 above. Courtship is the very beginning of the business. This is

when the idea is already born; possibly needed finance is sought for and the demos or prototypes or first stage products developed. The Infancy stage is where the first sales can be made and the operation starts to gain revenue. At this stage, the business is usually small in scale and to extent fragile for major bumps on the road. In the go-go stage the business start to witness a high amount of action taking place simultaneously. The business is still very young and the business model could still change at any time. The actual operations and day-to-day business can be chaotic at this stage with particular individuals often fulfilling multiple roles and with minimum process and procedures in place. According to Adizes an organization is reborn during the Adolescent stage of the organizational life cycle. This so called second birth can prove to be an emotional time where the company seeks an independent journey distinct of the founder. An adolescent company is thus constantly swinging in between success and failure. As long as the adolescent company does well, investors and the Board of Directors regard the founder as a genius with a golden touch. However, when the infrastructure collapses, sales possibly take a slump, costs increase or profits decline, a competition of “who-to-blame” starts in a heartbeat. The founder, accustomed to the magic of adoration, is instantly transformed into a goat that is no longer up to the task of leadership. (Adizes, 2015.)

Adolescence can be characterized by internal conflicts and politics within an organization. Sales are likely to drop or exceed production's estimates, quality is not up to customer expectations, and internal struggle takes place. Emotional state can be fragile and business is volatile: success in one month and making losses in the next. These conflicts need to be settled or otherwise the Adolescent company might be taking the step to the next phase too quickly which again can lead Divorce or Premature Aging when entrepreneurial leaders are jumping ship. The adolescence stage could be summarized as the organization not being ready yet. (Adizes, 2015.)

In the Prime face, the business has reached its peak of fitness. The business is profitable, lean, and very competitive on the markets it operates in. The business has processes in place but they are balanced, and information flows smoothly and throughout the business. Business is booming and in its flower. This is the stage that is referred to in finance theory as the milking cow. The business is generating constant, growing cash flows and allows investments with cash flow from operations. Usually, the dividend is growing alongside cash flow, which attracts new investors and keeps the cost of capital on moderate levels, the cycle reinforces itself. At the end of the prime face, organization usually hits the Stability phase, where it is still generating steady cash flows and is highly profitable, but where the top of the energy and enthusiasm is starting to move away.

When an organization enters the Aristocracy phase they characteristically are in a strong cash position and have solid financial statements. Growth expectations are most likely limited and the organization shows little interest in conquering new markets, technologies, and frontiers. Focus has moved to past achievements and future vision are not

driving the organization. Risk aversion is one of the aristocratic organizations key characteristics. This is why organizations in aristocracy might invest much more on control systems, benefits, and facilities than they do on R&D. (Adizes, 1992.)

If an Aristocratic organization can't cut the wings off of its downward spiral and the glued-on repairs on management structures and operating models disappear the Aristocracy is Recrimination. Companies in this stage usually carry some or all of the following attributes (Adizes, 1992):

- Focus on finding the guilty instead of solving the problem
- Problems are personalized and time consumed in politics and back-stabbing
- Constant fear and even paranoia fills the air and paralyzes the organization
- All of the above lead to a situation where internal issues take all the attention and the customer for instance is forgotten.

An organization is kept alive by artificial life support in the Bureaucracy stage (Daft, 2010, 254). The company is first born in Infancy stage, sees a second birth in Adolescence, and its third "birth" in the Bureaucracy stage, where the organization is on "life support". Death occurs when no commitment exists anymore in the organization.

Fenyves, Böcskei and Sütö (2015, 463-470) researched the role of managerial accounting in different phases of the corporate life cycle. Authors concluded that managers of a corporation are up against different decision-making situations in each corporate life cycle. "If a manager does not deal with the numbers as well as coherences and business processes behind them to a sufficient extent, the situation can lead to lack of information, sequence of wrong decisions and the enterprise can be placed in an unstable economic position" (Fenyves, Böcskei and Sütö 2015, 465). The most important task (of MAs) is to contribute to the up-to-date information provided to the managers, so that managers are able to make effective decisions and operate the firm successfully. If there is no proper framework in place for effective management accounting practices, the financial accounting data has to be used for decision-making which leads to a situation where possibly wrong and outdated information is used for steering purposes. Authors try to highlight the need of timely, accurate and effective business information, provided by management accountants. This information is by nature analyzed, forward-looking and prepared for decision-making purposes.

3.2 The role of accountants in New Economy Firms

Granlund and Taipaleenmäki (2005, 21–57) studied management control and controller-ship in new economy firms (NEFs). The authors found, that the role of accounting and accountants seems to change along the life cycle of the NEF. In the earliest stages of NEFs, the core of finance work is in bookkeeping side of things and even these tasks may be given to a service-provider. When the business starts to grow, the firm is likely to hire a controller who then is taking care of developing the initial reporting practices, especially relating to planning and forecasting. A more business-oriented role seems to develop only over time and in later stages of the life cycle. Granlund and Taipaleenmäki (1998) also found some increase in traditional controlling roles if the organization had grown considerably in size. “It is also important to note that even in more mature NEFs controllers or the like have to participate in many financial accounting, statutory tasks, such as preparation of financial statements and annual reports overall. More active business oriented roles can only be built on the ‘historian’ and ‘watchdog’ roles, if time resources permit”. Historians in this context can be understood as the keepers of the financial records and Watchdog is someone who starts to “bark” when figures are going into wrong, or any direction. On the other hand, the market uncertainty can decrease visibility in planning so much that even rolling forecasting can be vain. One of the CFOs that Granlund and Taipaleenmäki interviewed pointed that out: “We could consider even abandoning our quarterly rolling forecasting of four quarters. On the one hand, the market visibility barely covers the ongoing quarter’s revenues. On the other hand, our cost structure is so clear and driven by headcount that the big picture of the expenses can be seen without a heavy forecasting system.” (Granlund & Taipaleenmäki 2005, 37). The biggest difference in the approach and need for information of a small or mid-size company compared to that of a large enterprise comes from the inevitable complexity of the latter. It is usually the data gathering, different applications or software used in different parts of the company or lack of consolidated processes that leads to complexity and forces the enterprise to also carry heavy processes of budgeting and forecasting from spans of 6 months up to 36 months of consolidated forecast data. A set of data which is hardly a high-flying strategy tool looking at the big picture, but rather a line by line and account by account approach with very little touch to the real-life events. The same dilemma of forecasting applies though to any company regardless of the size. It is in most instances utmost difficult to predict sales and profits for the span of six months. And in some cases, even forecasting the costs of the company accurately may prove to be almost impossible. Figure 14 below by Granlund & Taipaleenmäki illustrates the difference of traditional organizational life cycle model and the corporate evolution life cycle model regarding the new economy firms. In the Traditional model, start-up firms only have gone through birth and growth phases, while in

Corporate Evolution model the NEFs or start-ups are already reflected to witness all the phases from craft work to re-configuration and renewal.

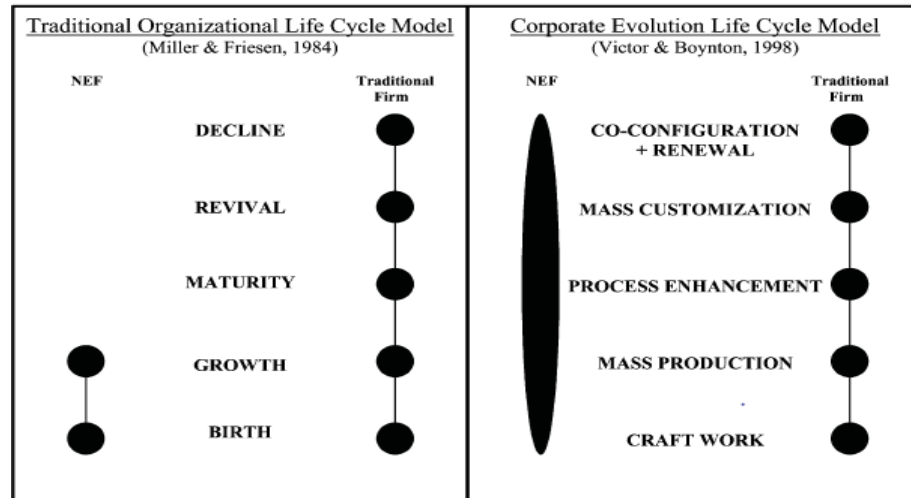


Figure 14 NEFs and traditional firms and the life cycle model stages (Granlund and Taipaleenmäki 2005, 21-57)

