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Connecting Management Accountants' Changing Roles, Competencies and Personalities into the Wider Managerial Discussion – A Longitudinal Case Evidence from the Modern Business Environment¹

ABSTRACT

In this study the changing role of the management accounting function is studied from the perspective of the human individual, instead of the commonly applied technical perspective. The action oriented approach and the longitudinal case study method are applied in this study. The aim of this study is to find out in which way the recent development trends challenge the role of management accountants,

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what is the role of the management accountants in modern business environment, what kind of competencies management accountants need in modern business environment, and finally, how this all is reflected in the theory of instrumental and participative managers? According to the results, there could be found a clear change towards business orientation and, furthermore, an increasing emphasis on the socio-cultural, innovative and emotional-moral competencies in the controller function of the case site. This is due to the expected challenges of the modern society and business environment. These new job orientations are not unique phenomena, but common to the other professions, too. The study concludes, that this kind of development calls also for the increasing notion of the participative-oriented management accountants, and more generally it calls for the increasing notion and acceptance of subjectivity in accounting practice and research.

1. INTRODUCTION

The discussion concerning the increasing business orientation of the management accounting function has been highly intense since the late 1980s. The recent development in management accounting is described most commonly with the cliché “from *bean-counter* to *business controller*”, particularly in the professional journals, which have advocated this business oriented role of management accounting function (e.g. Walker 1988, Epstein 1993, Blazek 1994, Paavola 1994, Sheridan 1994, Kaplan 1995). Reasons for the management accounting change are typically connected with the modern managerial agenda (customer and process orientation, empowerment and team management approaches).

Several academic scholars have also contributed in this topic (e.g. Granlund & Lukka 1997 and 1998, Järvenpää 1998 and Partanen 2001 in Finland). The starting argument, which relies on the notions of Järvenpää (1998) in this paper is, that the development of management accounting can be at least conceptually divided into three dimensions. First one is a dimension of new *management accounting innovations*. New business oriented management accounting innovations, such as strategic management accounting, activity-based costing, strategic cost management, life cycle costing, competitor accounting, customer profitability analysis, economic value added measurement, non-financial measures, balanced scorecard, Japanese target costing management have been suggested. Implementation of these “relevant” techniques could as such enhance the business orientation of the management accounting function (Friedman & Lyne 1997).

The second dimension is related with the more effective *accounting information systems* like databases, data warehouses, ERP-systems and consolidation packages. Business orientation could thus also be affected by the implementation of modern financial and operational control systems and software. Routine activities could be done more effectively, large databases could be quickly handled, and reporting could be more flexible, quicker, real time basis

and multidimensional. Finance & control function has been described as a value chain, where streamlining routine activities could be the essential base also for the business orientation process (KPMG 1995). Also changes in corporate wide strategic or annual planning and control processes could have an impact on management accountings relative business orientation. Business orientation could also be seen as a part of wider development of managerial philosophies, such as customer and process orientation, team management and empowerment (Granlund & Lukka 1998).

However, there is also a third dimension, namely a *human dimension*, which includes the role of management accounting as a function and moreover, as a single individual. There has been a lively debate on the changing role of accountants, particularly management accountants, themselves. The propagated role shift has essentially meant the cultural transition from number crunching orientation and overall functioning of accounting systems to increasing business orientation. The literature has advocated the changing role of the management accounting function from scorekeeper and watchdog (bean counter) to the active support of management and increasing participation in decision-making (business partner). (e.g. Kaplan 1995, IMA Survey 1996, Granlund & Lukka 1997 and 1998, Lukka 1998). The decentralization of management accountants as business controllers, into a business unit has been one essential trend in this role development (Mattsson 1987, Granlund & Lukka 1998).

Organizational development processes, intended or unintended, are special and context bound blending phenomena including dynamic interplays of these dimensions. Management accounting literature has mainly focused on the technical aspects of accounting and typically passed the deeper behavioral and individual questions.

In this study the recent development of management accounting is studied instead of the common perspective, emphasized by the accounting techniques, from the perspective of the accounting function and, especially, from the *perspective of individuals*. The aim of this study could be divided into following major research questions:

- In which way the recent development trends challenge the role of management accountants?
- What is the role of the management accountant function in the management of the companies, especially in the area of business management in such modern business environment?
- What kind of competencies management accountants need in modern business environment?
- How this all is reflected in the theory of instrumental and participative managers presented by Pihlanto (1995)?

