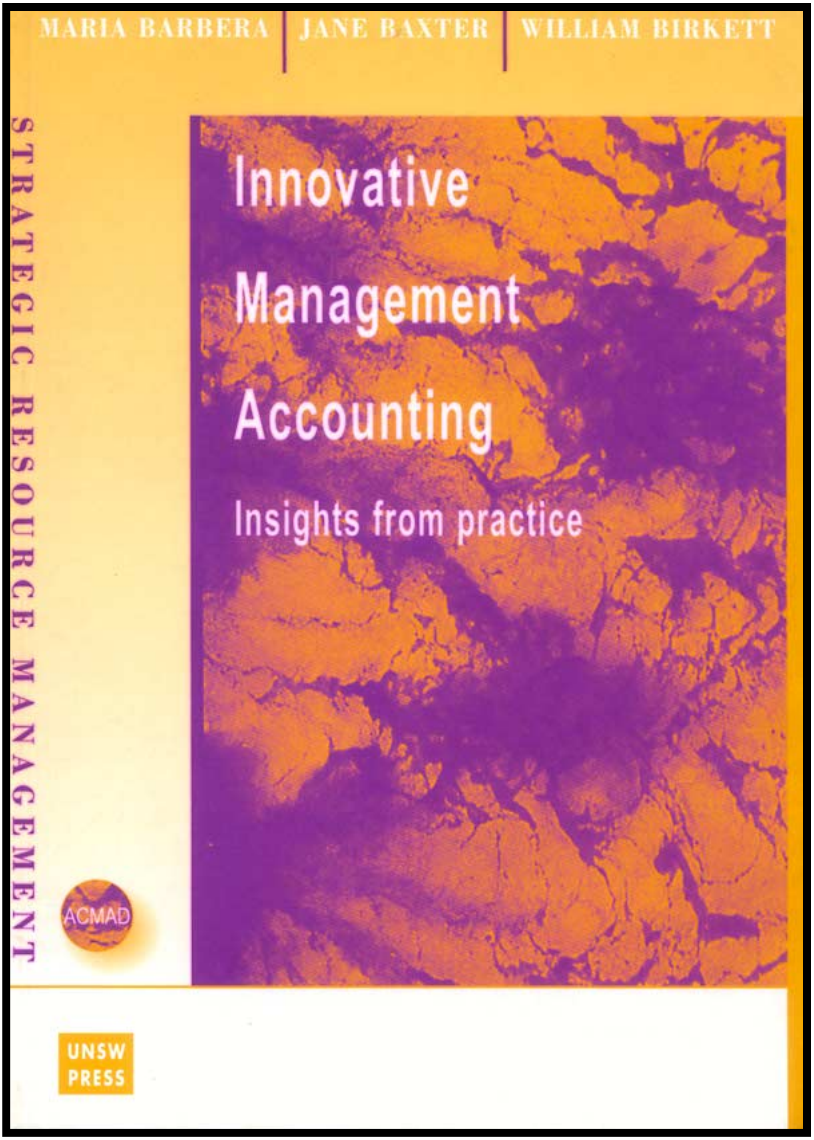
MARIA BARBERA
JANE BAXTER
WILLIAM BIRKETT
STRATEGIC RESOURCE MANAGEMENT
Innovative
Management
Accounting
Insights from practice
ACMAD
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INNOVATIVE MANAGEMENT ACCOUNTING

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THE AUSTRALIAN CENTRE FOR MANAGEMENT ACCOUNTING DEVELOPMENT (ACMAD) is a network driven and financed by a membership of almost 100 organisations and universities. Its mission is to stimulate and facilitate learning about the innovative management of organisational resources. This series is one expression of its mission. ACMAD welcomes inquiries. Further information about the Centre is provided on its website at: ***www.ace.unsw.edu.au/acmad.***

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INNOVATIVE MANAGEMENT ACCOUNTING

INSIGHTS FROM PRACTICE

UNSW PRESS

Chartered Accountants

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Organisations are devices for creating value through the effective use of resources. While they need to create value for all contributors of resources, a premium is placed on value creation for customers and shareholders. After all, an organisation is unlikely to be able to offer inducements to other resource contributors if it does not provide value to its customers. Also, shareholders are aware that failure in value creation for customers will be reflected in the value that they can receive. Value creation for customers and shareholders, then, is broadly regarded as the litmus test for judging organisational effectiveness.

Value creation by organisations takes place against a backdrop of fast moving competition in resource and service markets, and increasingly rapid shifts in the value expectations of customers. Under these conditions it is insufficient to meet or beat the competition with present service offerings; new service offerings have to be invented and made competitive, as previous offerings cease to be serviceable and are thus devalued.

As service offerings change, so will the materials, technologies, skills and processes that are needed to produce them. New service offerings require different constellations of resources and new relationships with new resource contributors.

An organisation's *strategies* define how it proposes to create value for customers in terms of its service offerings over the immediate period and the opportunities it seeks over a longer term. Whether or not an organisation will be successful in these endeavours will depend on its *capabilities* for doing so.

Strategies, then, have to deal with both the known (the creation of value through present service offerings) and the unknown (the invention of service offerings that will create value in an as yet unknown future). And capabilities need to sustain both the organisation's present effectiveness in offering services and its future renewal by capitalising on opportunities as they emerge.

An organisation's success in strategy realisation or renewal will be dependent on its effectiveness and creativity in managing resources. This places a premium on *strategic resource management* and on new ways of understanding organisational resources, resourcing and resourcefulness. What are an organisation's resources, what forms do they take and how can they be used effectively and not wasted? What constellations of resources constitute strategic capabilities, useable now in meeting the competition and converting possibilities into future opportunities? And what strategic capabilities are sufficiently distinctive to constitute the core competences underlying an organisation's continuing identity?

These questions are answered in the Strategic Resource Management Series. Each volume will address them in relation to particular subject matter, drawing on relevant theories and providing illustrations from contemporary organisational practice.

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PREFACE

The history of management accounting bears testament to the `innovativeness' of accounting practitioners. It is individual practitioners who have and are transforming the discipline of management accounting by seeking new approaches to organisational resource management. Not surprisingly, the ACMAD Strategic Resource Management series looks to accounting practice for its inspiration and insights. This report is no exception. It documents innovations that are occurring at the cutting edge of contemporary Australian management accounting practice. The authors have not, however, characterised these innovations out of mere academic curiosity. Rather this is a report about practice, for practitioners.

This profile of practice has been produced to enable practitioners to consider the state of practice in their organisations. How does the practice of management accounting in their organisations correspond to or differ from the profile of practice documented in this research report? Would the adoption of these reported innovations enable more effective resource management practices within their organisations? Interested readers are encouraged to explore the practical possibilities that may emerge from these insights into innovative management accounting practices.

Since the data were collected for this report (1995), new practices have emerged in the research organisations. One practice which the authors believe merits note is the integration of KPIs in a balanced scorecard format (see Kaplan and Norton 1996). The authors were aware of the attempts of at least one of the interviewees to introduce this approach to performance evaluation in his organisation. The interviewee from this organisation claimed that they were `doing work on shareholder value at the moment, and RONA and the balanced scorecard and all that sort of thing'. Certainly, new ideas will continue to be tried and tested in practice, and so innovation in management accounting will continue.

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This book has also benefited from the specific comments of Mr Neil Guest and Professor Robert Chenhall.

The opinions expressed in this report are those of the authors only.

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INTRODUCTION

This study is motivated by a desire to describe and characterise innovations in contemporary Australian management accounting practice. What ideas and practices characterise the cutting edge of Australian management accounting practice?

This report is based on a field survey. It draws on the perceptions of management accounting practitioners in 11 organisations that were members of the ACMAD network during 1995. Semi-structured interviews were used to elicit these perceptions about innovations in Australian management accounting practice.

The data collected in this study indicate that three main types of innovations characterise the cutting edge of Australian management accounting practice:

- the increasing managerialism of management accounting work
- the reconstitution of the cultural context of the accounting and finance function
- new management accounting technologies.

The following narrative is concerned with elaborating and substantiating these claims. Chapter One discusses the concept of innovation and its relationship to management accounting work. Chapter Two outlines the research method used in this study. Chapter Three and Four profile the innovations in management accounting practice within the organisations studied. Chapter Five discusses this innovative profile.

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CHAPTER 1

INNOVATION AND MANAGEMENT ACCOUNTING PRACTICE

This chapter discusses organisational innovation and the ways in which management accounting is connected to it.

Organisational innovation

Typically, the label of `innovation' refers to the `generation, acceptance, and implementation of new ideas, processes, products and services' (Thompson 1965, p. 2). Innovation is associated with `newness', or the management of organisational change (see Tushman and O'Reilly 1997). Where innovation results in the delivery of changed products and services it is referred to as `product innovation'. Where innovation leads to changed ideas and processes it is referred to as `process innovation' (see Baba 1989; Davenport 1993; Tushman and Nadler 1986).

Innovation is also characterised by the quantum of change. Innovations are either small — `incremental' — or large — `discontinuous' — (see for example Strebel 1987; Tushman and Nadler 1986).[1] `Incremental' innovations are generally an outcome of `continuous improvement' programs (CIP), whilst larger, fundamental changes result from `re-engineering' projects (REP) (see Sheehy et al. 1996, p. 113). This typification of innovation is summarised in Table 1.

Table 1
Innovative outcomes and their change context

Change context	CIP	REP
New ideas/processes	Incremental process innovation	Discontinuous process innovation
New products/services	Incremental product innovation	Discontinuous product innovation

Innovation is not — or should not — be change for change's sake, however. Innovation is sought because it enables the creation of new value-generating resources or it increases the value-generating potential of existing resources (Drucker 1985). Consequently, innovation is given pre-eminence on many companies' agendas, such as 3M (Mitsch 1990) and Enron (Hamel and Busch 1997), because of its strategic importance. Innovation brings future value-generation into the day-to-day activities of present organisational functioning (see Birkett *et al.* 1992).

Yet the emergence of innovation defies direct managerial regulation. Innovation is an unpredictable activity:

> Innovation tends to be individually motivated, opportunistic, customer responsive, tumultuous, non-linear, and interactive in its development. Managers can plan overall directions and goals, but surprises are likely to abound. (Quinn 1985, p. 83.)

At best, managers can create an organisational context that facilitates innovation and focuses attention on `tomorrow's definition of value' (Tushman and Nadler 1986, p. 74). And, as Hamel and Busch (1997, p. 4) alert managers, innovation must be facilitated throughout an organisation: `there is no assumption that strategy and innovation start only at the top'.

Management can facilitate innovation by the ways in which all types of resources are allocated and deployed (Stevenson and Gumpert 1985, p. 87). As West (1992, p. 118) states:

> Without appropriate resources ... no organization can effectively innovate, whatever the attractiveness of the market, the level of government support, financial resource and market position.

Innovation resources

Innovation is encouraged and sustained by the management of the following resources: strategy; style; structure; staff and skills; shared values; and systems and support (see West 1992, ch. 7). These are discussed below (following Baxter 1995) under several headings.