Another difference between large enterprises and SMEs or NEFs is the role of the finance & controlling function. In many dynamic, small companies, controlling function is seen as “a necessary evil, that we need to have”, as where in big corporation the same function can be seen as one of the key offices, that follows up the performance and uses this information alongside forecasts to guide the company towards right direction. Taipaleenmäki witnessed this in his study on NEFs. The innovative, R&D and technology oriented culture of NEFs drives the resourcing of the control functions. As has been demonstrated, this effect is a limiting one. According to Taipaleenmäki, the techno-economic factors for this observation do not solely explain the issue. “The clash that emerges when financial control systems meet the culture of innovativeness, flexibility, empowerment, and freedom can be considerable.” It can be seen as a clash between bureaucracy and innovation. However, as the R&D experts for instance start to grasp on and understand the financial side the tensions in the organization might alleviate. According to Taipaleenmäki the R&D experts need to admit the very basic driving force of business and financial fundamentals. The reason for this being the fact that both time-to-market pressures and targeted profitability levels of business cases are constantly pushed to earlier stages in product life cycles. As within a NEF various new product development projects focusing on product properties such as features, quality and hardware are typically simultaneously competing for the limited development resources, the developers and engineers need to be cost conscious and business oriented to succeed in their job.” (Taipaleenmäki, 2004).

Discussion about identity & image as well as business partnering is in the end about mutual agreement and shared understanding between functions. It is not only accountants

who have to adjust. As Granlund and Taipaleenmäki (2005, 48) conclude: “one (personnel outside finance function) cannot be ignorant of the financial facts any longer.” This becomes more and more emphasized as the firm moves upward its life cycle. As Bahrami and Evans (1995) put it: “Maturing firms may have difficulties in matching the cultural intensity of a start-up, which is critical for building a team spirit and focusing emotional and creative energy on achieving the desired goal. Cultural intensity dissipates as a firm grows and becomes functionally segmented, potentially leading to a lost sense of purpose and confusion about the desired cultural values. These can have a disquieting impact on many professional employees and lead to a sense of apathy and loss of community spirit.” The loss of community spirit and personnel not adjusting to each other’s needs can be avoided. It requires a high level of focus and thorough execution of the strategy in place.

Regarding accounting tasks and techniques, Granlund and Taipaleenmäki discovered that highly preferred tasks are the basis of management controlling in the new economy firms and mainly consist of rolling budgeting and reporting activities. Continuous R&D project control and temporary tasks relating to for instance funding can be among the highly-preferred tasks. Least preferred tasks according to the authors are typically considered to be in the core of financial control, but in NEFs, they seem to receive only minor attention. Granlund and Taipaleenmäki (2005, 49) conclude that it was surprising to find out how little attention was paid to performance measurement, strategic planning, and in some cases, even internal financial analysis.

3.3 Life cycle and stakeholder theory

Jawahar and McLaughlin (2001, 397-424) approached the organizational life cycle from another perspective. They aimed to integrate theory and research from disparate areas to develop a descriptive stakeholder theory. The authors claimed, that at any given organizational life cycle stage (see figure 15), certain stakeholders, because of their potential to satisfy critical organizational needs, will be more important than others and that by identifying specific stakeholders, these are likely to become more or less important as an organization evolves from one stage to the next. Additionally Jawahar and McLaughlin propose that the strategy an organization uses to deal with each stakeholder will depend on the importance of that stakeholder to the organization relative to other stakeholders. According to Kimberley and Miles (1980, 30) scholars have tended to focus on mature organizations in their studies. Signs of this bias can be seen in studies of corporate social performance as well (Thompson & Hood, 1993).

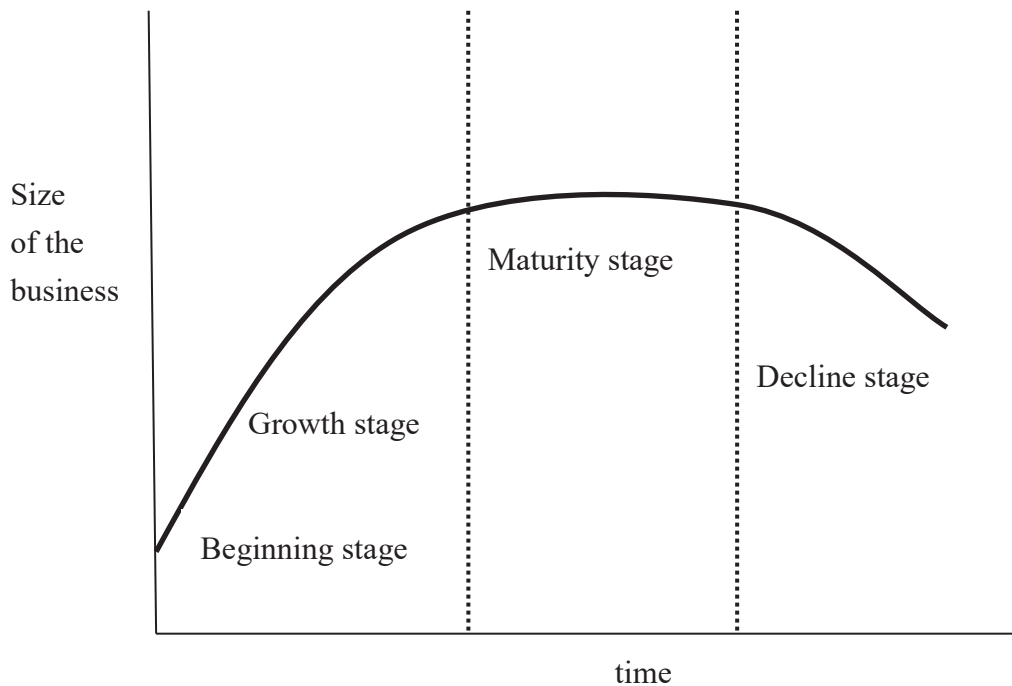


Figure 15 Four stages of organizational life cycle (Jawahar & McLaughlin 2001, 410)

Jawahar and Mcaughlin conclude, that taking a more long-term perspective would allow to study how the strategies an organization uses to deal with multiple stakeholders change as the organization evolves through the different stages of the enterprise life cycle; formation, growth, maturity, and decline or revival as illustrated in figure 15.

Clarkson (1995) noted that both survival and success of an organization is tied to the ability of management to create value to the primary stakeholders. Clarkson argues that "the economic and social purpose of the corporation is to create and distribute increased wealth and value to all its primary stakeholder groups, without favoring one group at the expense of others" (1995, 112). Jones and Wicks (1999, 207) made the same assumption when they stated that all stakeholders have equal and intrinsic value. The claim that no stakeholder has interest that dominate on the expense of other stakeholder groups. These normative approaches may well accurately describe organizations in the mature life cycle stage. However, organizations in start-up or decline/revival stages are likely to favor certain stakeholders (see e.g. Gioia, 1999).

According to Daft, organizations are not likely to meet all the demands set by the primary stakeholders. Instead, they are likely to fulfill economic and all noneconomic responsibilities of some primary stakeholders but will not fulfill responsibilities towards

each stakeholder in a similar manner. This variation in how organizations deal with different stakeholders, simultaneously and over time has not been address and in research literature in excessive manner. Changes in the relative importance of primary stakeholders over time have not been covered because the literature concentrates on mature organizations. It could be possible to describe how an organization's relationship with each of the primary stakeholder groups is likely to vary, if one would take a longer time-span and look also at life cycle stage of the organization. (Daft, 2010.)