These mentioned “causes and effects” are next linked to each others in a way that they form an “onion model”, where the outer managerial challenges (question 1) cause changes in the role of the accounting function (question 2), which cause changes in the competencies of accountants (question 3), which cause changes in the personal manager types in accounting (question 4)². The framework of the study could thus be illustrated in the following way:

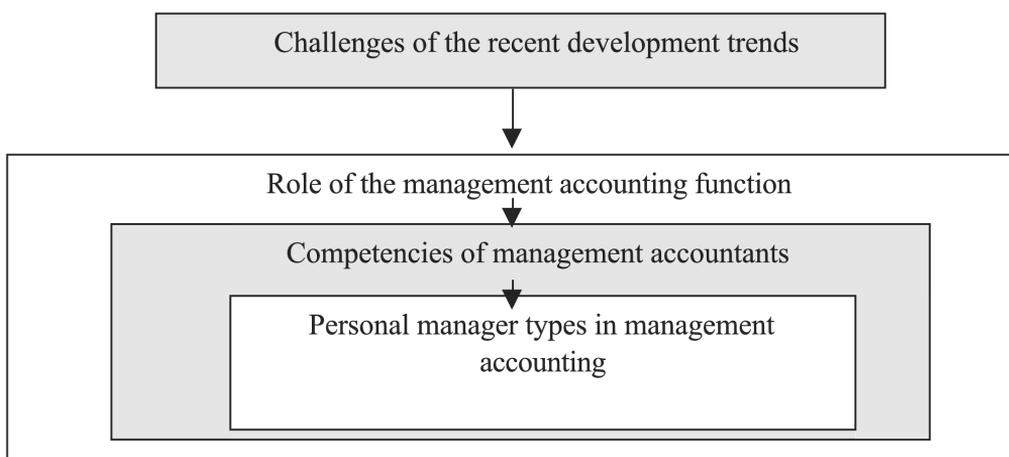


FIGURE 1. *The framework of the study: an onion model*

This study relies heavily on some organizational and social theories, which were eclectically selected for the purposes of case-analysis. Changes in the roles of the management accounting function are analyzed with the framework of the manager’s job developed by Mintzberg (1994). Competence requirements are analyzed by utilizing the competence theory (Väärälä 1995), and finally, the personal types in management accounting with the manager type theory presented by Pihlanto (1995). The study also applies the special concept of a man, called holistic individual, which has been originally presented by Rauhala (1986, 1989, and 1995), and which has been brought in the context of accounting by Pihlanto (1990 and 1995).

The action oriented approach and case study method are applied and the study is informed by ethnographic sociological and psychological studies (c.f. Denzin & Lincoln 1998,

² No tight causal relationship is stated to exist between the elements of the framework in this study. The author is well aware, that these causal relationships and the rationality of change have been occasionally challenged e.g. by applying institutional theories. (c.f. Malmi 1997). Change itself is a very multi-dimensional phenomenon (c.f. Partanen 1997 and Vaivio 2001). Reality is more chaotic and richer than the framework, but these interesting questions regarding rationality and change are not in the focus of this study. Defined framework, which is used in analysis, is a simplified definition of the reality observed

Huberman & Miles (1998) and Lukka 1999). The main sources of information in this longitudinal single case study have been interviews. Seventeen interviews were conducted between 1996 and 2001, fifteen in year 1996 and two in year 2001). Interviews lasted almost two hours in average and fourteen of them were tape-recorded. From persons interviewed, 5 of them were non-accountants (a strategic planning manager, and heads of divisions and strategic business units managers) and twelve of them were accounting professionals (a group CFOs, a group controller, divisional controllers, business unit controllers and area controllers). Seven e-mail interviews (1998–2001), unofficial discussions, published (annual and interim reports, newspapers, economic journals, company's own journals and prospects, four official presentations (1995–2000), other studies, books and company's internet homepages) and internal material was used extensively as additional sources of information in order to enhance the reliability of the study by triangulation.

New contribution is thus sought from the novel theoretical analysis and viewpoints as well as longitudinal and in-depth case-analysis in this study. These results are intended to increase the scientific knowledge in addition to the conventional professional wisdom and especially they develop the extant theory of the business orientation, which is still merely a knowledge about the "basic characteristics" of the role transition (c.f. Granlund & Lukka 1997 and 1998). These earlier studies are analyzed more thoroughly in the following chapter. The aim of the study is also to link the discussion around the management accountants' changing role with the wider managerial perspectives and discussion by using these eclectically chosen organizational theories. The study also reveals some case-study evidence about the actual real life ways of enhancing the role of the management accounting function.

2. MANAGEMENT ACCOUNTANT'S CHANGING ROLE

2.1. Earlier studies and their implications

Simon et al. (1954) conducted a classical study about the roles of the accounting. They introduced the seminal classification of the roles of accounting (score keeping, attention directing and problem solving). Hopper (1980) studied the conflicting roles of the accountants. He divided the role into two: scorekeeping and customer service. He found a controversy between decision support needs of line management and control needs of the staff. Customer service activities were emphasized in decentralized management accounting and vice versa. Another important study in the work of the accounting department has been later conducted by Mouritsen (1996), who divided the possible roles (emphasized viewpoint and action) of accounting departments into five; book-keeping, consulting, banking, controlling and administrating.