Strategy

Strategy formulation plays a vital role in facilitating organisational innovation. The process of analysing the general and competitive environments may identify opportunities for future value creation. Drucker (1985, p. 68) argues that environmental analysis highlights `unexpected occurrences', `incongruities', `process needs', `industry and market changes', `demographic changes', `changes in perception' and `new knowledge' that provide a platform for innovation activities.

Organisational strategy also influences the types of innovations sought (see Morden 1989). Organisations with an `attacking strategy' base their competitive advantage on a quest for fundamental innovations — they need to be the first-mover in a particular product-market or industry. These organisations have been described as `prospectors', `builders' and `entrepreneurs'. Other organisations can remain competitive with incremental innovations in their products and processes. These types of organisations have been described as `reactors', `harvesters' and `adapters' (Chenhall and Morris 1995).

It is, however, the concept of strategic intent (Hamel and Prahalad 1989, 1994) that embeds the quest for innovation in on-going organisational activities.[2] These ambitious and focused visions of future success are a significant driver in harnessing the creativity behind, and desire for innovative organisational outcomes (Drucker 1985; West 1992).

Style

Management style is argued to make a difference to organisational innovation. For example, after studying 165 managers, Kanter (1982) concludes that there was a particular management style for innovation. Kanter describes this style as `participative-collaborative' (p. 102). This style is characterised in terms of managers that:

- used persuasion more than others
- built a team that met regularly and shared information
- actively encouraged inputs from others
- were politically sensitive
- shared rewards and recognition with others.

Tushman and Nadler (1986), however, have argued that managers can foster innovation in a variety of ways. Managers can be:

- `idea generators' and highlight opportunities for new products and processes to others
- `champions' and assist innovations through an organisation

- `gatekeepers' and create linkages between organisational participants and innovative opportunities in their external and internal environments
- `mentors' and provide support and resources for innovation.

Structure

Innovation is also facilitated by a choice of organisational structure. There is an emerging consensus that innovative organisations have particular structural requirements. Thompson (1965, p. 13) illustrates this position:

> The innovative organisation will be characterised by structural looseness generally, with less emphasis on narrow, non-duplicating, non-overlapping definitions of duties and responsibilities. Job descriptions will be of the professional type rather than the duties type. Communications will be freer and legitimate in all directions. Assignment and resource decisions will be much more decentralized than is customary.

The ways in which this `looseness' informs organisational structure depends on the quantum of innovation sought and the extent to which top management is prepared to allow this looseness to pervade everyday activities.

Strebel's (1987) presentation of the structural options available to facilitate an innovative organisational context is given in Table 2.

Table 2
Innovative structural contexts (after Strebel 1987, p. 10)

	Mainstream organisation: Open	Mainstream organisation: Closed
Fundamental innovation	Widespread team competition	Organisational spin-offs
Incremental innovation	Simulated entrepreneurialism	Independent task forces

Fundamental innovation may be fostered throughout an organisation by grouping organisational participants into teams which compete to introduce new products and processes. Hewlett-Packard, for example, has used team competition (called `shoot-outs') to manage innovation.[3] Alternatively, fundamental innovations may be sequestered in autonomous organisational spin-offs, sometimes called `skunkworks' (see Lewis 1993, p. 89).[4]

Incremental innovations can be promoted in specific projects by the formation of ad hoc task forces. For example, Ford Australia instituted `employee involvement' teams in its plastics plant to solve particular problems in innovative ways (Matthews 1991). More generally, a situation of simulated entrepreneurialism can be instituted throughout an organisation to encourage incremental innovations based on employee empowerment. Continuous improvement programs are an illustration of this latter approach.

Staff and skills

An innovative organisational context is also stimulated by the ways in which human resources are acquired and developed. Recruitment in innovative organisations aims to embrace a diversity of skills and talents (Tushman and Nadler 1986), but staffing policies need to be related to the type of innovation that an organisation requires (see West 1992). For example, if radical, discontinuous innovation is required, then high levels of `academic expertise' are necessary. (Consider, for example, the hundreds of PhD-holders employed by the pharmaceutical company, Merck, Sharp and Dohme.) In comparison, high levels of technical expertise are needed in organisations striving for sustained, incremental innovations. West concludes that all innovation strategies must be based on a competency profile that is characterised by no less than `proficient' and `expert' skill levels (see also Birkett 1993).

Correspondingly, the development of skills is essential in an innovative organisational context. In addition to enhancing particular disciplinary and technical skills, developing new capabilities in problem-solving, communication, conflict resolution and team building are also considered requisite (Tushman and Nadler 1986). Other developmental policies, such as `rotation of assignment' and `group processes' (Thompson 1965, p. 1), are also valuable innovation resources.

Shared values

Managers must encourage shared values that harness organisational participants' creativity and capacity for innovation. Shared values that have been associated with an innovative organisation (see Farnham 1994; Quinn 1985; Rule and Irwin 1988; Tushman and Nadler 1986; West 1992) include:

- an emphasis on organisational learning
- a desire to get close to the customer
- a propensity for risk-taking
- open and extensive lateral communication channels
- a tolerance for creative personnel — the `beret' types.

In short, innovation thrives in a `can do' environment (West 1992, p. 144).[5]

Indeed, the importance of shared values may be demonstrated by the failure of innovation strategies based on mergers and acquisitions (see Davidson 1991).

Systems and support

Innovation is also facilitated by systems and support, and it is performance evaluation systems which constitute the most important form of this innovation resource (see for example Kaplan and Norton 1996; Simons 1995). Performance evaluation systems create the much needed `competitive pressures within the organization to innovate' (Simons 1995, p. 92). Mitsch (1990, p. 19) describes the ways in which this pressure for innovation is created and sustained by the performance evaluation system of 3M:

> To ensure that the company's early pattern of growth through innovative new products continues, a quantifiable new products target has become part of 3M's financial goals. The company aims to achieve at least 25 per cent of its growth each year through new products developed within the last five years. Every operating
> unit and its people are evaluated on their ability to reach this goal. To encourage innovation, 3M, in the past decade, has increased the ratio of spending on R&D from 4.6 to 6.5 per cent.

Kaplan and Norton (1996) stress the importance of providing this `infrastructure' that enables organisational participants to focus on future growth through current innovation activities (see 1996, ch. 6). Management must provide a `learning and growth perspective' within an organisation's systems and support.

Management accounting and organisational innovation

Management accounting has been implicated in organisational innovation in both constraining and enabling ways.

Management accounting's constraining role

There are widespread concerns that management accounting constrains organisational innovation. The ways in which management accountants have (traditionally) approached resource management may hinder future value generation.

Quinn (1985), for example, gives voice to these criticisms which portray management accounting as a `barrier' to innovation. Firstly, the short-term outlook of accounting systems is argued to work against the allocation of financial resources to projects that may yield long term results.[6] Secondly, the allocation of indirect costs to new ventures and projects in large, established organisations can make innovative activities appear uncompetitive and unprofitable.[7] Thirdly, the order imposed on organisational activities by financial analysis can drive out the very `chaos' that nourishes some innovations.[8] Fourth, the `real costs and risks' (p. 77) of innovation reside in the dilatory and hierarchical nature of resource allocation processes in organisations.[9]

Yet accounting systems do not recognise the ways in which probity and prudence result in lost opportunities.

In short, management accounting is seen to get in the way of, rather than facilitate, innovative activities. Accounting systems constrain the `playfulness' (Cooper *et al.* 1981, p. 175) or flexibility that is considered a prerequisite for innovation.

Management accounting's enabling role

There is a growing awareness, however, that management accounting can enable and support organisational innovations too. Management accounting practice can be reconfigured and reconstituted to facilitate the pursuit of future value generating opportunities.

The emergence of `strategic management accounting' (see for example Bromwich 1996; Smith 1995) bears witness to a growing `relevance' of accounting practice in an innovative context (Johnson and Kaplan 1987). Attempts have been made to confer a `strategic' orientation on cost analysis:

- to analyse costs in the context of an organisation's value chain and industry structure (see Shank and Govindarajan 1992)
- to understand cost incurrence in terms of underlying activity drivers (see Cooper and Kaplan 1991)
- to locate costs in the context of a product's or industry's lifecycle (see Susman 1989)
- to embed cost planning and control in the context of customer and shareholder value (see Monden and Hamada 1991)
- to recognise a variety of decision-relevant cost objects, such as the customer (see Howell and Soucy 1990).

Similarly, performance evaluation systems have been developed and modified:

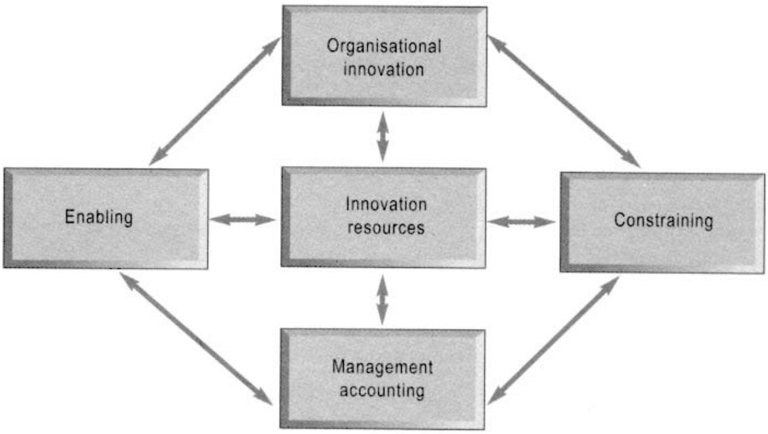
- to integrate short-term and long-term perspectives on organisational activities (see Kaplan and Norton 1996)
- to combine financial and non-financial measures of performance (see Zairi 1996)
- to benchmark performance to an external context (see Kermally 1996).

Recent Australian research, conducted by Chenhall and Langfield-Smith (1998), reports on a preliminary investigation into whether or not management accounting work supports organisational innovations. Their study finds that both traditional management accounting techniques (such as budgeting) and more contemporary management accounting techniques (such as activity based costing and benchmarking) are of benefit to organisations innovating in areas such as human resource management policies, integrating systems, team-based structures, manufacturing systems innovations, quality systems, and downsizing and reorganisation. However, according to Chenhall and Langfield-Smith, different facets of management accounting practice are of more benefit in certain innovative situations than others. For example, there was no significant association between activity based costing and human resource style innovations.

Management accounting's role: An overview

This relationship between organisational innovation and management accounting practice is summarised in Figure 1.

Figure 1
The connection between organisational innovations and management accounting practice



Management accounting: an innovative organisational function

There is a growing awareness, however, that management accounting is an innovative organisational function in its own right. There is a professional concern for the emergence of a `world class' accounting and finance function that deploys its resources according to `demonstrated best practice' (Lewis and McFadyen 1993a; 1993b). Management accounting has created its own disciplinary pressure for innovations in the accounting and finance function.

To date, there is a dearth of research that looks at management accounting innovation in a functional context, rather than as a constraint on or response to organisational change programs and projects. Indeed, it is not impossible that management accounting innovations may even act as a precursor to more wholesale organisational reforms. It is therefore the innovative aspects of management accounting practice which provide the distinct focus of this report.