O'Connor and Byrne (2015, 40) tested the corporate life cycle stages relation to governance. Authors discovered that firms tend to have varying governance needs in different stages of their life cycle as value creation and protection perspective on corporate governance changes as the company moves towards more mature phases of the life cycle model. Individual governance provisions such as independence, accountability and transparency seem to have more relevance at different stages of the corporate life cycle. Overall governance, and more importantly the relevance of individual governance provisions vary along the corporate life cycle. Results of O'Connor's and Byrne's study point to a flexible governance model which ensures that firms have sufficient space to choose a governance model that fits their individual environment and circumstances. According to the authors, earlier research has shown that fast-growing firms are likely to establish more solid governance to increase income and generate value. O'Connor's and Byrne's findings suggest that since the quality of governance is greatest when firms are mature, greater resources are devoted to value preservation rather than value creation. They base their theory on the premise that organizations face different pressures and threats at different stages in the organizational life cycle, which means that the critical stakeholders at each stage of the life cycle might be different. Consequently, depending on whom the critical stakeholders are at each stage, an organization is likely to use alternate approaches to deal with critical stakeholders. Authors argue that stakeholders most likely have access to resources needed for organizational survival will gain more attention from organizational decision makers than stakeholders who have less access to such critical resources. Based on prospect theory, O'Connor and Byrne argue that threats to organizational survival will influence resource allocation decisions and the riskiness of strategies adopted by organizational decision makers to deal with stakeholders. (2015, 40.)

Models of life cycle stages are not new in the literature on organizations (Chandler, 1962). Chandler introduced a life cycle model that is based on stages. The changes between these stages then affect firms' strategy and operating model. Organizational life cycle models vary widely in a number of features, including the actual number of stages. Based on a study of 181 periods of history from three dozen firms, Miller and Friesen (1980) presented a rough sequential ordering of stages: birth, growth, maturity, and re-

vival. In multiple studies, similar models based on stages have been found (see for instance (Drazin & Kazanjian 1990, Baird & Meshoulam, 1988). Typically, the life cycle of firms have been divided into four stages of beginning, growth, adulthood, and revival.

Theory and research indicate that the behavior of organizations can be predicted by means of organizational life cycle models (see Milliman, Von Glinow, & Nathan, 1991). Smith, Mitchell, and Summer (1985) found that as organizational life cycles change back and forth, so does the priorities and focus of top management. In another study Cameron and Whetten (1981) had simulated organizations to demonstrate criteria of effectiveness. And they discovered that the criteria tended to change alongside changes in the life cycle stage of the organization. Thus, Jawahar and McLaughlin argue that the relative importance of stakeholders to an organization will vary with the life cycle stage of the organization. This is also the important question for the study at hand. What Jawahar and McLaughlin stated was that different stakeholders are important in different stages. Stakeholder is interpreted in here to mean both internal and external stakeholders. Thus, different functions are in focus as internal stakeholders in different stages of the life cycle. Earlier studies indicate that the opportunities, threats and pressures that organizations face, vary to very little extent with the life cycle stages (see e.g. Dodge, Fullerton, & Robbins, 1994). Dodge and Robbins (1992) went through and analyzed 364 case reports for small businesses and identified the relative frequency of major problem categories over the life cycle of the companies. They found that small businesses wrestle with different problems in the various stages of the organization's life cycle. In another study Dodge et al. (1994) found that firms in the early stages of the life cycle were worried of obstacles to attract capital more than their later stage counterparts. In another study involving 105 firms, Kazanjian (1988) concluded managers' view of top challenges varied with the life cycle stage of the organization. Thus, previous research clearly indicates that opportunities and challenges of organizations seem to vary alongside the changes in the life cycle.

Moore and Yuen (2001, 351-389) adopted a configurational approach to capture possible variables such as strategy, structure, leadership and decision-making style and to study their relationships with management accounting systems (MAS) from an organizational life cycle perspective. Moore and Yuen tested a set of hypotheses with data collected survey and field studies in apparel and footwear industry. Their results gave evidence MAS formality seemed to transform into complementing organizations characteristics across life cycle stages. The results also indicate that growth firms tended to have focus in building more structured approach into their management accounting framework. While based on cross-sectional data, the homogeneity of organizational configurations at each life cycle stage does suggest that these results imply a longitudinal development of MAS. (Moore and Yuen 2001, 351-389.)

Kallunki and Silvola (2008, 77) researched the use of activity based costing on different stages of the organizational life cycle. Their empirical analyses based on the questionnaire completed by 105 Finnish firms operating in various industries and life cycle stages. Their results indicated that the characteristics of the firm affecting the use of advanced cost-accounting systems differ across life cycle stages. In other words, companies in the latest stages are larger in size, are worse in terms of profitability and have larger product portfolios. (Kallunki & Silvola 2008, 77). They also found that the use of activity-based costing is more common among firms in the later stages of the life cycle compared to firms in earlier stages. Kallunki and Silvola found that the reasons for using an activity-based costing system vary across life cycle stages as the life cycle theories predict. Keeping costs under control and net income on the positive side seem to carry greater importance for firms in the later stages (e.g. Miller and Friesen, 1984). Consequently, mature and revival firms need to put more emphasis on reducing and controlling their costs and improving their decision-making as opposed to firms in a growth phase. Authors also found that the use of activity-based costing increases as the size of the firms increases. Kallunki and Silvola indicate that the life cycle of the firm has a role of its own apart from the size of the firm when explaining the use of activity-based costing. They support the idea that not all later stage companies are necessarily large in terms of size, but do carry greater need for advanced management accounting systems.

The role of the controller in different stages of the enterprise life cycle is to extent dependant on the management accounting systems in place. For instance activity-based costing, when introduced in a company may well be a trigger for the change in the role of the controller. Prior to implementing a new management accounting system, the controller may well have been a garrison of the books and more skewed towards an administrative or even something of a bookkeeping role. With new MAS in place there is possibly more work with data, software, system training etc. Most of all the new management accounting system is there for a reason. The management of the company needs better information to support their decision-making. In other words, the new MAS sheds light on the role of the controller and puts her onto the center stage. In this scenario the life cycle of the company would be the trigger for change in management accounting system, which would then again be the trigger for the change in the role of the management accountant. The circumstantial factors “push” the controller to adopt a new role in the organization and possibly become a business partner and a value-adding asset for the team.

3.4 The role of management in driving successful change

A big four audit and consultancy firm Ernst & Young conducted a survey on 769 Finance Leaders globally in 2016 under the headline “The DNA of the CFO”. As an EY executive

describes being a CFO: “It’s become a job that may be too big for any one individual to do well, given all the responsibilities and the incredible contrast between the day-to-day tactical controllership functions, and the very long-term, strategic, executive functions. It’s now more important than ever for the CFO to not just worry about their role, but also the team that they surround themselves with.” (EY 2016, 3). According to the study, CFO is one of the leading roles in terms of feeling the pressure of the constantly and evermore rapidly changing business environment. “CFOs are responding to these pressures in different ways”. EY’s study indicates that the profile of future CFO is harder and harder to define as profiles and job descriptions become more and more diverse. The industry, geography and personal attributes, company and the team around the CFO all play a role in defining the DNA of the CFO. In this environment, perceptions of what makes a great CFO are harder to grasp.

EY’s research indicates that finance leaders whose number one priority the years to come is in driving growth, are more likely to be seeking opportunities in digital as well. CFO’s that are focusing on organizational transformation, cost efficiency or risk management, seem to be less interested or focused in growth and digital agendas. However, it’s important for finance leaders to understand that digital is not just important for the growth it can bring, but also for its potential cost efficiencies through operational transformation. As figure 11 illustrates 52 percent of the interviewed CFO’s agreed on the claim that they can’t focus on strategic priorities by delegating responsibility because of lack of needed skills in their finance team. Additionally 56 percent agreed that compliance, control and cost management prevent them from focusing on the strategic work. The tension between the old and new responsibilities of finance would require more skills and more resources. The same applies to operational responsibilities and the role stretch that comes with it. Half of the respondents agreed that this takes time away from strategic priorities. The lack of skills was seen as a barrier to focus on strategic priorities by 47 percent of the CFOs.

| | |
|-----------------------------------|--|
| Ability to delegate 52% | Tension between old and new 56% |
| Role stretch 51% | Lack of skills 47% |

Figure 11 CFO’s role under intense pressure (EY 2016)

