1

INTRODUCTION

The CFO finance and accounting function is evolving from its traditional role of collecting data, validating data and reporting information to a more value-adding role of supporting analysis for decision making. Progress has been notable. There is much written and discussed about how the CFO function's role should expand to one of being a strategic advisor to the executive team and an enabler for the workforce. However the upside potential is substantial.

Trends demonstrating progress include the shift from profitability reporting of products and standard service lines to the more encompassing view of customer profitability reporting using activity-based costing (ABC) principles. This is similar in industry to how suppliers often are viewed by customers as a commodity. In response, suppliers are expected to offer ideas and innovation to customers to differentiate themselves. Simply replace 'users' with 'customers' and 'suppliers' with 'accountants' in those last sentences. You will then understand what I mean. Accountants inevitably will need to embrace financial planning and analysis with enterprise performance management (EPM), which includes business analytics. To sum up, financial accounting is about valuation. In contrast, managerial accounting is about creating value. This means accountants need to expand from being bean counters or bean growers.

Another example of CFO function trends has been the development of strategy maps to report and monitor both financial and non-financial key performance indicators (KPIs). An additional example is a swing from traditional cost centre budgeting and variances control toward driver-based rolling financial forecasts using predictive analytics integrated across business processes. A third example is that enterprise risk management (ERM) is now being integrated with EPM, and the CFO function is increasingly involved with taking responsibility for ERM.

The opportunity is now for accountants to contribute more to improving organisational performance.

A DILEMMA FOR ACCOUNTANTS

The following is an edited excerpt from an e-mail sent to me from an accountant I have known for years.

> I left my job with Xxxxx in 2009. Most of the VPs there did not understand strategy execution or managerial accounting. A few others and I tried to spread the word for about two years. It was just always a struggle to get buy-in for strategy execution, a balanced scorecard, dashboards or driver-based budgeting and rolling financial forecasts. Our guys weren't really interested in profitability modelling or using any activity-based

> costing. I tried to do one driver-based budgeting project, but their accounting software could not handle it. It is sad.

What can be said after reading his note? My intent is not to alienate some readers. I simply want to illustrate that the field of accounting will eventually need to deal with its denial problem.

The frustration with the lack of progress in managerial accounting is prevalent on Linkedin.com discussion groups related to accounting. The discussions exhibit annoyance bordering on infuriation caused by attempts to introduce progressive managerial accounting methods and practices that are rejected—or at least under-appreciated—by their organisation's managers and accounting colleagues.

ACCOUNTANTS' PROBLEM OF DENIAL

By denial, I mean the false belief that accounting's main purpose is what I just mentioned: to only collect, validate and report data. It is so much more. The accounting profession must shift its emphasis to embrace better and more robust methods of financial planning and analysis.

This book is intended to dispel misconceptions about impediments that block accountants from making progress. It is intended to provide an understanding about how various enterprise performance management methodologies work, can be integrated and can be imbedded with analytical techniques.