CHAPTER 2

RESEARCHING INNOVATIVE PRACTICE

This chapter describes how this research was structured and conducted. In particular, issues relating to the research question, research sites and research methods are discussed.

The research question: providing a focus

This study seeks to characterise the nature of innovations in contemporary Australian management accounting practice. It is based on accounting practitioners' perceptions of such innovations. This study has turned to accounting practice for its empirical foundations because it is generally acknowledged that practitioners have had the most enduring and significant influence on the process of management accounting innovations (see Miller 1991).[10]

The basic research question that informed this examination of practice is:

> What new ideas, processes, products and services are perceived as being `innovative' in the organisational context of the accounting and finance function?

Table 3
Profile of the research sites

Organisation	Main business activities in Australia (1995)	Status of Australian operations	Main contact point
Firm 1	manufacturer and distributor of pharmaceuticals	subsidiary of a North American multinational company	controller, finance and treasury services
Firm 2	manufacturer and distributor of pharmaceuticals	subsidiary of a multinational British company	business improvement manager
Firm 3	distributor of pharmaceuticals	subsidiary of a North American multinational company	director, financial operations
Firm 4	manufacturer and distributor of beverages	listed Australian company	controller
Firm 5	manufacturer and distributor of toiletries and personal hygiene products	subsidiary of a North American multinational company	franchise accountant
Firm 6	electricity generator and provider	State Government instrumentality	executive manager, finance
Firm 7	diversified manufacturer and distributor (eg office products, medical/ pharmaceutical products)	subsidiary of a North American multinational	finance director
Firm 8	insurance company	Australian mutual organisation	manager, financial management information
Firm 9	aluminium smelting	joint venture between parent and Japanese organisation	manager, administration
Firm 10	administration of city	local government authority	financial and corporate support manager
Firm 11	fertiliser manufacturing	subsidiary of British multinational company	finance manager

Note: Secondary points of contact in Firm 1 were initiated with the regional controller and the senior director, systems development. A secondary contact with Firm 2 was made with the industrial relations director.

The research sites: a window on practice

Data on innovations in Australian management accounting practice were collected from 11 organisations that were active members of the ACMAD network during 1995. These particular organisations were approached to participate in this study based on their leadership and reputation within the ACMAD network: these were organisations that other practitioners considered to be accomplishing interesting and different activities in their accounting and finance functions. All the organisations that were approached agreed to participate in this study.[11]

The 11 organisations that informed this research are characterised in Table 3. As this table outlines, the study draws on data from a variety of organisational forms: listed companies; mutual organisations; government authorities and subsidiaries of multinational entities. These organisations were engaged in a variety of activities (such as manufacturing, distribution, administration) in different industries (such as pharmaceuticals, financial services, chemicals, food and beverages).

Whilst it is recognised that the study draws on a small, self-selecting sample of Australian management accounting practice, it is contended that this sample is suitable for the exploratory purposes of this research.[12]

The research method: a field survey

This section summarises how our research question was addressed in these participating organisations, and how data were collected that enabled us to characterise perceived innovations in contemporary management accounting practice.

This study was based primarily on interview data. Semi-structured interviews were conducted with the contacts from each participating organisation (see Table 3). The researchers had prepared questions (reproduced as Appendix A), but the respondents were free to answer each question in an open-ended way.[13] If an interesting issue was raised, then this was pursued before returning to the specified questions. Such an approach to interviewing is appropriate in this type of research.[14] Each interview lasted for approximately one hour and was recorded using an audio-tape. The tapes were then transcribed for analysis and citation.

Some secondary data were collected from documents. Searches were made of the Australian financial press to secure any seemingly relevant information about the organisations participating in this study. These publicly available documents were used to provide the researchers with a broader contextual understanding of the organisations in question. Some limited use was also made of proprietary documents. Such documents included internal presentations, mission statements, and staff induction packages. These proprietary documents were collected from those organisations which offered such items to the researchers during the course of an interview. Proprietary documents were available from a sub-set of the research sample only.

As such, this study makes use of qualitative data: data that captures management accounting practitioners' `own written and spoken words' (Bogdan and Taylor 1975, p. 4) about perceived innovations in the accounting and finance function. These data are referred to as `first-order' interpretations (see for example Van Maanen 1983). The first-order interpretations are then analysed to provide an account — or `second-order' interpretation — of innovations in contemporary Australian management accounting practice.

The style of research that is encountered in this project can be referred to as a `field survey': `relatively short visits to a number of sites which provide essentially descriptive data which is then used to make comparisons between the various sites' (Scapens 1994).

CHAPTER 3

AN ACCOUNT OF INNOVATIVE ACTIVITIES: PRACTICES

The account of innovations in contemporary Australian management accounting practice is presented in two parts. This chapter outlines the substantive management accounting practices that were perceived as being innovative, and was informed by a diverse range of perceptions about innovation in the accounting and finance function. Chapter Four outlines the contextual drivers associated with these innovations.

An innovation profile: a celebration of diversity

Firstly, the interviewees expressed a range of perceptions regarding the relative `innovativeness' of their accounting and finance function. For example, one practitioner was of the opinion that his organisation was illustrative of a potentially lower level of innovation:

> I think traditionally we have been a follower of trends ...

Other organisations were portrayed as being amongst the leaders in transforming contemporary Australian management accounting practice:

> I think we've been a top group of changers, but we're not out there believing that we are at the edge of innovation.

***

> We're always up there amongst the first I think.

Some other organisations, in comparison, were perceived as being at the forefront of accounting innovation (in their industry, at least):

> ... fortunately we have been recognised as leaders in local government so far as accounting is concerned.

Secondly, further diversity was apparent in the studied organisations when the rate of management accounting innovation was considered. In most of the organisations, innovation was pursued only when `it's appropriate'. As one controller stated:

> Well, I question whether you should always constantly innovate. I think you should always add value. I think innovation — you have got to do it. Innovation is good provided you are achieving something by doing it. Innovation for innovation's sake is not necessarily going to achieve anything.[15]

Consequently, the rate of innovation was affected by changes in the business situations confronted by the accounting and finance functions in these organisations. (The factors that were driving the innovative activities in these organisations will be discussed at greater length in the following chapter.)

There was, nonetheless, a culture of innovation in the accounting and finance function of one of the organisations (described as `very action plan based') included in this research:

> I think we try to be up there with the best, we're always looking at what we can do and how we can do things differently and better; and I think that will continue to be fostered into the future. I think everybody is sort of trying within our organisation, is trying to do this same sort of thing, we'll just got to keep it alive. That's really it.

Thirdly, there was some diversity in the ability of the interviewees to make judgements about the innovativeness of the accounting and finance function. Some of the organisational participants indicated that they had very little perceptual insight to make such an assessment:

> I mean I don't know whether we are any more innovative than anyone else.

Other practitioners were genuinely surprised, nonetheless, at the level of innovation evident in their accounting and finance function, particularly when they were in a situation that provided some sort of comparative platform. As one organisational participant stated:

> I don't see ourselves as any better than anybody else that I'm aware of, although going to ACMAD and any other organisations, I'm always surprised how far we seemed to be along the line.

On the whole those interviewees that had a keener sense of the relative innovativeness, or otherwise, of their accounting and finance function worked in multinational organisations. These organisations regularly compared subsidiaries' activities and performance. Such a sense of intra-organisational innovativeness is evident in the following comment from one such interviewee:

> Within [our firm] we're light years ahead, light years ahead.

Despite these differences in the rate of management accounting innovation, and varying levels of awareness about leading-edge practices, common innovative themes emerged from our interviews in the studied organisations. Three innovative themes were identified:

- the increasing managerialism of management accounting work
- the reconstitution of the cultural context of management accounting work
- new management accounting technologies.

Increasing managerialism

One innovative aspect of contemporary management accounting practice that emerged from this study is the increasing managerialism of management accounting work. There was a univocal opinion expressed by practitioners that their work was becoming increasingly interconnected with the work of general management.

Working alongside management

One aspect of this strengthened coupling between management accounting and managerial work was reflected in the emergence of a so-called `business partnership' with general management. This was expressed in the following three examples:

> ... the key players will be those that are working alongside the GMs and effectively growing business and adding value to it. I think that is the direction we are heading.

***

> I think it is adding value beyond the numbers and then being in demand for business involvement.

***

> In a few words I would say we are now partners with business management rather than servants.

As the above indicate, accounting practitioners are abandoning the traditional association between accounting service and management servitude. There is a growing awareness that management accountants' skills in resource management can `add value' to management activities and processes. In short, management accountants are entering the executive suite in their own right.

This emerging partnership with management is not only a result of the competencies that management accountants possess and the growing array of technologies that they may potentially use, rather this more enabling organisational role has been the outcome of attitudinal and behavioural changes. Management accountants are more `proactive' in their relationships with management:

> ... we'll constantly change to keep up with the changing world around us to ensure that we are in effect sitting in the front seat of a car and not in the boot.

This partnership with management is predicated on a desire of management accountants to `drive the business'.

Having visions and making visions

The increasing managerialism of contemporary management accounting practice is also reflected in a growing strategic awareness within the accounting and finance function. The most apparent innovation with respect to this is the explicit development of strategies and mission statements for the accounting and finance function. One organisation's interviewee described the following mission statement for its accounting and finance function:

> To train, develop and motivate our people to achieve the highest possible business and professional competencies — that's one — and influence business decision-making by provision of quality services to our customers (that's internal of course usually). The third is exploit technology to provide continuous improvement of our businesses ... and then continually improve our business processes and measures towards world best practice.

Other organisations developed mottoes that encapsulated the strategic thrust of their accounting and finance functions, such as `service makes a difference' and `sharing responsibility'. Not only are management accountants becoming involved in the setting of organisation-wide strategies,[16] strategic thinking is being applied to the activities of the accounting technical specialty too.

Reconstituting the cultural context

Another significant cluster of perceived innovations in contemporary management accounting practice is portrayed as the reconstitution of the cultural context of management accounting work. Practitioners identified innovative approaches to:

- human resource management
- the design of the finance function
- attitudes towards, and relationships with, end users of management accounting information.

Getting smart

One of the most vaunted changes made within the studied organisations involved the development of human resources within the accounting and finance function. There was a growing recognition that competent and well rounded management accounting personnel were the basis of the business partnership and value creation activities of the accounting and finance function — `be part of the strategy development' and `to help improve the value of the business'.

This nurturing of staff potential was accomplished by a shift towards regular and sustained training initiatives:[17]

> We have regular monthly development days where I take my full team away and we'll work on information sharing in the morning and then team development activities and training in the afternoon. Complementing that with my immediate reports I have weekly briefing sessions every week.

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> On a personal level, the other things I'm probably most proud of is that we're about to launch the accounting professional development program for the worldwide operation of [this organisation].

Staff rotation programs were also used to develop human resources, particularly in the bigger and more diversified organisations studied.