In their 2010 research, EY examined the growing breadth of the CFO role, and identified six core areas of the CFO's responsibilities. While the basic elements of CFO agenda seem to stay on board, some new areas emerge on top of these. EY's study found new forces that are changing the CFOs agenda list and expectations towards them: digital; data; risk and uncertainty; and stakeholder scrutiny and regulation. All of which are seen to be key value drivers by more than half of the responding CFO's. "Harnessing the power of data analytics is crucial for CFOs on a journey to transform the finance function from a reporting entity to a group that guides strategy through business intelligence. Data and analytics are changing the way CFOs think about business problems, opening their eyes to new opportunities, and challenging accepted and entrenched organizational beliefs" (EY 2016, 5).

| | |
|---------------------------|----------------------------------|
| Digital 58% | Data 57% |
| Risk & uncertainty 58% | Regulation & stakeholders 58% |

Figure 12 Four forces disrupting the CFO role (EY 2016, 10)

Figure 12 above describes the disruptions seen by the CFOs, but the disruption applies to all levels of finance organization. It is the accountants, controllers and finance managers alike that witness the disrupting and changing forces of digital, data, risks and uncertainties as well as changes in regulation and stakeholder expectations. All finance professionals are in the middle of constantly changing scene. The pace and the direction of these changes remain to extent unclear, while it is evident that the amount of opportunities to miss the train is increasing. The role of the management plays a huge role in any organization nowadays, perhaps more than ever witnessed in the history of finance. An active CFO who is alert to the changes in the market place, is willing to invest in expanding the knowledge and capabilities of their personnel and willing to fight for the necessary capital expenditure needed for crucial future investments is more likely to thrive in comparison with a more garrison like executive who might think that holding the fortress and sticking

to the old ways of working will be sufficient. As technology is helping in updating operations and scale down the risks in operations, Finance leaders need to revisit their beliefs regarding business models, revenue streams and the financial models related to these.

According to EY, it will be essential for all finance leaders to gain more understanding on especially two disruptive technologies: blockchain and robotics process automation (RPA). Blockchain, which became famous thorough Bitcoin is based on a logic of decentralized ledger, which is basically a shared network of computers that verify the transactions around the world. “It could fundamentally change the role of the finance function in areas such as corporate reporting, where it could transform the speed of reporting and theoretically allow transactions to be recorded and logged in real time, helping to provide greater transparency and trust in a company’s financial accounts.” (EY 2016, 6) Robotics Process Automation can be able to reduce the need for people to perform for instance back-office processes. The expected cost for these robots are estimated to land at around one third compared offshore fulltime employee (FTE) and as little as one-fifth the price of an onshore FTE in the Western parts of the World. It has significant implications for how finance functions perform rules-driven, transactional processes. It will also dramatically change the training ground for junior finance professionals. (EY 2016, 6). All these possible and likely future endeavors, if and when taking place, will shock and change the accounting professions through changing job titles, descriptions, fields of work and the expertise required to land, maintain and develop a finance expert position. Undoubtedly, they will also change the image and identity of accountants.

How accounting practices are woven into the cultural fabric of an organization and the great diversity of practices constituting its business orientation are important questions regarding the role of finance in the organization and on the other hand define the management of finance. This longitudinal case study explores and theorizes the multiple cultural change interventions related to management accounting. According to Järvenpää (2007, 99) the deepened decentralization of the business controller function, combined with the effective and increasingly centralized basic accounting systems (such as ERP and consolidation packages) and human resources management are of high importance in establishing new kind of business orientation. Consequently, a business partnering mentality and style of management is needed to gain benefits from new business approach. Moreover, informal interventions such as the role modeling and directing of personal attention – carried out by the top management and top financial executives – and storytelling, contributed to the constitution of cultural practices. Thus, the potential benefits of these informal change interventions should not be overlooked.

4 CASE-STUDY: EMPIRICAL EVIDENCE ON MANAGEMENT ACCOUNTANTS FURTHER CHANGING ROLE

4.1 The research method, research material and base information of the case company

The case study was performed as a longitudinal single-case study on a large stock listed manufacturing company. The company's (later "Slope" or the company) headquarters is in the Nordics and the company employs approximately 10,000 people globally. Slope has operations in Europe, Asia, Australia, and Africa as well as in both South and North America.

The evidence built in the case study is based on observations over a span of four years, as well as interviews and discussions with professionals both within and outside finance functions in the headquarter of the company. Additionally, evidence builds on discussions and interviews with personnel on the manufacturing sites and divisions of Slope. At the end of the study, a questionnaire was sent to 322 recipients within the company. 52 persons out of 322 responded, placing the response rate at 16 percent. The sent questionnaire included both qualitative and quantitative questions. The purpose of the questionnaire was to collect insights on how the life cycle of the company affects the perceived image and identity of the accountants. There was no intention of gathering statistically meaningful information, even though some indicative data is shown. The response rate was affected by the fact that the questionnaire came from the head office, which intimidated some of the receivers, even though it was explained in the covering note that the questionnaire is for research purposes only. The busy times in the business and global spread have most likely affected the response rate as well.

Slope is a Nordic manufacturing company with history dating back a century. The company is lead through a common matrix organization, where the divisions carry profit responsibility, while the production sites under the divisional lead are only measured against their costs. Common functions including HR, legal, tax, finance and IT are centrally governed and the personnel under these functions operate in a matrix, having a straight reporting line towards the functional manager and a dotted one into the business. This set up for managing the business has just recently been introduced. Prior to the current set-up, all the production sites, business lines and divisions were all responsible for full profit. This P&L responsibility for all led to sub-optimization and was one part of poor performance and low level of employee satisfaction.

The change in management set-up also meant changes for the reporting scenario. Prior to the change initiative reporting was scattered. Materials delivered to different (and various) management teams were in different formats, covered different topics and worst of all, had different measures and key performance indicators between different production sites, business lines and divisions. One production site could have been measured mostly through inventory turnover, other through net sales and third through cost of goods sold. This is not a problem as a stand-alone subject but when it's paired up with lack of cohesion through the company and supply chain, it results in lack of focus. And when a downturn company is lacking focus in its operations and reporting, it is hard for it to effectively find out the root causes for the lagging business performance and moreover execute the plans to turn the course. Naturally, the somewhat colorful set-up of management made the role of controller's unclear as well. While the division of labor and chain of command between the business and the finance function was not clear, controller's felt they lived and worked between a rock and a hard place. A prime example took place when the finance head of a division wanted the monthly report set up in a certain way and with certain figures and graphs in it. The lead of the production site wanted something totally different and in the pressure coming from the senior executives neither had the time or the courage to align on their requests for the controller. It might well be, that they didn't even realize there was a problem in the first place. This example ties back to the image and identity of the accountants. The controller was not really sure in this case whether he should align more with the finance head or the business manager. The end result was something in between, and no demand was met to the full. What could have been done better considering the circumstances?

The positive side of setting up clear organizational structures is that the definition of roles and responsibilities gets a lot easier. The accountant in question did not have a clear role or a clear view of his responsibilities toward the finance stream or the business. Under the circumstances anyone of the key players (personnel taking part in the weekly or monthly management meetings of the production site) could have raised a red flag, but for reasons unknown did not act this way. The knight in the shining armor was the organizational change that took place a bit after (see figure 21); the roles and responsibilities were made clear from the corporate level. The reporting packs were gradually aligned between the businesses and the roles of individuals were polished and made clear. The controller of the production site was now on a mission. He was to make sure that the monthly reporting package was aligned to that of the division's and that the costs of the site were adequately followed and reported. His identity was restored. The controller himself said, that "now I know where I stand and what is expected of me". He felt far more capable of meeting the expectations that were set for him. The new structure for the organization allowed the identity of the accountant to be rebuilt. It was now clearer, that finance was "in charge" and that decisions regarding the content, style and structure of

the monthly reporting decks were made in the finance stream, not in the business. It was much easier for the controller to decide which route to take on border line cases.