In Finland, Granlund & Lukka (1997 and 1998) studied the role of the management

accountant. They outlined the alternatives and possible development trends of management accounting function as a continuum from history writing (also scorekeeping or bean counting) through watchdog, consultant, advisor of the management and finally the member of management team (also business controller). They sketched also the values and characteristics of the ultimate ends of this continuum. They also made critical questions concerning the real existence of the genuine business controller archetype activity in Finnish companies.

Ahrens (1996a and 1996b) found differences in the roles of management accountants between UK and Germany. Friedman & Lyne (1997) discussed also about the archetypes of “bean-counter” and “new management accountant” by connecting them with the employment of activity-based approaches. Friedman & Lyne (2001) have, moreover, recently developed the bean-counter stereotype towards a general model of stereotype generation. The reasons for management accountant’s participation in the performance measurement development alongside the wider organizational change programs have been studied by Chenhall & Langfield-Smith (1998). They studied the factors influencing the role of management accounting in the development of performance measures within organizational change programs. They found five important factors influencing this role, namely a shared view of the role of accounting function, senior managers support for accounting innovations, accounting champion (change agent), technical and social skills of accountants and formal authority of accountants.

Coad (1999) reported survey evidence on the learning and performance orientation of management accountants. He found, that prescriptions for business partner –like management accountants are more likely to be realized if they possess or can develop a learning goal orientation.

The nature of the controllership has been studied by Mattsson (1987), and multinational CFOs roles and requirements by KPMG (1990), which indicated changing and expanding responsibilities and roles because of companies restructuring, global competition and CEO’s changing information needs. Furthermore, the studies of Fern and Tipgos (1988), Kendall & Sheridan (1991) and IMA (1996) indicated an already active and growing role for management accountants in strategic planning, too. The findings of IMA (1996) survey emphasized also the increasing importance of business and communicative skills in the management accountant’s work. Interpretation and communication of information and financial consequences of different activities in addition to preparing reports were seen essential and increasing duties. Very similar trends could be found also from the IFA research program (1994, c.f. Lebas 1994) considering the future of management accountancy.

Decentralization of management accounting function into business units is one central element of enhancing the management orientation of management accounting (Granlund & Lukka 1998), but it also might cause problems between customer service and controlling func-

tions. In the decentralized model, the information was more useful, quicker and accurate, the interaction between management accounting was more intense. Ambiguity of the roles and routine accounting were seen as barriers to the role development and effectiveness of routine activities affected positively into the level of customer service (Hopper 1980). Centralized management accounting function seems thus to limit the role at the level of routine scorekeeping and control and to promote line manager's skeptical attitude towards its decision support potential (Emmanuel et al. 1990).

In addition to support the managerial decisions the related question concerns the participation in decision making process itself. The role should not necessary remain as a supportive, but more creative in the form of the member of the management team. (Bromwich 1988, Pihlanto 1988, Granlund & Lukka 1998) The management accountant's position and contribution in the management processes relies much, however, after all on his/her individual characteristics (Mattsson 1987).

According to Goold (1986) management accountants want to see themselves as producers of objective facts and thus it is easier to score historical data instead of trying to cope the uncertain external or future oriented data, which might be more useful for managerial decisions. This objectivity and subjectivity of management accounting information has been more thoroughly discussed by Pihlanto (1988), who has pointed out the *increasing need for accept and make operational the concept of subjectivity*. Pihlanto (1998) has, moreover studied the roles of controller in the light of the enneagram theory. The human component of management accounting in general has been pointed out by some other authors, too, e.g. by Hopwood (1974) and Macintosh (1991), Wikman (1993), Kaikkonen (1994), Manninen 1994, Granlund (1998), Hookana-Turunen (1998), Järvenpää (1998), and Partanen (2001).

2.2. Mintzberg's framework; rounding out the management accountant's job

The management accounting function's role, the outer layer of the onion, is first analyzed by utilizing Mintzberg's (1994) framework in order to connect it to the wider managerial discussion. This framework is about the managers' work, in which the roles are divided into three categories: *information level*, *people level* and *action level*, and the manager's role and work is his/her special composition of these roles. Managers could play these roles both inside and outside his/her department, but in this study the main focus is on the roles outside own department. Idea of this framework is, that management on information level is an administrative and indirect way to manage, while management on action level means in practice hands on management. Management on people level is between them and includes issues of familiar with the leadership-style thinking.