These several developmental activities were aimed at producing `business analysts' and not `bean counters':

> Previously I think we had little, if any, analysis work done at all in terms of the type of people and therefore all you needed were number crunchers, you don't need people that other people in the organisation would see as being approachable or that type of person, but now we have moved to trying to add value and by definition you have to have people who are more approachable because the aim is to have marketing, say as an example, in a position where if they have a query on their budget or whatever, they can go to the person and sit down and talk to them about whatever the results are. If you have got just a bean counter you are not achieving that ability to be able to service them like that, so people tend to stay away.

The contemporary context of management accounting work demands `multi-talented people' that can interact and communicate with `all levels of management'.[18]

Getting focused

Another prominent set of innovation practices involved the restructuring of relationships with the end users of management accounting information — or `customers', as they are now almost universally known. In general, there is an increasing willingness of management accountants to address the espoused needs of their `customers':

> I guess we've done a lot more trying to provide more analysis service than we ever did, before historically it was all the focus as I mentioned before was really just preparation and so now we sort of recognised that we are a sort of a key support area and that we have customers and we try to instil in our customers that it's a mutual thing, a vice versa type of thing, that we're both customers of each other in a sense. But we tried to give them more of what they want and we've been more trying to focus on helping those operational groups to get out of the system the sort of information that they need and I guess we work with them to figure out what it is they need to put in up front in the database to be able to get what they want out of the other end.

Three main mechanisms had evolved within the research organisations to attain and sustain this `customer focus'. The first mechanism involved the use of `customer surveys'. Some organisations routinely implemented written surveys as part of the functional performance evaluation process:

> I get formal customers surveys every quarter, not from my five favourite friends. When we first started it, it was too subjective because people started sending the requests to those who would say nice things so we can now have an independent appraising group who says yes these are legitimate customers for you to seek your advice from.

Others conducted face-to-face surveys with their customers:

> We're under a lot of pressure and we do now talk to our customers a lot more. Every month or so we go around and talk to every division manager

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> I got feedback from every single functional group within the company or gave them the opportunity to give feedback to us on various expectations of the services that we provide and that gave us an opportunity to also relay some of the things that we expect from them in return.

The second mechanism that was being developed involved the implementation of `user pays' transfer pricing schemes for business advice and reporting:

> Every one of my staff has a defined accountability for a business arm in [X], so one of my staff looks after the marketing arm, another does distribution, another customer service and part of their job critique says that they spend 80 per cent of their time every week physically on site working with and for their customer. And how do I know that they are meeting their customer satisfactorily? I transfer price their fully loaded cost based on the hours of support they are providing to the customer.

Accordingly, customer value would be achieved when service quality and prices were in harmony from the viewpoint of the user.

The third customer-focusing mechanism involved, as the previous quotation suggests, `the co-location' of management accountants in the business units. The daily work of these technical specialists was performed in the locale of their customers, but a functional responsibility was retained to the leader of the accounting technical specialty:

> ... we've had our financial advisers (... that's what we termed the management accounting group) co-located with the business unit wherever they may be located. So we would have people in this building in various floors. The accounting group is widely dispersed. The only central group is the corporate group, about six of us. ... Much more focus on proactive counsel rather than historical; that's a big change.

Such a positioning of management accountants was deemed to be `extremely successful' in those organisations that had decentralised their management accounting functions into the business units.[19]

Getting in touch

Other innovative practices included changed patterns of interaction within the accounting and finance function to facilitate closer and more collaborative relationships amongst management accounting specialists. This was achieved in two main ways:

- by flattening the structure of the accounting and finance function
- by relying more on teams to accomplish management accounting work.

The changing pattern of interaction within the accounting and finance functions of the studied organisations occurred, in part, because of the flattening of the hierarchy in the accounting technical specialty, that is `reducing the layers of management'. There are now less layers of management between the chief financial officer and his or her subordinate accounting specialists.

This change in the structuring of the accounting and finance function, whilst being considered an innovation by practitioners in the context of their careers, was a reflection of broader organisational reforms. For example:

> We are part of the [X] group and we follow the [X] organisational policy or framework in this regard which is generally a very very flat structure. In the smelter itself there's only four levels: general manager, management team, a team of superintendents, and you come down to the people who actually do the work. So it is a very flat structure.

It is noted, however, that it was the accounting practitioners who were leading this move towards a leaner structural form in one organisation. In this case the accounting and finance function had been organised so that all management accountants reported directly to the leader of the accounting technical specialty:

> I guess the big step was about three years ago when we removed the middle layers of management and flattened out the structure of Finance and had everyone reporting to the same person, so about 20 people were reporting to a Financial Controller and that meant that everyone really had their own job and a lot more independence that they could change the ways things were being done rather than just doing a task and handing it up to the boss, who hands it up to the next level — so cut out all of that. People were responsible for their whole job so they were able to make a lot more changes and quicker. I think it is a lot more motivating for the people as well that they have that responsibility.

As the above indicates, a movement towards flatter organisational structures is predicated on an assumption that practitioners will be more motivated (or `empowered'), more flexible and more responsive in the fulfilment of their work.

Nonetheless, some of the practitioners interviewed expressed some ambivalence about this particular `innovation' in their accounting and finance function. In one situation the manager, whilst proactively implementing a flattened structure, was concerned about the impact of this structural change on the competency profile of his technical staff:

> Every one of the people in my function now report to me. Three years ago I had junior people reporting to what we would call the section heads. I just wiped them out. It makes life interesting for me. ... So I'm actually changing the placements throughout as those people go out, they are de-layering the rules of the organisation, they are moving into roles saying, `Why do we need to have three and four levels of reporting in that area. We proved back in this other area that one works very well.' ... As we down-size or right-size — whatever the modern term is, [it] effectively means wipe out a lot of middle management — then we're actually eliminating a significant amount of the skill-base who actually understand how the business was run before we computerised it.

Similarly, another interviewee expressed reservations about the ability of some of the remaining technical staff to adapt to the new, flatter working structure of the accounting and finance function:

> I decided I'd go flat at that point in time and it was an interesting experience because the people were not ready for the room that was responsibility they had, but we decided to give it a try. ... At the end of the day a lot of those people aren't working here, so a lot of traditional people are gone. The traditional people who adapted a little bit but are still struggling with their traditional values are about to be sidelined into technical contributing roles. In other words, that individual may be

> able to do the work of two people compared to anybody else, highly technically competent people, an absolute must ... But they can't work with people very well. So I have created a role where I pulled all that technical stuff together — statutory reporting, tax returns, FBT, superannuation, grouped it all together.

In brief, interpersonal skills were at a premium in the de-layered accounting and finance function, particularly when an increasing reliance was placed on teams to organise the accomplishment of management accounting work. Again, this more pervasive organisational change — the formation of work-based teams — had diffused into more innovative management accounting milieux. For example:

> Everything we do is in teams. ... In a structured sense, what we are trying to do is more away from the old hierarchy. I think the challenge is to use a new structure here — fairly flat, we talk about leaders of groups of people rather than managers and wanting to operate that way, I think.

The upshot of this innovative thrust in contemporary management accounting is a far closer and less bureaucratic coupling of technical specialists, whose inter-relationships are now more commonly structured in a team context.[20]

Getting up speed

A further innovation that emerged involved the increasing responsiveness of management accounting practitioners to their customers' requirements and wants. This increased customer responsiveness was configured in two main ways.

One dimension of enhanced customer responsiveness was discussed by practitioners in terms of the increased speed with which they dealt with user enquiries and requests:

> People were responsible for their whole job so they were able to make a lot more changes and quicker.

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> In the past there's been a tendency to draw fairly firm lines around what they are required to do and we think, to make them more responsive to what our internal customers require, we need to give them wider boundaries on that accountability and give them more scope to be able to satisfy what the customers need.

This increasing speed was attributed to the greater autonomy that had been devolved on management accounting practitioners.

Another aspect of improved customer responsiveness was characterised by a more enabling construction of accounting service:

> If we can show that we can demonstrate how we can add value and generate the opportunity for us to do so and that means not waiting for something to come along but going knocking on doors and generating some of that activity.

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> Traditionally what would happen is somebody would come with a problem and say `Here solve this' and you would get the accounting book down and the rule book down and find out what is said and then you'd go off and do it. Our approach is the opposite way, to go out to the business and say `Tell us what you want to do with your business. Tell us where you want to go.' and we take that back and say OK, what are the different options we have to get it there, and then we say OK let's go within, what's the right thing to do, but there's got to be two different choices — this one adds the most value, figure out how and what we have to do to get there.

These innovative management accounting practitioners were not merely responding to extant business problems: they were seeking opportunities to contribute to the value creating potential of organisational resources in constructive and imaginative ways.

New management accounting technologies

The third theme discerned in this study refers to innovations in management accounting technologies.

Integrate

The movement towards integrated information systems was perceived as a major innovation in management accounting work by those practitioners interviewed in this study:

> From the technology point of view, we've seen the introduction of integrated systems that has not been part of our operating structure. A major part of those have been installed in the last three years, with the finance side of it sitting towards the back end.

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> We're looking at building an integrated suite of financial systems right across the organisation.

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> We use a fully integrated system based here which was put in 1991 which is the SAP operating system and that provides the basis for all the commercial data which is captured on-site.

Integrated information systems were perceived as contributing to a number of innovative outcomes.[21] Firstly, integrated information systems enabled more efficient and reliable transaction processing — accounting transactions are entered once:

> The aim is to have the information put in once.

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> Funny thing about SAP, it's going to help the company a lot more than it is the accounting function. We were really quite happy with our accounting system with the possible exception that we haven't got any proper co-ordination between the works accounting and business accounting. Unfortunately everything the works does has to be re-keyed at the business level. SAP [the integrated information system] would help on that.

Secondly, an integrated approach to capturing and processing accounting transactions facilitates rapid on-line reporting and greater customer responsiveness and satisfaction as a result:

> ... having a system that centralises it together and having a system sitting over the top that effectively picks out key bits of information and puts it in a format that can be read by people that are not computer literate — just press a few buttons on their machines and they see the information they may want on a regional basis or what they want on a group basis, but it will be there the following morning. That whole process goes on without manual intervention. I think that is probably one of the great achievements you will get from this.

Thirdly, the widespread adoption of commercial packages for this purpose (such as SAP and JD Edwards)[22] was seen as an opportunity to change and improve business processes.[23] For example:

> ... we came up with something, a package software that's called JD Edwards and that became the sort of cornerstone of our continuous improvement initiatives with the financial area. I guess that we did was something not so conventional, I guess what typically people do if they try to re-engineer processes, they typically look at the process that they have in place, try to come up with a pie-in-the-sky type of approach and then try to get a software package to meet that. What we did was looked for what we thought was state-of-the-art in terms of software to drive changes in process.

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> The extent of the re-engineer is absolutely dramatic. We've gone to a package and the software supplier has told us that we're the people that have made the least number of modifications of anyone of their clients, we had a goal to go vanilla and the odds are just infinitesimal.

The decision to implement integrated information systems was used as a platform to impose process-based thinking across different organisational functions, to eliminate non-value-adding activities in the business, and to move towards regional processing systems and shared services. In brief, the processing capacity of integrated information systems has enabled practitioners to become management accountants, rather than `bean counters'.