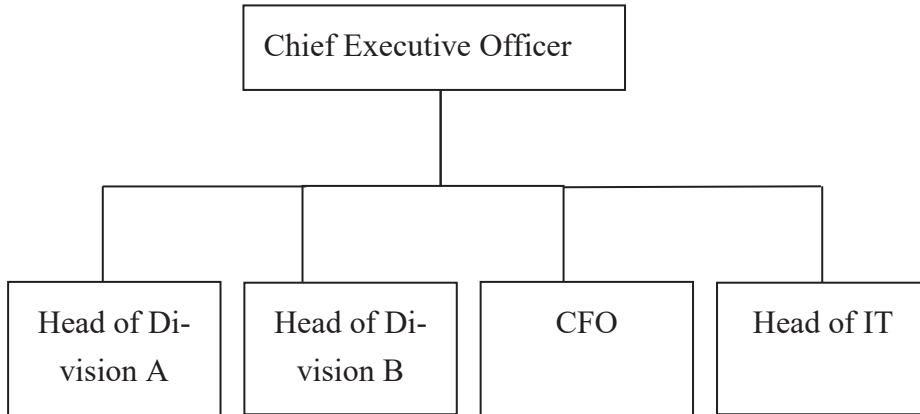


Figure 16 Example of the original managing structure

In other words, the new organizational set-up allowed better self-esteem and courage for the controller. Figure 17 below shows how the dotted line toward business and the placement of the controller in the hierarchy makes the status more obvious for all stakeholders.

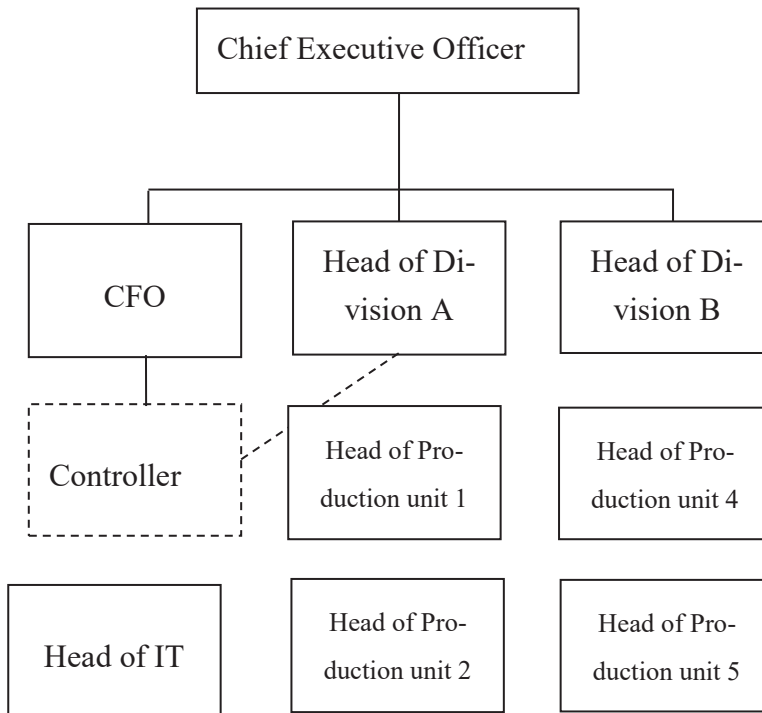


Figure 17 Example of the ex-post managing structure

The controller is now clearly part of the finance organization. The new set up enforced the functional and business leaders to revisit their approach and find new ways to interact and co-operate. As one production head mentioned: “We have a much better channel of communication now with the controller and the finance leads, setting the barriers and brushing up the responsibilities has made my life a lot easier”. Setting clear boundaries might sound harsh, but when executed correctly can bring a lot of efficiency through the functions and the business mainly through better communication and coordination.

4.2 The role of the controller in the case company

The re-organization of Slope management structure was finalized some nine months after new CEO had started in the company. There was a clear need for change both looking at the results of the company and the general atmosphere. When discussing with the key players within finance organization, there weren't too many that would have disagreed with the need for change. A question arose after these discussions; why wasn't anything done before? Why wasn't the organization capable of stopping, thinking and understanding the problem before the need to change the CEO and later CFO arose? One of the senior finance managers gave his opinion; “After the merger (which took place a few years prior to the latest change initiative), there was a strong us versus them culture within the personnel coming from the two merging companies. The CEO was stuck in the middle there. He was carrying the weight of the deal and the pressure from the market. I don't think he ever realized the depth of the cultural problems. He didn't have time for it or then he just ignored it”. The cultural problems were there all along and at least the majority of key individuals knew about these underlying issues, but there was a clear obstacle standing in the way. After a major cross-border merger common understanding among personnel of the company was that there is going to be a series of job cuts on the way. The synergy goals set for the merger would not be met otherwise. The “job cut effect” meant that even the most talented individuals didn't want to rock the boat. No one was willing to put their necks on the line to start saving, and moreover, start changing the culture for the better. Communication within teams, functions and especially across functions was neglected. People were withholding information to protect their position in these turbulent times. Some even admitted this straight up in one-by-one discussions. How did this affect the role of management accountants?

The organization was in a state of constant flux for some two to three years. It felt like a chair game was going on. This was a threat for some, especially those caught in the old ways of working and not willing to change. And for the others, it was a huge opportunity.

There was a full corporate strategy team in place before the merger and before the organizational change. The new CEO decided to get rid of the strategy department and take care of the strategy work with the help of corporate business controllers. Those management accountants willing to fill the boots and having the capabilities to do so had the chance of their careers. What used to be a mere reporting for reporting type of job, suddenly was now the strategy gatekeeper and senior executive business partner type of a job. The new roles for the corporate controllers were up for grabs. It was any individuals own activity, communication and presentations skills, passion for business and team building or leadership skills that were the watershed for their future position in the organization. And there were some that took advantage of the opportunity and another bunch of those who didn't. What distinguished the two groups? First of all, the ones who claimed their "better" positions had the hunger for it. They were not afraid of the change but rather embraced it. Secondly, they had the communication skills to let the senior leaders understand that they were there. They did not wait for someone to notice the quality of their work, but went on and told and discussed their ideas. They proactively marketed themselves within the organization. Third observation is that the rising stars were interested in the business. They understood the rules of the market and the business principals of the company. They were looking to tie the numbers back to the business and tell a story. Table 4 below illustrated the differences between the two groups; we call them here the "rising stars" and the "accountants in the shadows".

| Capabilities of the rising stars | Attributes of the accountants in the shadows |
|---|---|
| Embracing change | Afraid of change |
| Strong communication skills | Lacking communication skills |
| Invested in knowing the business | Focused on the numbers |
| Strong relationship skills | Introverted |

Table 4 Capabilities and attributes of the rising stars and accountants in the shadows

Fourth distinguishing factor that was discovered between the two groups relates to relationship skills. The rising stars had created a wide network across functions and organizational levels within the company. They knew who the main players are and reached out

to them. The introverted accountants in the shadows were not capable of building strong relationships outside of the group of immediate colleagues and peers. The rising stars had no trouble jumping into discussion with senior executives or the like. They singlehandedly allowed themselves to be seen and heard. The accountants in the shadows might have had equal technical skills and quality of work to match the rising stars, but their lack of “softer” skills made them fall behind their peers.

What then are the drivers behind the differences of capabilities between the two groups? First of all, age plays a role. The younger generation of controllers tends to be more adaptive to change than their elder peers. Being a younger member of the work community can sometimes prove to be a negative asset (see e.g. Keene and Handrich, 2010, 1), but in this case it seems, that the adaptive approach towards change turned the tables. The younger generation was more ambitious, keen to learn and ready to grasp on the emerged challenge. Looking at the distribution of finance workforce through the lens of how long they have been employed by the company gives perspective on how the dynamics and power relations are constructed within the Slope finance function. Overall, the distribution of company experience seems healthy. A third of the staff has been with the company for ten years or more, another third 5-10 years and the remaining third for less than five years. Figure 18 below illustrated the division of company years among finance staff.