Obliterate

A further innovation that was highly regarded in the studied organisations involved the compression of transaction processing cycles. Historically, transaction processing has involved a very high commitment of technical resources throughout the financial year. The following is indicative of the situation that existed:

> When I first started in accounting we used to spend a whole month basically doing `month end' and then reconciling stock accounts and doing those sorts of things and now it is a really small part of what we do.

Whilst management accountants were preoccupied with the accuracy and integrity of transaction processing — the reconciliations, accruals and reversals, for example — they were ignoring the analytical dimensions of their work. This imbalance was a cause of considerable concern to practitioners:

> I guess the other thing is just moving ... to say 75 per cent adding value and less just processing transactions. That will happen largely with changes facilitated by technology, but also driven by a progressive view.

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> We need some basic technicians because you do have to have compliance, all we've done is shrinked down the emphasis that's on compliance and don't make the whole emphasis on, we're doing this because you have to comply with the securities and exchange commission rules, yeah, we'll do that but that's not the main part. ... It shouldn't be 80 per cent that; it should be 20 per cent that.

In part, this concern was being alleviated by the integration of financial systems (discussed above):

> Certainly, the hack work is basically done by systems: you set them up and most of the processing is automatic. It's really having people that can analyse it and talk to the people that have influence over the decisions — that's where you are going to get the best benefit.

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> I guess that's part of what I've talked before that, automated financial reporting (that we captioned AFR) that was something that we probably saved 25 per cent of the number of days that it would take to prepare those reports; so that we could spend more time on analysis, there was a conscious decision to do that.

More significantly, however, material reductions in the resources committed to transaction processing were realised by the pursuit of process re-engineering in the accounting and finance function:

> We just sat down with a group and a white board and flow-charted it. We also looked at what we were doing and why we were doing it. We questioned the need for some of the things we were doing — like before when I said we were calculating

> things down to the cent: was this really necessary? By doing that we were able to free up a lot of our time and concentrate on other more interesting areas like, for example, what we are doing with the businesses ...

The compression in routine transaction reporting cycles, achieved by re-engineering exercises, was significant:[24]

> Up until eight months ago we used to close transactions on about the 25th of the month to be able to report by the 5th work day of the [next] month, and now we close on minus one work day, so that the day before the end of the month, and we've probably got the data available plus four .... With year end, it would be exactly the same. Every month is a year end to us.

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> We've come down from five months three years ago, four months, three months last year, and it [the year end close] will take us about ten weeks this year. That's a huge reduction when you consider the mammoth size of [our organisation].

The liberation of accounting practitioners from this mundane work provided not only the opportunity but an onus to accomplish their advisory roles.

Similar efforts have been adopted by some of the participating organisations with respect to their budgetary processes. This compression of the budgetary cycle had been influential in causing similar changes back in the North American head office of one organisation.

There is, nonetheless, a limit on the benefits that can be obtained from re-engineering transaction processing tasks. This was recognised by some of the more critical practitioners:

> ... they're already down to about work day two-and-a-half to the month end close and so there's not a great deal more value to be added looking at that.

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> I could probably take another day out of the closing process and I will but we'll use the system to do it and then see how we go. I don't intend to do a lot more.

Situate

Benchmarking — a desire to situate an organisation's activities and processes in a comparative context — was also viewed as a major innovation in management accounting practice by those practitioners interviewed in this study:

> ... putting in a common chart [of accounts] for everybody, and changing our general ledger and reporting system was all designed to help make the businesses more comparable and help benchmark against each other. And that I think is one of the big improvements we have made over the last five years.

Benchmarking was conducted in a number of comparative contexts. Some organisations chose to participate in industry-based benchmarking exercises:

> We do quite a lot, yes. We have been involved in a pharmaceutical manufacturers' association benchmarking exercise last year.

Other organisations used business networks, such as ACMAD, for more general benchmarking exercises:

> We are in ACMAD ... there is a group that meets monthly on monthly reporting, currently running.

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> We've also got some benchmarking activities lined up with ACMAD on month end processes coming up shortly, so we're participating in that. We're also taking part in the Price Waterhouse global benchmarking activity that the head office coordinated.

Global comparisons within multinational entities provided a further platform for benchmarking:

> We benchmark with other organisations [in the group] regularly — usually each quarter. We benchmark different product costs and we have finance people come out from different countries in Asia and the USA.

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> Globally [our organisation's] been benchmarking, globally the financial function's been benchmarking.

Indeed, many of the studied organisations were engaged in a variety of different benchmarking exercises, each yielding different insights:

> ... we've had varying degrees of success with each one, different things coming out of different approaches, we've got a long way to go.

The most universal outcome attributed to benchmarking by practitioners was an increasing clarification of what `best practice' may entail in the day-to-day business processes:

> ... we've been looking at what was considered best practice out of that and in some cases some of the best practices are a little dubious, there are some ideas there so we've got a sort of action plan in place to look at that.

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> I think we have identified 14 processes, as groups start to develop what they call `the straw man' which is like best practice type of model for each of those processes. ... So there are these model groups going around sites world-wide, trying to pick out best practice at each of the sites and evolve it into one model to be used.

In brief, benchmarking is helping to accentuate the internal tensions for betterment and innovation within the accounting and finance function.

Evaluate

The willingness of management accountants to become increasingly engaged in advisory work was, again, seen as an innovative activity in the studied organisations:

> I guess we've done a lot more, trying to provide more analysis service than we ever did before historically.

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> Management accounting some years ago was a number crunching process, reactive, looking backwards, passing signals to management that were the results of certain compilations but not actually having the real business understanding of what those figures mean. And, therefore, the quality of analysis was shallow. I would argue behaviours like business acumen and organisational awareness were inadequate and consequently it was not a highly value adding function within the business, it was not valued by business managers, it was considered as a burden and an overhead that they would avoid if they could.

This shift in priorities was clearly signalled by the discourse of accounting practitioners: `adding value beyond the numbers', for example.

The substantive manifestations of a more expansive advisory role for management accountants varied from organisation to organisation. Nonetheless, there was one particular technical initiative that practitioners perceived as being instrumental in `adding value'. This was activity based analysis. Activity based analysis has had an acute influence on those adopting organisations:

> ... to that was added an activity based costing system. I'm not sure that we used it well enough to get all the benefits out of it, but it has certainly been in place and has proved quite a useful tool from an accounting point of view to look at activities. I remember one example when we did a bit of analysis. We found that there was a field activity that, in one of our regions, was half the price of the others. They did the same level of activity but it was half the price. We wondered what was going on. It came up at a management meeting and it turned out that the guy in the western region, who had the cheap one, had done a deal with the unions which cut the crew from four to two. There were only two men manning the truck, but they were getting just as much work done as other places that had four men manning the truck. You could see that analysis out of the Activity Based Costing system. It caused some excitement — the general manager who was the poor performer — I don't think he has ever forgiven us for coming up with that. It got some action right across the organisation.

> ... something called Activity Based Improvement Program and so I guess I've talked about continuous improvement and that sort of a way of life with [our organisation] but one of the things that we wanted to do was to put a new stake in the ground and give it a new lease of life; so that myself and a counterpart on the operations improvement side and another financial guy sat down and tried to nut out how we could take ourselves forward and we came up with a couple of different approaches — sort of a survey type of thing, a survey of activities so that it came up looking like a business dictionary of activities and trying to log what people did against those activities so that we thought we knew what people were doing with their time and what we used was like a survey approach to try and find out exactly what they did do. Now that's got its limitations but it does get people thinking about what they do ... we found a lot of number of things from this that people spend an awful lot of time on paper based administration, whether it was photocopying reports or that sort of thing. And it was surprising like in a group of 20 more than 40 per cent of their time was in that sort of mode and that's really is not what we here about. So that was really useful doing that but that was an adaptation of Activity based costing plus this survey approach and that then became a sort of driver for action plans for improvement.[25]

In particular, activity analysis was used by management accountants to make visible under-performing and non-value-adding organisational resources, both within the accounting and finance function and more generally.

Calculate

Innovations have also occurred in the calculative repertoire of management accounting practitioners.

Firstly, a renewed ability to calculate product profitability (with the improved capabilities of transaction processing systems) was perceived as innovative:

> ... I mentioned earlier product profitability ... That's been a very significant exercise and a lot of communication has been required for our management to understand the reports that the accounting group are producing. That to me is probably the most significant, cutting edge or innovative program that has emanated from our group.

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> ... ensuring that we achieve those targets through more profitable products or analysing the type of products we are selling and seeing whether we can improve profitability on them.

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> ... the value that they add [management accountants] is to be able to sit there and say that they could look at different alternatives to help increase the value of the business, whereas a sales person ... go out there and want to increase sales, the accountant would try and find different ways to make them profitable sales so that

value [is] being added to the company, that's the perspective; but its somebody who can take the alternatives.

The calculation of product profitability represents a relatively incontestable means for management accounting practitioners to become involved in the mainstream business in a facilitative capacity.

Secondly, the ways in which financial performance measures are calculated — or rather, not calculated — represents another innovation. The value of traditional performance reports was ruthlessly scrutinised by practitioners:

> Just this one simple anecdote: we've gone from in excess of 20 million lines of print-out a month to less than a thousand line of print-out a month in two years. We are almost paperless in our financial management systems.

There was a movement towards management reporting based on `key performance drivers' in the studied organisations:

> In other terms of measurement, we moved to having key performance indicators .... We started last year, talking about this concept of a dash board which will be on the computer, so when anyone turns on the computer they will have a dashboard, like in a car, with a number of gauges across the top and you draw down into each gauge and these give you a feel for how the things are tracking. ... The other thing with key performance indicators that we would like to get going is just making them more visible at least, tacking them on notice boards and things around the place.

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> But in the final analysis we said we have to run our business on certain parameters, there are key indices, goals, etc. We'll produce those charts on a standard monthly basis. We'll review the business on that basis. So when we come to the review period, we've been looking at those charts all year. But we don't want to look at 80 and neither does our parent. In fact we have only one chart to prepare ... and we get visited twice a year. Their requirement is for one chart and we might produce 15. Ten of those will be for me to give me background and detail of the financials of the corporation.

Management accounting information is being valued, not for its abundance, but for its capacity to guide and drive the business.

An innovative overview

The above innovations in management accounting practice arguably represent important changes in the accounting and finance function. As one interviewee stated:

> When you look at it, that is not the sort of thing that is going to land a man on the moon, but it is a sort of thing in a finance area which is a fairly large step as accountants.

These innovations are summarised in Table 5, while Table 4 provides a summary of the innovations in each of the research organisations. (For interest's sake Appendix B lists those innovations that each of the interviewees identified as giving them the most pleasure and pride.)