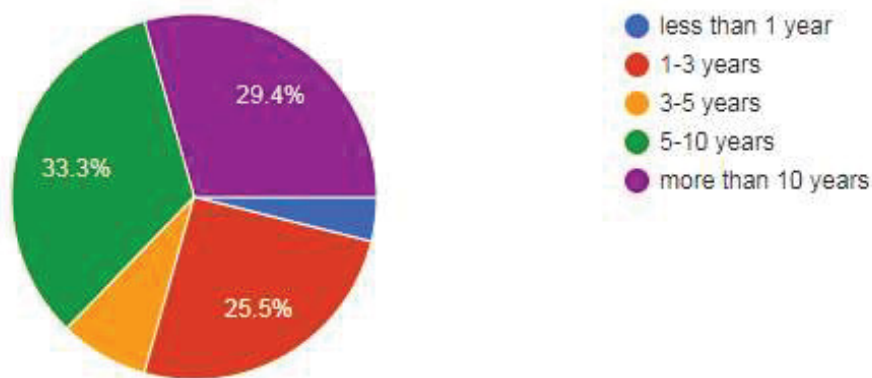


Figure 18 Years with the case company

We can draw some conclusion when comparing the years spent with the company to the years in current position (Figure 19). The proportion of personnel that have been 1-3 years with the company stands at 25.5 percent while 47.1 percent have been in their current position for 1-3 years. The same ratio applies to 3-5 years in the company and in current position and the same tendency goes with 5-10 years respectively. Although some of the changes in positions probably could be explained through the recent merger related

changes as well as the organizational and management structure changes, still it seems that it is possible for finance personnel to build their expertise and advance their career within the company.

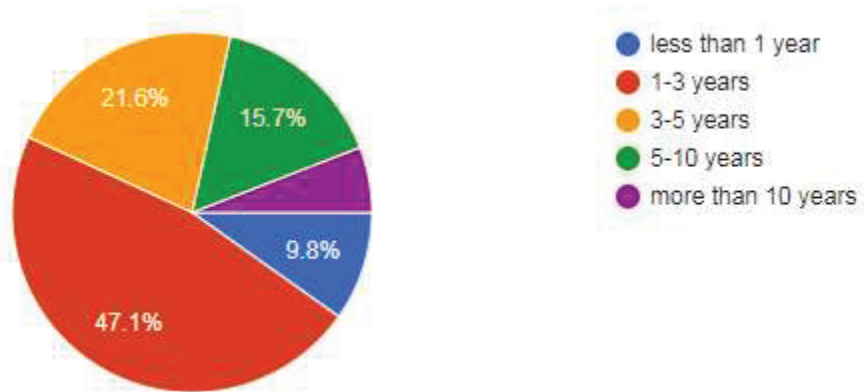


Figure 19 Years in current position

An important detail to notice is that nearly half of the respondents have worked for the case company for 1 to 3 years. Thus, the turnover of personnel has been quite fast, as the amount of personnel on average has stayed relatively stable over the past few years. Additionally, the amount of people that have worked for the company more than 5 years is only a fifth of the respondents.

4.3 The identity and image of Slope management accountants

When asked about the core purpose of finance, it was evident, that the organizational level of where the person works plays a huge role in how the accountants see both their own role and the role of finance for the Group and its management. Many accountants working in single reporting entities had the “traditional view” of accounting profession and role of finance. They saw, that core purpose for finance is to finalize reports accurately and in compliance with the guidelines within and outside of the company and “keeping the finances under control”. As one accountant working for a reporting unit of the group put it, “...to support the business in keeping control of cost development, budget development and any kind of numeric analyses that is needed for the business to make the right decisions.” For many, the purpose of the finance seems still to be the preparation of numeric analyses or administration of accounts and ledgers. On the other hand, such words as decision-making, strategy, business support and accurate information come up in the answers as well. As one accountant said; “Finance shall be a support and a ball

board for the organization in financial matters. Finance shall do the accounting and close the books and do different kind of financial reporting to the organization and to the Group”. And another accountant continues, “Managing the transactions, forming the bookkeeping to be able to provide accurate monthly, quarterly and yearly results, and managing also reporting, results, taxes, statistics and to provide accurate finance related information for management steering the unit and for decision making. He then continues; acting as party taking up things that are not compliant to make sure those policies are followed as well as participating to projects representing the unit”. Here, the accountant, even though only looking at the unit perspective, quite accurately tells the story that comes through from most of the comments received on the purpose of finance. It starts from reporting the financials, complying with regulation and guidelines, but ends up with three important words, accurate information and decisions. We could also add steering here. Accurate information for decision-making to ensure fact-based steering of the company is the punch line that comes through from many of the answers. When asked, that how involved controller’s felt themselves in the decision-making, exactly two thirds of the answerers felt, that finance was heavily involved in the decision-making in the company, which would support on its part the hypothesis, that accountants see themselves more as business partners then pure bean-counters in the case company. Finance professionals of the company were asked that how involved they felt in the decision-making on scale from 1-10. Average of the answers was equivalent to the question about whether finance is involved in decision-making in the first place as illustrated in table 5 below.

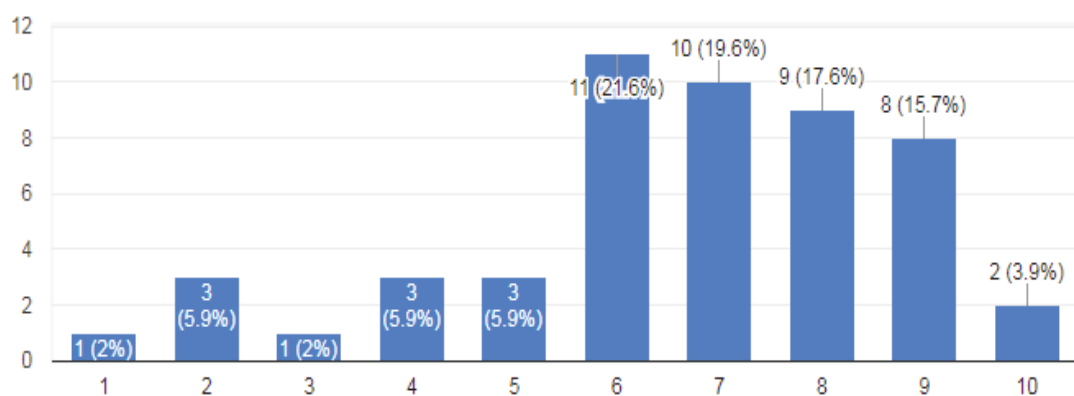


Table 5 How involved accountants see themselves in the case company decision-making process on scale 1-10

Average of the answers was at 6.6, mode at 6 and mean at 6.1. The answers are heavily skewed to the right. In addition, the finance community of Slope received a question on whether they feel that management expects them to take part in decision-making in their

respective unit, division or on executive level within the company (see table 6). The received answers ranged from 2 to 10 with mode of 8, mean of 6.8 and an average of 7.1. The curve of the answers is more spread out, but is clearly skewing to the right.

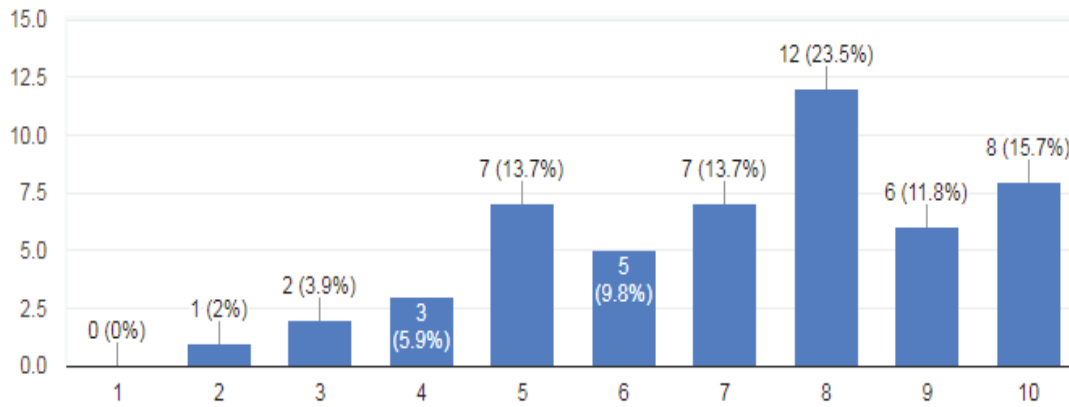


Table 6 How much controllers feel that management is expecting them to take part in decision-making on scale of 1-10

What is noteworthy on the data is the fact that 51 percent of the answers are on the range of 8-10. Based on the narrow sampling within this company, it can be argued, that management expects more part-taking from finance in decision-making, than what finance is willing to give. As one controller commented: “management expects the controller to be very involved in decision-making, however also putting more pressure on delivering more numbers in less time”. This influences the time that is available for making quality analyses to support in decision-making. Also, it feels very often that the involvement is more about "sharing the responsibility" or "shifting in responsibility" to the controller instead of what the controller should, in my opinion, be for. That is, giving advice and support the advice with arguments. The decision should however always be the responsibility of the management.” Another controller follows suit: “Management should of course involve finance in the process of decision-making. Unfortunately, economic rules are not always the basis. These are replaced by political and social considerations. Finance and business units mostly look for the ways out (of difficult situations)”. Some of the comments clearly mirror the dissonance of opinion on the role of controllers especially regarding the decision-making. One controller says this loud and clear by stating that “...they expect full involvement in decision making but I feel they are not getting that.” Some of the members of the finance community of the company felt, that finance is too many times seen as the jack-of-all-trades -type of problem-solving automate. As an executive put it, a clear alignment of concept for Finance is desperately needed. Or, more cynically, continuation of the Finance as a "dumping ground" for the difficult tasks needs

to stop. Table 7 below shows the perceived identities of accountants that stood up within Slope finance teams. Many of the perceived identities refer to a generalist type. Management accountants themselves feel that they are expected to solve all sorts of issues, and not just issues related to finance.

| Perceived identities for the management accountants |
|--|
| Jacks of all trades |
| Problem-solving automate |
| Business information office |
| Dumping ground for the difficult tasks |
| Bean-counters / number crunchers |

Table 7 Perceived identities for the management accounting function

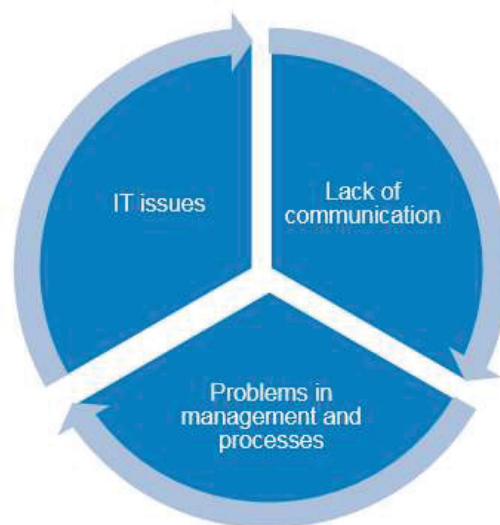
Controlling community of the case study was also asked about obstacles and barriers that prevent them from doing their work on an optimal way. The answers to this question can be divided into three categories. Lack of resources to be mentioned as the first one. Lack of resources can be further divided into IT related restrictions and lack of human resources. The second category is management. Based on the received answers, many of the members of the financial community of the case company did not feel that management, be it middle or top, is involved or invested in the financial processes. Lack of harmonized processes was a second point that stood up in many answers and falls here under that management category. As one member of the financial community described: "...the management does not drive us towards working in a more optimal way. Decision-making and action taking is very poor, lack of structure and systemized tools to approach all the problems in general." And another controller continues that there are too many initiatives running in parallel and that lack of harmonization is the biggest obstacle. According to a Vice President, time and resources are too scarce, as management does not understand the effort involved.

| Lack of resources | Poor management & processes | Communication |
|--------------------------|--|--|
| IT landscape, equipment | Lack of interest | Missing channels of communication |
| Too few people | Lack of harmonized processes | Lack of willingness to share information |

Table 8 Three categories of barriers to optimal work

Third category that stood up from the data is communication. There is clearly a lot of frustration among controllers regarding missing channels for effective communication, and thus lack of dialog and messaging within the company's finance organization. Table 8 above highlights the recognized categories. The interesting part of the barriers is that all three categories are heavily interdependent.

Figure 20 Barriers to optimal work



Poor communication leads to poor processes and is part of poor management. Poor processes and missing communication then lead to wrong resourcing, and the vicious circle is ready as illustrated in Figure 25. Working with outdated equipment and old, fragile and scattered enterprise system landscape just adds to the frustration and orienteering through the jungle of various applications and problems with them seems to take huge amount of both time and energy. Poor tools affect the amount of people needed and when too few, the energy and motivation of the staff take a hit. Lack of motivation then on the other hand ultimately affects the willingness to communicate. Communication to different

group companies locating in other countries gets difficult, if the systems are not harmonized, and a lot of effort is needed just to set the playing-field level, i.e. to know which accounts, figures or issues the contacting party is talking about. It could well be that fixing the IT solutions and providing the staff with up to date tools could help solve at least some of the problems relating to communication and processes.

Organizational restructuring was seen to be the biggest lever for the changes in the role or line of duty over the past five years. More than 80 percent of Slope controllers mentioned that organizational restructuring has affected their duties during this time. Almost half of the respondents mentioned that changes in top management have affected their duties. Slope has had a new CFO twice under the past five years, so in that light, it's hardly surprising that many of the controllers have witnessed changes in the ways work is organized. If we exclude promotions, organizational restructuring, changes in top management, changes in financial stability and changes in the line of command and mergers and acquisitions were the top five reasons for changes in roles and field of duties. When looking at the enterprise life cycle, restructuring is a prime example of a step change and perhaps a jump from one stage to another. Table 9 below shows the answers received.

| Reason for change in role and / or duties | Number of answers | % of respondents mentioned this as a reason for role change |
|--|--------------------------|--|
| Organizational restructuring | 41 | 84 % |
| Changes in top management | 23 | 47% |
| Changes in Finance organization | 19 | 39 % |
| Changes in your own line of command | 15 | 31 % |
| Mergers and acquisitions | 14 | 29 % |
| No major changes | 2 | 4 % |
| Outsourcing | 1 | 2 % |

Table 9 Drivers of change in controller's role and field of duties

Whether restructuring is related to positive or negative changes from employee's perspective, i.e. cost-cutting and headcount reductions or moving into growth markets and expanding the business, restructuring seems to affect the work of most controllers in some way to the least. A staggering 84% of the respondents felt that organizational restructuring has affected their role or line of duties, while only 4% of the respondents saw no major

changes to have taken place over the course of prior five years. Organizational restructuring was followed by changes in top management (47%), changes in the finance organization (39%) and changes with immediate management and peers (31%) as well as M&A (29%). Organizational restructuring is often triggered by the change in life cycle stage. Whether it is moving from infant stage to adulthood or from stable to decline, the change in the stage often requires shaking of the entire organization, which seems to lead to change in the roles and duties of finance personnel. Another question was about what controllers wish to have more in their work. As table 10 illustrates, interaction with the management and with business counterparts were among the most received votes on the wish list.

| What controllers wish to have more in their work | Number of answers | % of respondents mentioned this as a reason for role change |
|---|--------------------------|--|
| Better tools | 35 | 70 % |
| Interaction with the management | 26 | 52 % |
| Interaction with the business | 22 | 44 % |
| More challenges | 20 | 40 % |
| Different types of tasks | 12 | 24 % |
| More routines | 10 | 20 % |
| More strategic line of work | 1 | 2 % |
| More time | 1 | 2 % |
| Clearer communication | 1 | 2 % |
| Better processes | 1 | 2 % |

Table 10 what controllers wish to have more in their work

Half of the respondents felt, that they want more interaction with the management and with the business. This indicates that business partnering is something that company's controllers at least look forward to participate in. On the other side of the coin, there were some 20% who felt that they want more routines in their work. Better tools were mentioned by 35 out of 50 answers, so 70% felt that better tools are wished for, if not immediately needed. This is not surprising when mirrored against the barriers to optimal work. This is a very interesting question, as it tells about the needs and wishes of the controllers'. It is thus a close cousin to the discussion about image and identity; all ties back to the question of what do I want to do as a controller; "what is my aim in this role"? It seems that management accountants of Slope are paying attention to the interaction, communi-

cation and business side of things. They seem willing to take on the challenges of becoming business partners and step out of the traditional roles of bean counting and number crunching.

5 CONCLUSIONS

5.1 Discussion and conclusions

This study set out to explore how the controller's role changes alongside the corporate life cycle in the constantly changing management accounting environment. The findings indicate that the role of the management accountant is affected by the changes in organizational life cycle. However, the changes in the role seem to take place indirectly in relation to the life cycle. The change in life cycle stage might trigger other changes, such as changes in top management, organizational restructurings or some form of M&A actions. These changes then trigger the need to revisit the roles of management accountants. One of the most important aspects that arose from the study is that management accountants themselves have a major role in re-defining their role in the times of turbulence. It is through the longitudinal build-up of image and identity and through the ability to realize the rising opportunities and to grasp on them that accountants can affect their roles and responsibilities in an organization. In many cases, controllers have the knowledge and technical expertise to make it in the top league; they would have the substance expertise to have an effect on the course of business they are in. But, many management accountants still seem to lack in their so called soft skills; communication, presentation and relationship skills are preventing them from taking the leap to becoming trusted advisors, strategic wizards and business partners that support the improvement of the entire organization and are the go-to persons for corporate management or the like.