Table 4
Perceived innovations in the research organisations

Firm	1	2	3	4	5	6	7	8	9	10	11
Increasing managerialism											
Business partnerships	•	•	•	•	•		•	•	•	•	•
Strategic thinking	•	•	•	•						•	•
Reconstituting cultural context											
Job rotation	•			•							
Staff training	•	•	•	•	•	•	•	•	•	•	•
Customer surveys	•	•			•	•		•		•	
User pays						•		•			
Co-location	•	•	•	•	•	•	•	•	•		•
De-layered structure	•	•	•		•			•	•	•	•
Teams	•	•	•		•	•		•		•	
Proactive support	•	•	•	•	•	•	•	•	•	•	•
New technologies											
Integrated systems	•	•	•			•	•	•	•	•	•
Compressed accounting cycle	•	•	•	•	•		•	•	•	•	•
Benchmarking	•	•	•	•	•	•	•			•	•
Activity analysis	•					•			•		•
Profitability emphasis	•				•		•				
Using KPIs		•					•		•		

Note: A dot indicates that an innovation has been discussed in the interview, or that an innovative practice has been induced from the interview content. For example, Firm 2 and Firm 4 did not comment about the `compression of accounting cycles'. However, both firms had highly automated systems which enabled the production of routine accounting reports very quickly. Both firms also emphasised the increased time spent on analytical accounting work. Hence, the compression of accounting cycles is a resultant innovative practice of these firms.

Table 5
Perceived innovations in Australian management accounting practice

Primary innovative theme	Secondary innovative theme
Increasing managerialism	Working alongside management
	Having and making missions
Reconstituting the cultural context of management accounting	Getting smart
	Getting focused
	Getting in touch
	Getting up speed
New management accounting technologies	Integrate
	Obliterate
	Situate
	Evaluate
	Calculate

Substantive innovative practice	Practitioner `first-order' interpretations
Formation of business partnerships with management	`Working alongside management'; `Adding value beyond the numbers'; `Partners with management'; `In the front seat of the car'
Application of strategic thinking to the accounting and finance function	`Service makes a difference'; `Sharing responsibility'; `Being part of strategy development'
Development of human resources through training and job rotation	`Regular monthly development days'; `The professional development program'; `Multi-talented people'
Addressing the needs of customers through surveys, user-pays, the decentralisation of technical support	`Trying to provide more analysis service'; `Talk to our customers a lot more'; `Co-location'
Emergence of closer and more collaborative relationships in the finance function by de-layering and using teams	`Very flat structure'; `Everything we do is in teams'
Increased customer responsiveness through timely, proactive business support	`Make a lot more changes and quicker'; `Give them more scope to satisfy'; `Going knocking on doors'; `Go out to the business'
Implementation of integrated IS for efficient transaction processing and business re-engineering	`Integrated suite of financial programs'; `Information put in once'; `Software to drive changes in process'; `Go vanilla'
Compression of accounting cycles	`Shrinked down the emphasis that's on compliance'; `The hack work is basically done by the systems'; `We questioned the need for some of the things we were doing'
Comparison of business processes and activities using benchmarking exercises	`Benchmark against each other'; `Got some benchmarking activities lined up with ACMAD'; `We benchmark different product costs'
Increasing emphasis on advisory work through the use of activity based analysis, for example	`Management accounting some years ago was a number-crunching process'; `[ABC] became a sort of driver for actions plans for improvement'
New calculative regimes that contribute to business functioning (eg product profitability, KPIs)	`Ways to make them profitable sales'; `We are almost paperless'; `We only have one chart to prepare'

CHAPTER 4

INNOVATIVE ACTIVITIES: CONTEXTS

This second part of the examination of innovative activities examines the contextual factors that practitioners associated with innovations in the accounting and finance function. These contextual factors of management accounting innovations are discussed in terms of:

- extra-organisational drivers
- intra-organisational drivers
- individually constituted drivers.

Extra-organisational drivers of innovations

A number of extra-organisational `drivers' (factors originating beyond the organisation) were implicated in practitioners' constructions of innovation in contemporary management accounting practice:

Competitive pressures

Competitive pressures (such as `external competition in the market place') were considered to be one of the primary drivers for innovative activities and processes in the accounting and finance function:

> ... external pressures are the key drivers, either real now or likely in the near future. They won't change — competitors, smart organisations, flexible organisations, smallish markets, being able to do things differently, being able to respond.

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> I think it's very competitive, I think [our organisation] has had a number one position in terms of sales revenue for a long time, and then we lost that to [competitor], and then [competitor], then they lost it to us, and then [competitor] has recently merged and I think they've taken it back again. So there's that sort of competition going on. So that's out there and we're conscious of that and having to sort of rationalise operations I guess, its very visible particularly in the US through these mergers.

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> Probably pure survival actually, not myself but the company. We were in pretty poor shape ... I guess that was the challenge that was put out to us and we faced up to that challenge.

The increased speed and intensity of competition was driving a business requirement for more timely and accurate accounting information (such as product margins). Competitive pressures also arose from growing the business, particularly in a geographic sense:

> I think that our growth has really been the major change, the fact that we have ... grown it to being the most geographically diverse ... business in the world.

Rise (and rise) of customer value

The general emphasis placed on customer value, both as a basis for competition and long-term value generation, has directed organisational resources towards the enhancement of product quality, service quality and value-based prices. This, in turn, has had a `snowball' effect on the accounting and finance function — driving the ways in which practitioners interact with and service `customers' of the accounting and finance function:

> ... there is a snowball effect now and the world is an ever changing place and competition. You have got the rest of the business looking harder at themselves from an external point of view, from the consumer point of view, looking more at how the customer perceives that organisation. That customer perceives that organisation through its product, delivery, quality and the services in the interaction of areas like Finance. So I think there has been a recognition there that takes something that was hidden deep down in the depths of an organisation does have an impact on the outside business as well, so `get on board, fellas, you have got to keep moving'. Someone like [CFO] catches onto that and he starts moving with it, if you have someone that is slow and fat and they sit there, that isn't going to happen, so they resist the forces if you like.

Rise (and rise) of shareholder value

The pressures of increasing shareholder value for speculative and long-term investors was identified as another driver of innovative management accounting practices:

> ... people who actually run the show — they look at things differently to what the world at large does. They look at different things that are going to add value effectively at the end of the day to shareholders — how we are going to balance our profits and development and everything else we want to do at the same time.

Focusing on shareholder value creation has helped to focus management accounting on the value captured from the use of organisational resources.

The regulative and policy domain

In some of the participating firms, government regulations and policies provided the direct impetus for emerging changes in management accounting practices. For example, a growing concern for public health-care costs has made cost management a priority in pharmaceutical firms:

> ... the pharmaceutical industry is continually coming under more and more scrutiny in terms of health costs, etc., and if this process improvement is going to drive out costs, and a lot of the time that is where we are coming from in a Finance area — how can we improve this process to reduce the heads to reduce the cost? That is driving a bit of our focus there.

Taxation policy was also mentioned as another driver of (and constraint on) resource management in multi-national organisations:

> Our manufacturing is extremely efficient and can produce things at a lower cost per unit than even Singapore. The bigger problem is though that regardless of how efficiently you manufacture, at the end of the day if the shareholders are getting less dollars in their pocket because there is more coming out in Australian taxation, they are not going to choose to use Australia. They will choose a lower tax jurisdiction. At the moment we are combating that issue — regardless of how well we are producing, we are losing more in tax than they are in Singapore or everywhere else, we may not survive anyway.

Legislative amendments were also a significant driver of management accounting innovations in local government:

> Previously in local government and in [our council] particularly, the accounting was basically what we called fund accounting. Local government was not part of the commercial accounting world at all. All that changed in 1993 when the new Act came about and also the new accounting standard No. 27 came about for local government. The emphasis shifted from fund accounting to a commercial type of accounting and all of a sudden pressures were put on local government to have

> people who understand what accounting standards are all about. Significant changes in what we were doing in the past to now.

Similarly, `regulative pressures' were cited as an innovation driver in the state government instrumentality included in this research.

Intra-organisational drivers of innovations

Some of the perceived drivers of management accounting innovations had their genesis within the work organisation.

Charismatic and energised chief financial officers

The leadership of imaginative and courageous CFOs assumed a pivotal role in management accounting innovations in certain organisations:

> I think the driving of change in the Finance department depends very much on individuals within that department. [The CFO] was very aggressive in the way he approached it and that drove a lot of change, but that I guess is probably largely all aimed at that adding value beyond the numbers which is our finance motto around the world.

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> I think it comes down to a number of people generally the drivers behind it and then the idea catches on and then snowballs until you get the cultural change taking place.

Such CFOs were able to sponsor and sustain management accounting reforms. They mobilised resources for these changes and advocated their benefits more broadly throughout an organisation.

Competitive cultures

Another intra-organisational driver of management accounting innovation was associated with the internal competition created and sustained by the global sourcing of products in multinational organisations:

> ... because other countries were making it cheaper so we had to get our costs down.

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> our focus also needs to be on that aspect purely because we are competing with other ... sites to be given certain products to manufacture, particularly on a regional basis, but also on a world-wide basis whereby a drug needed to be manufactured. They will pick the sites around the world for that to be done, so we, as an organisation, need to be focused on that to make sure that our costs are sufficiently low to make it attractive for [X] to choose [Australia] as the favoured site. With the merger with [Y], that is going to happen more and more because the view is that to

> try and maximise the economy scale available to the size of the business — that will be driven or will result in a reduction in a number of plants around the world and therefore we need to make sure that we are attractive enough to be one of the winners in that process.

Global sourcing created a need for continuous cost reductions and more accurate resource measurements, for example.[26]

Cost consciousness

Practitioners also indicated that an organisational culture of cost consciousness provides an impetus for internally motivated innovations in management accounting work. In one organisation this driver was reflected in a need to leverage existing resources:

> I think we really, in Australia, have tended to pride ourselves on being fairly lean and mean and probably to ad nauseam in a sense because we tend to be extremely critical of sort of adding head count and those sorts of things, that may change in the future but we're very focused on trying to do the most with what we've got; and so that's an inward focus as well .... It's very competitive I think.

In another organisation a culture of cost management arose because of resource stringencies in the area of product promotion:

> A lot of pressure in the region to get costs down because the more we get costs down, the more we can promote and introduce new products and all those other things whereas if your costs are high, and even price-wise on the shelf, if your costs are high it is really hard to be competitive on the shelf.

In yet another sampled organisation, cost consciousness was driven by a fundamental reduction in business size and sales volume:

> Every time you sell off great chunks of business, it has an impact on the support services because overheads don't tend to change that much but everybody wants overheads to be as dynamically variable as the sales are; and so what we ended up doing is cutting back and back to a basic core.

Individual drivers of innovations

Drivers that were individual (that is belonging to the individual practitioner) come under two headings:

Energy to burn!

Some individuals were driven to innovate out of `boredom':

> Boredom, a need for challenge, and a need to try and do something different and having part of the challenge put in front of us to come up with this strategic direction

> — when nobody had ever said `Come up with this strategic plan for finance, or strategic plan for systems'. It was just kind of go out there and do your reporting in finance and put computers in for systems and all of a sudden there was `Wait a minute, where are you going with all of these to support the business and what are you going to do?' And instead of just kind of doing something simple, we decided we want to try to be more creative about it.