The primary theoretical contributions offered by this study relate to a deeper understanding of one setting under which the management accounting change was clearly visible and the role of the controller was changing alongside the changes in enterprise life cycle. In the light of the evidence gathered in this study, it seems that management accountants are splitting into two pools; the ones that are afraid to embrace the inevitably changing surroundings and get stuck with the old ways of doing things. This pool seems to lack in communication, presentation and relationship building skills. This group is under the risk of being replaced by machines at some point in the near future as artificial intelligence is shifting the balance in so called basic-cognitive tasks. According to Wall Street Journal (2016, 1) most jobs involve a number of tasks or processes of which some are more routine by nature, while others require judgment, social skills and other human capabilities. The more routine and rules-based the task, the more amenable it is to automation. Even though tasks have been automated, that does not imply that the whole job has disappeared. Automating the more routine parts of a job will often increase the productivity and quality of workers, by complementing their skills with machines and

computers, as well as enabling them to focus on those aspects of the job that most need their attention.

The Economist (2016) references the work of economist James Bessen, who in a recent Atlantic article, *The Automation Paradox*, argued that “what’s happening with automation is not so simple or obvious. It turns out that workers will have greater employment opportunities if their occupation undergoes some degree of computer automation. As long as they can learn to use the new tools, automation will be their friend.” Computers thus reallocate rather than displace jobs, requiring workers and experts to learn new skills. So far, the same seems to be true of fields where AI is being deployed. The evidence gathered in this study suggests that old-fashioned accountants are in danger of hitting recession or even extinction, if they refuse to renew themselves and revisit the skills and capabilities required in the new era dominated by growth of computerized work.

The case company of the study seized its strategy department in its latest organizational restructuring. The work previously performed by the strategy team falls more and more on the financial planning & analysis (FP&A) team. The transition ties the operational, tactical and strategic work more closely to each other, but at the same time, builds up the workload and expectations on the FP&A. Management accountants in the case company have recently taken more and more of a holistic role within organizations. In Slope, group level management accounting team can be witnessed to act as an information office towards different global functions and teams. MA function is in a sense an intersection for information, a business information office which capabilities and knowledge goes beyond traditional accounting information. As a vice president of the case company said, “We glue it all together”. Management accounting team is expected to have knowledge of all major items that define the direction of the company, be this key performance indicators, cash flow, balance sheet, profits, organizational changes, sales or markets, but even communications, mergers & acquisitions or financing arrangements. This is real-life evidence that accountants are transforming, if not already transformed, from bean-counters to business partners.

Endenich (2014, 123-149) found that the most recent economic crisis was a crucial driver of management accounting change. His research suggested that opportunities are continually evolving that might result in a more powerful position of management accountants within corporate decision-making processes and an improved image of management accountants. The observation gathered in this research support the findings of Endenich. A situation of crisis, be it a market- or company specific, seems to open possibilities especially for management accountants.

Management accountants of the case company seem to be divided in to two separate groups regardless of their location, country of origin or level they are in the organization. There are those who seek to find possibilities and see the changes in the life cycle of the company as possibilities to learn and take a leading role in the organization. Then there

are some that seem to fall into the old-school bean-counter slot and wish to have more stability and routines and are to some extent afraid of changes and feel anxious because of the constant changes that occur. Thus, with evidence gathered in this study, it can be argued that even though changes in the life cycle of the company play a role in how management accountants' image, identity and position build up, even bigger effect seems to come from individual traits. How ready an individual management accountant is to grasp on a bigger role within the organization, how resilient to changes in the environment and how keen to constantly learn and develop alongside the change of the profession one is, plays a much more important role than the life cycle stage, support of management or other surrounding factors. Management accountants are willing to take a more strategic role and wish to work close to the management. The readiness for business partnering seems to exist within management accountants, but it remains up to each finance team, controller and finance management whether the benefits of business partner approach and wider business acumen are obtained. The evidence of this case study suggest that the management accountants are keen to adapt to the constantly changing business environment and to play a critical role in the success of organizations and provide improved business insight to the management. We conclude that the changes in the life cycle of the company provides opportunities to those management accountants that are willing to take the necessary leaps of faith.

5.2 Limitations and recommendations for further research

As with all research, the study is subject to limitations. First, the study was conducted over a period spanning some four years. Thus, there is a risk that some retrospective interpretations include biases due to the possibility of ex-post rationalization. Second, the state of the company at the time of the research shifted first from major losses to the positive side, and then back towards break-even. This may have polarized some of the interviews, discussions, opinions and answers on the questionnaire. In addition, I myself as the researcher was part of the case organization, which may have caused some irregularities or subjective interpretations on the conditions and opinions. These factors suggest a need for some caution in interpretation on the results of the study.

Despite these limitations, the findings of this study suggest routes for further research. This study provides empirical evidence about the ways management accountants operate, handle pressure and grasp on the opportunities provided by the changing situation of enterprise life cycle. Further research could reveal the impacts of the emerging AI technologies on the management accountant work; how the roles change with more and more applications of AI coming to play, how this interplay changes the image and identity of

accountants and for instance, what are the new emerging roles (such as data scientist) for management accountants in the new era. The findings of this study should not be generalized in a statistical sense. However, the results may be used as the basis for qualitative and quantitative follow-up studies. For example, a quantitative analysis on the amount of management accountants in companies at different stages of enterprise life cycle would provide additional insights into the role of controller and further contribute to theory development in this area. Another opportunity for further research is to examine how the roles of management accountants differ across organizational units and at different organizational levels in a certain stage of the life cycle.

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APPENDICES

APPENDIX A: THE QUESTIONNAIRE SENT OUT TO THE FINANCIAL COMMUNITY OF SLOPE

1. Your position

Trainee
Assistant
VP / Manager
Senior / Executive
Assistant Controller
Analyst / Financial Analyst
Specialist
Controller
Other

2. Years with Slope

less than 1 year
1-3 years
3-5 years
5-10 years
more than 10 years

3. Years in current position

less than 1 year
1-3 years
3-5 years
5-10 years
more than 10 years

4. Working for

Reporting Unit / Mill
Business Area
Group Functions

5. Your function is

- Finance
- Supply Chain
- BT&IT
- Human Resources
- Production
- Legal & Compliance
- R&D
- Other

6. What is the core purpose of finance function in your opinion?

7. How do you perceive the concept of “business partner”, what do you think that the term means and includes?

8. Your opinion on what successful business partnering requires?

9. Do you feel, that management accountants / controllers / analysts at Slope act as business partners? Why?

10. What attributes, features or capabilities should a future controller have?

11. Has your role and/or field of duties changed over the past 5 years excluding promotions because of the following? You can choose as many as you see fit.

- Change in top management
- Organizational rearrangements
- Mergers and acquisitions
- Changes in your own chain of command
- Changes in financial stability of the company
- Other:

12. Which of the above do you see to be the main drivers of change and why?

13. How do you see the role of controllers / analysts / management accountants changing in the next 2/5/10 years? What do you think that will be the most important fields of work in the future?
14. What are the most relevant tasks of your work? Why did you choose these? Are there some tasks that you are not too fond of and why?
15. What do you wish to have more in your work? You can choose as many as you see fit.
- Interaction with colleagues
 - Interaction with management
 - More routines / stability
 - More challenges
 - Better tools
 - Different types of tasks
 - Other:
16. Is there something that prevents you from doing your work in a more optimal way? What are the biggest obstacles?
17. Do you feel that finance function or your own team is taking part in decision-making within the company?
- Yes
 - No
18. On a scale of 1-10, how involved do you see finance being in decision-making in Slope?
19. On the same scale, do you see that general management expects controller's involvement in decision-making in your unit/BA/function?
20. Any rationale for the above?