In this situation innovation arises from a need for personal challenge, the desire to embrace such a challenge, and a critical facility to envision possibilities other than those embedded in the status quo.

Maintaining the spark

Individual practitioners also adopted various personal strategies to sustain their capacity to facilitate innovative management accounting reforms. Ensuring an exposure to different and novel ideas (through studies, training and networking activities) was at the centre of these individuals' enduring commitment to betterment in the work place:

> I suppose it's through conferences and contacts both external and internal to [parent], general reading of literature in terms of some of the accounting magazines that's come through the business — they have kept us aware — and we have some people who have undertaken recent studies and that has a tendency to keep people aware as well.

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> I think it feeds on itself, because you sort of go like to a ACMAD forum for instance you come away, I don't think I've ever been to one where I haven't come away with at least an idea, there are so many ideas that it's just how do you sort of prioritise things and sort of keep it moving, I guess the difficulty is the routine process screams out for attention all the time and it distracts you from moving forward trying to do things. I guess we can just continue to do what we've sort of done, trying to find new ways to keep it alive and just sort of keep listening and try to do things as it sort of happens but we're sort of very action plan based and sort of committed to innovation through those plans.

Individuals who viewed change opportunistically, enthusiastically and constructively reflected a personal drive to keep innovation in management accounting practice `alive'.

Contextual constellations

The drivers that various practitioners perceived as being significant in the emergence of management accounting innovations in their accounting and finance function are summarised in Table 6.

Table 6
Perceived drivers in the surveyed organisations

Organisation	Extra-organisational drivers	Intra-organisational drivers	Individual drivers
Firm 1	• Competitive intensity • Industry mergers	• Lean and mean through continuous improvement • CFO	• Boredom • Networking (ACMAD)
Firm 2	• Competitive intensity • Industry mergers • Government pressure on health care costs • Customer focus and value • Taxation rates	• Global sourcing	
Firm 3		• CFO • Reduction in volume and scale of business • Global sourcing	
Firm 4	• Globalisation and business growth • Shareholder value	• Unspecified internal pressures	
Firm 5	• Competitive intensity	• Desire to increase product promotion • Global sourcing	
Firm 6	• Political/legal Influences/ • Shareholder value		
Firm 7	• Smart competitors • Speed of competition		
Firm 8		• CFO	
Firm 9	• Shareholder value	• CFO	• Study • Contacts
Firm 10	• Competition • Customer value • Legislation		
Firm 11	• Competitive intensity • Speed of competition		

CHAPTER 5

REFLECTIONS

This study has outlined new practices in the accounting and finance functions of the studied organisations that practitioners perceived as `innovative' (summarised in Table 5, page 32). These new practices were portrayed as:

- the increasing managerialism of management accounting work
- the reconstitution of the cultural context of the accounting and finance function
- new management accounting technologies.

These reported innovations are significant because they provide an insight into the innovations occurring in management accounting practice per se. This stands in comparison to the more commonly encountered research agenda in which management accounting is examined for the ways in which it constrains, or is merely compatible with, organisational innovations. As this research illustrates, management accounting is indeed an organisational function which possesses a capacity for change and innovation in its own right.

This study also provides further new and interesting insights into the drivers that practitioners believed were associated with the stated innovations in management accounting practice. This study outlined the extra-organisational, intra-organisational and individual drivers of these innovations (see

Table 4, page 31). The recognition of these extra-organisational and intra-organisational drivers is important because they demonstrate practitioners' extant sensitivity and responsiveness to the contextual location in which the accounting and finance function operates. The individual drivers of management accounting innovation, however, more clearly and unequivocally demonstrate that the impetus for change in management accounting practice can and does emanate from practitioners' daring and vision[27] — management accounting practice is being transformed by an internally generated desire for change and improvement also (see Figure 2).

In short, management accounting is an organisational function that has a capacity to continually reinvent its relevance through innovations in practice. Again, the ways in which management accounting practice was being reinvented in the sample organisations is of interest.

Firstly, as may be expected, there were technical innovations in management accounting practice, such as:

- the introduction of integrated information systems
- the re-engineering and compression of accounting cycles
- benchmarking
- activity analysis
- changed calculative regimes (for example, performance reporting and product profitability).

Yet there were relatively few technical innovations reported in this research, compared to the possibilities outlined in the strategic management accounting literature:[28]

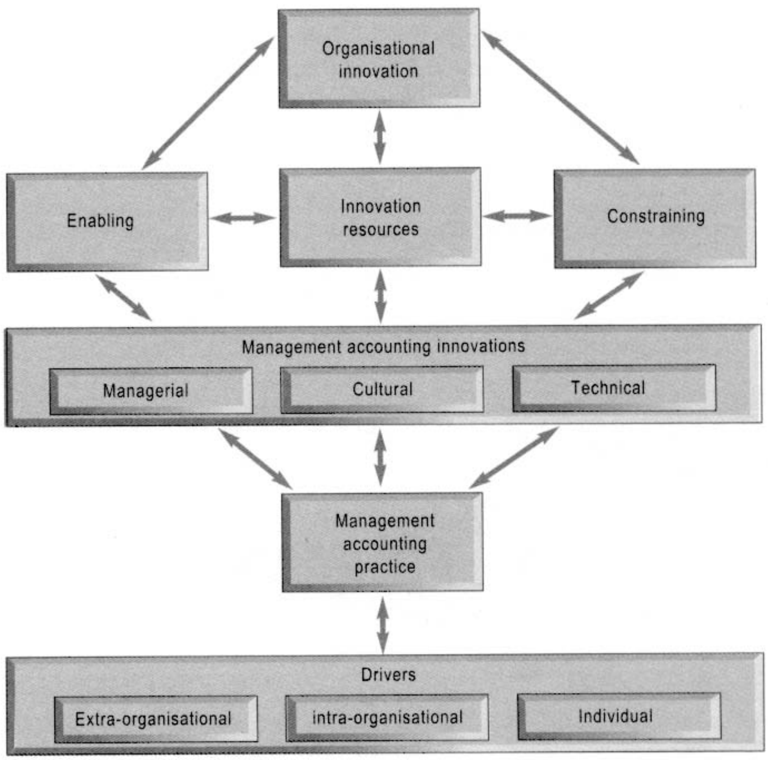
> Nobody seems to have implemented very much out of the strategic management accounting literature that came along, or it's not endemic to most organisations as far as I can see. It would be nice to use more of that — in fact the whole collection of tools that have developed over the last 20 years, still we don't use very much of it.

Whilst the quantum of technical innovations may not have been great, those cited in this research were fundamental, arduous and resource-intensive, nonetheless. The movement towards integrated information systems, in particular, is enabling the provision of systems and support that have the processing capacities and flexibility to foster many potential future innovations in management accounting practice.

The second mode of reinvention, and perhaps surprisingly to some, was of a `non-technical' or an `administrative' nature. These innovations comprised:

- the formation of business partnerships
- the application of strategic thinking to the finance function

Figure 2
The context of innovations in management accounting practice



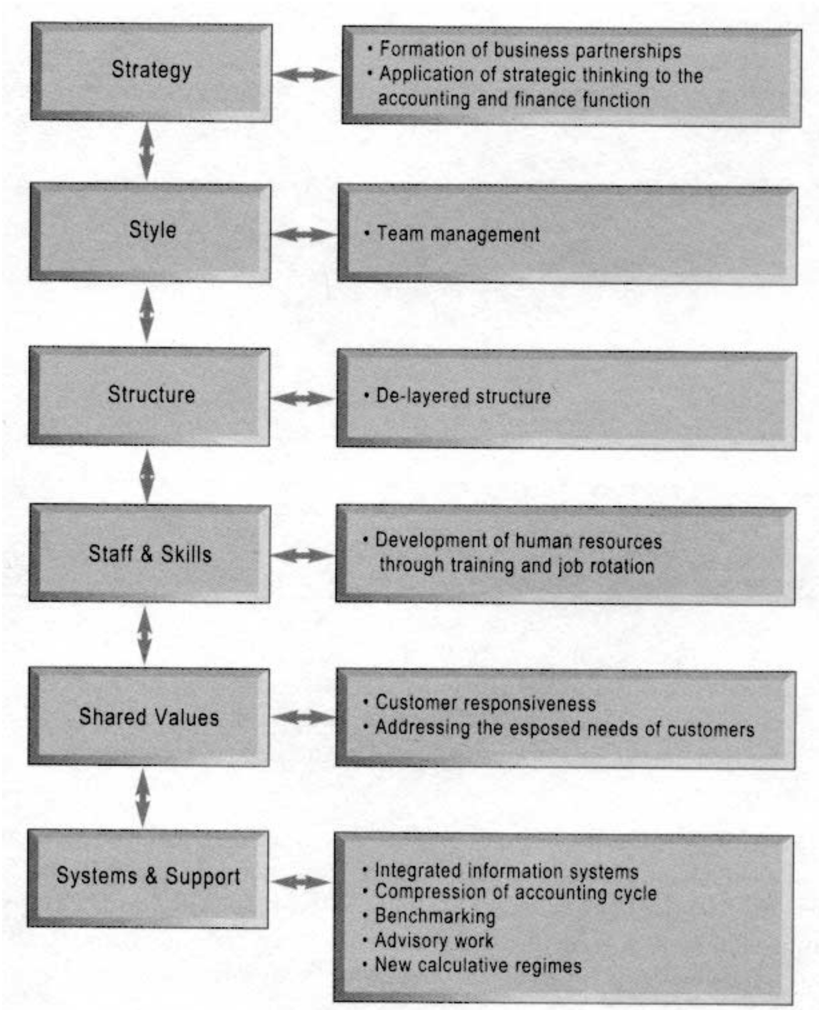
- the development of human resources
- the satisfaction of espoused customer needs the use of teams in a de-layered accounting and finance function
- an increased customer responsiveness of management accounting practitioners.

These innovations illustrate management accounting practitioners' innate appreciation of, and ability and willingness to manage, the full gamut of innovation resources (see Chapter 2). These `non-technical' innovations were accomplished by new ways of managing the strategy, style, structure, staff and skills, and shared values of the accounting and finance function (see Figure 3).

Moreover, it is noted that the preponderance of `non-technical' innovations that occurred within the studied organisations is consistent with the emerging profile of innovations more generally (refer to Appendix C).

Arguably, such changes in the strategy, style, structure, staff and skills, and shared values of the accounting and finance function are creating a milieu in which the organisational potency of accounting systems and support may be accentuated and realised. Adding value is the emerging reality, rather than the rhetoric, of contemporary Australian management accounting practice.

Figure 3
Innovation resources in management accounting practice



CONCLUSION

Based on the insights of this research, the following are tendered for the consideration of contemporary management accounting practitioners. You must:

- possess the foresight and insight to think strategically
- display a willingness to form business partnerships
- possess the intellectual capacity to understand business processes, activities and structures
- be able to leverage the power of information technology
- appreciate and respond to the extra-organisational and intra-organisational pressures for change
- embrace and initiate change.

In conclusion, the contemporary management accounting practitioner has an opportunity to demonstrate leadership and imagination by managing resources in new and different value-generating ways. This is the most fundamental challenge for practitioners.

FURTHER READING

Interested practitioners may chose to peruse the following references, which are concerned with the emerging practices in the accounting and finance functions of other innovative organisations:

Arthur Andersen, *Future Perspectives: Transforming the Finance Function,* New York, Arthur Andersen, 1996.

EIU (Economist Intelligence Unit), *The Evolving Role of Finance: Charting a Strategic Course for the Future,* New York, The Economist Intelligence Unit Limited, 1997.

Tully, S, `From Accountants to Action Heroes', *Time,* November 27, 1995, pp. 64-68.

Walther, T, Johansson, H, Dunleavy, J, and Hjelm, E, *Reinventing the CFO: Moving from Financial Management to Strategic Management,* New York, McGraw Hill, 1997.

APPENDIX

A

Interview questions

These questions were made available to the interviewees prior to the exchange with the researchers. As the interviews were semi-structured, other issues of interest were also pursued in the course of the interviews as they arose.

1 We would like to commence our interview by asking you to outline briefly the nature of your role in [X]'s Australian operations. Would you outline what your job entails?

2 What changes have you noticed in the ways in which management accounting is practised within [X]'s Australian operations?

3 Of the changes which you outlined, which do you regard as being `innovative' or at the so-called `cutting edge' of [X]'s Australian and international operations?

4 With respect to management accounting practice, how has [X]'s accounting and finance function been an innovator within the industry and/or business and commerce more generally? (Or, conversely, do you consider your accounting and finance function to be conservative, that is, a follower of industry and business trends?)

5 What factors do you see as being connected with the changes in management accounting practice with [X]? Do you see external or internal pressures as being more important? Do any particular factors seem to have been more important than others?

6 What changes are currently being implemented within the accounting and finance division of [X]? What types of change do you envisage within the next two years?

7 As a leader of the accounting function, how will you work to facilitate the capacity of the accounting and finance function to innovate constantly and add value of [X]?

8 What is your vision for the accounting and finance function of [X] in the year 2010? What will be the organisational role of management accountants?

9 Are there any other comments that you may wish to offer to add insight to our research?

APPENDIX

B

Pride ... without prejudice

Table 7 is presented out of interest. It lists those innovations from which individual practitioners received the most personal pleasure and pride. The information is provided without further comment or disputation.

Table 7
Individual practitioners' main innovative accomplishment

Organisation	Particular innovation
Firm 1	Activity based improvement program (ABIP)
Firm 2	Greater business focus and contribution — `adding value beyond the numbers'
Firm 3	Systems integration and business re-engineering
Firm 4	Global integrated information systems
Firm 5	Flat structure in the accounting and finance function Compression of the month-end close processes
Firm 6	Activity based costing
Firm 7	Facilitating staff in recognising the need for change and providing educational opportunities
Firm 8	Introduction of a world-wide professional development program for the accounting and finance function
Firm 9	Achieving an awareness of costs in an engineering dominated organisation
Firm 10	In-house development of integrated financial systems
Firm 11	Compression of the year end closing process and speed of annual reporting

APPENDIX

C

A panorama of innovations

The table below presents a profile of the major innovations that have characterised organisations over the last decade. As this table demonstrates, the array of innovations described in this research corresponds to this more general profile. There have been very few technical innovations in the accounting and finance function (the `Adding value' and `Measuring results' sections). Interestingly, none of the studied organisations nominated `Knowledge capital measures' (see Table 7) as one of their innovative activities.

Table 8
Organisational innovations 1988–97

Leadership
• Stockholder revolts • Codes of ethics • Corporate governance • Industrial ecologies • Outsider CEOs • Vertical de-integration • Strategic alliances • Vision
Managing people
• Change management • Diversity • Weak job ladders • Empowerment • Downsizing • Portable benefits • Managing professionals • Flexible organisations • Job insecurity
Sales and marketing
• Private labels • Seek customer loyalty • Mass customisation • Electronic commerce • Brand equity

Adding value
• Benchmarking • ISO standards • Time-based competition • Process re-engineering • Outsourcing • Supply chain management • Virtual organisations
Measuring results
• Activity based costing • Integrated database systems • Knowledge capital measures
Finance
• Mass marketing of financial products • Derivatives

Source: Adapted from Sibbet 1997.

1 Tushman and Nadler also recognise an intermediate class of innovation which they describe as `synthetic' innovation. A synthetic product innovation involves `the combination of existing ideas or technologies in creative ways to create significantly new products' (1986, p. 76). A synthetic process innovation involves `sharp increases in size, volume, or capacity of well-known production processes' (p. 77).

2 Hamel and Prahalad define this term: `Companies that have risen to global leadership over the past 20 years invariably began with ambitions that were out of all proportion to their resources and capabilities. But they created an obsession with winning at all levels of the organization and then sustained that obsession over the 10- to 20-year quest for global leadership. We term this obsession "strategic intent".'

3 This approach creates a problem, nonetheless, in that the members of unsuccessful teams must ultimately support those new products and processes sponsored by the organisation as a consequence of such inter-team competition.

4 These new venture divisions present certain administrative difficulties, particularly in terms of the disparities in reward systems and rules that may emerge (see Burgelman 1985).

5 Farnham (1994) relates some of the ways in which innovation is cultivated in various organisations: Hallmark sends artists to various locations to `soak up' inspiration; in Bell Labs staff lunch together; and Microsoft permits casual dress in the work arena.

6 Stevenson and Gumpert (1985) support Quinn's criticism of `single-minded capital allocation systems' that prevent the gradual commitment of funds to evolving projects. These authors argue for the use of ad hoc `candy box' grants to promote promising new innovative projects.

7 Yet cost management still has an important place in securing competitive advantage from innovations. As Senge (1990) states: `The idea becomes an "innovation" only when it can be replicated reliably on a meaningful scale at practical costs' (pp. 67). Morden (1989) also argues that an undue emphasis on cost management can stifle innovation, especially where there is an insensitivity to the changing profitability of products and processes over their lifecycle. (See also Butler 1988.)

8 Simons (1995, p. 91) reports this viewpoint: `Managing the tension between creative innovation and predictable goal achievement is the essence of management control. Effective managers scan for disruptive changes that signal the need to reconfigure organizational structures, capabilities, and product technologies. Some have argued that management control systems act as filters that homogenize information, thereby

removing signals of disruptive environmental change (Hedberg and Jonsson 1978). According to this view, management control systems limit search routines and experimentation — hardly a prescription for innovation and opportunity-seeking.'

9 A similar argument is mounted by Kaplan (1986) who argues that investments in new technologies may be thwarted by the protocols used in searching for the costs and benefits of capital justifications.

10 The main exception is the development of capital budgeting techniques by academics in the 1950s. (It is interesting to note that a number of practitioners in our study upheld the belief that innovation was the preserve of academics.)

11 An initial list of these ostensibly innovative organisations was prepared by the then executive officer of ACMAD, John Hall. Organisations were approached on the basis of his assessment of member activities. Two additional organisations had agreed to participate in the study, however these initial contacts were not followed up by the researchers.

12 Indeed, the small nature of the sample makes the research manageable and enables qualitative data to be collected so that some sense of understanding is gained about practice. Also, as we wished to study innovative management accounting practices, our efforts were focused on organisations that may yield suitable insights.

13 The questions were faxed to each of the main contacts prior to the interview. This strategy was adopted to enable the respondents to consider their responses and to relieve any anxiety that may surround our motivations for the research.

14 Kidder (1981, p. 187), for example, states: `For some research problems, a less structured approach than that provided by a standardised interview is appropriate. Largely as a result of the influence of clinical interviewing and anthropological fieldwork, a varied assortment of interviews has been developed in which neither the exact questions the interviewer asks nor the responses the subject is permitted to make are predetermined. ... They are commonly used for a more intensive study of perceptions, attitudes, and motivations than a standardized interview, whether with closed or open questions, permits. This type of interview is thus useful when investigators are scouting a new area of research or when they want to find out what the basic issues are, how people conceptualize the topic, what terminology is used by respondents, and what is their level of understanding.'

15 The difficulty in assessing the outcome of innovation was also raised by another interviewee who stated, `Certainly it is important to add value to the company. How successful we are, I don't know.'

16 This supporting role in the strategy formulation process is discussed by one interviewee from local government: `there are [management accountants] actually involved in strategic planning. Within the governance section there is a planning and policy division and management accountants working within that unit will be assisting the planners so there will be a financial component apart from the other components of policy.'

17 It was also recognised that ACMAD had a vital role to assume in staff development: `I subsequently really fell back on ACMAD as a very useful tool for the people to get out and talk and relate'.

18 Indeed, it was suggested that such training initiatives may even undermine the role of the management accountant: `you maybe can't tell who is a finance person and who isn't: [X] is an accountant, no, he isn't, he is a business person. Before that he just happens to be a qualified accountant that understands what is going on in accounting, but being seen more as a valued partner than as a finance person. I think it is adding value beyond the numbers and then being in demand for business involvement. I think today — certainly in the last three or four years — that is how we have started to move.'

19 One organisation had resisted this trend for the following reasons: `I don't believe the culture of the organisation is strong enough to put junior level people out there because ... what you're going to find, you're going to get "yes" — doing what the boss wants — and I think at a management level the strengths got to be there to say "no".'

20 It was acknowledged, however, that organisational reward systems had not kept pace with these new modes of organising. It was stated for example, `What is interesting is that headquarters has, it has finally been recognised that people work on teams, you need to be rewarded differently. Now whether they're going to do anything about it or not, God only knows.'

21 One organisation did not have the resources to pursue this initiative. The interviewee reported, `We spend a lot of time re-keying data so that it is in a format that we need to analyse it'.

22 Only one of the research organisations was moving towards the integration of its systems using programs that were developed in-house.

23 Part of the improvement, as perceived by management accounting practitioners, involved the imposition of a standardised chart of accounts across diverse business units and activities. The desire for uniformity was explained as follows, `Putting in a common chart for everybody, and changing our general ledger and reporting system was all designed to help make the businesses more comparable and help benchmark against each other. And that I think is one of the big improvements we have made over the last five years.'

24 One of the organisations included in this study had been cited by *Business Review Weekly* as being one of the fastest Australian companies in terms of releasing their statutory accounts.

25 This so-called Activity Based Improvement Program was an Australian innovation, designed `on a back of a serviette in a cafeteria', which was later implemented in the American headquarters of this organisation: `We've taken that [ABIP] as a model and used that and started using that in our shop, in the [headquarters], to see where we can re-examine our processes and cut down on what you're doing, you know'.

26 Internal benchmarking exercises had a similar impact.

27 Innovation in the accounting and finance function can be viewed as a risky undertaking. One practitioner stated, `We take risks, we take business risk, but why would I take risks with the financial systems? Help me understand what I'm going to get out of it?!' The link between changes in management accounting technologies and competitive advantage is neither clear nor direct.

28 Consider, for example: EVA; target costing; lifecycle costing; customer profitability analysis; customer lifetime valuation; value chain analysis.

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