It is argued here, that information role has traditionally been most comfortable for management accountants and that the management accounting innovation literature has advocated, with few exceptions, only the technical issues of this role in the same way than traditional management accounting literature has emphasized the technical view in general. Also the informal modes of information should be noticed and studied more explicitly. However, the main focus on this human dimension should perhaps be in the people and in the hands on level of this role composition. Cross-functional liaison and teamwork, communication skills etc. could be used, enhanced and promoted on people level. Controller could bring financial knowledge into the business context here.

Finally on the hands on level, management accountant will come directly face to face with the context, in other words, the business realities and logics. He/she can take part in the projects and get more experience and knowledge about the business processes and strategies, and vice versa, he/she can contribute to them in a holistic way. The individual organizational location, post and responsibilities, gained experience and education are important determinants for the role of a single accountant. This means that the management could promote and enhance the expansion of the management accountant's role by influencing some of these underlying factors. Common tools are e.g. job rotation and decentralization of controllers into business and field.

2.3. Framework of Competencies

Managing of knowledge and competencies has been under intensive debate in current academic and professional discussion in business management during last years. Tightening competition and new organizational practices requires much more from the workers in both qualitative and quantitative terms. The requirements and effectiveness of the work have, thus, increased (Kortteinen 1997). Social skills have more and more increased in these jobs, which have remained performed by the people in this era of automation of the routine work (Raustevon Wright & von Wright 1994). It is thus useful to appraise the situation from the point of view of the personal competencies. It could be expected, that, accounting does not exist in social a vacuum in this sense. Situation might be analogous also in the case of accounting departments, which was taken into account in the framework of the study, wherein managerial challenges require new managerial roles, which and require new kind of competencies. Professional competencies required in accounting work have changed or are in a change process according to the preliminary results (c.f. Granlund & Lukka 1997 and 1998, Järvenpää 1998, and Coad 1999). By applying the framework of competencies in the second layer of the onion framework, the discussion of the management accountants' changing role is also in this way connected to the wider managerial discussion.

Personality and individual competencies should be noticed as an essential part of the work role composition. Talents are potential abilities, which could be developed into skills. Personality and talents are changeable within certain limits, but extreme changes are, however, unusual events. Skills are also typically more variable than talents. Skills are developed through education, training and experience. Some skills may require significant natural talents but academically educated individuals can acquire most of them with reasonable effort.

It has also been stated, that both innate characteristics (personality and talents) and skills appear to be relatively stable over reasonable periods of time, but the factual knowledge is more frequently subject of change, because of some elements of its "data base" become obsolete or are lost and other facts are deemed valuable enough to be added into it (Birnberg & Sadhu 1986). This process will be described later in much deeper by employing the framework of holistic individual. The organizational roles of the individuals and groups, analyzed in this study with the framework of Mintzberg (1994) is the most easily changed and the least part of the individual. As one's task in an organization changes, the manifested role characteristics are mainly replaced by the characteristics of the new task. (Birnberg & Sadhu 1986)

The competencies can be divided into several classes: *productive competencies*, *normative competencies*, *innovative competencies* and *emotional-moral competencies*. *Productive competencies* are related with technical skills and knowledge, which is necessary for the job performance. *Normative competencies* deal with adjustment, motivation and socio-cultural competencies. Adjustment competencies are related with the basic questions about the job, namely rules and responsibilities. Motivational competencies are more in-depth and they are related with the commitment to the work. Socio-cultural competencies deal with increasing interrelationships in organizations, namely co-operation, interaction and communication. *Innovative competencies* stem from the nature of the post-industrial job-life, where the challenge to continuously learn new things in personal job and to revise job are enormously increased. This means competence requirements related with personal non-routine performance and creative development abilities. *Emotional-moral* competencies mean increasing usage of the autonomous subjectivity in balancing emotional value-related knowledge and rational-based knowledge in personal job and the development of the personal work. (Väärälä 1995, look also Ollus et al. 1990, Evers et al. 1998, and Ruohotie 2000)

Essential competencies in most service sector profession are not technical skills and knowledge but interpersonal skills needed in social interaction and communication. *The aim of this study is not to try to link strictly accounting work and general service work*, which is heterogeneous by nature, *but to point out the generally increased requirements of the customer needs and interpersonal competencies in modern post industrialist society*. Ability to communicate verbally and written in a certain way and to understand special talk and text are particular

competencies in a service sector as well as special styles of the non-verbal behavior. Even when technique (like computers and ADP-systems in accounting) is used in service professions, relationships with other workers and inter or outer customers are essential part of the work. This also means that it is not possible to automate these jobs fully. There is thus room for also other competencies than reflected from economic or technological conditions in service sector. (Takala 1998 and Kortteinen 1997).

2.4. Pihlanto's framework; Participation-oriented and instrumental manager, focus on individual characteristics

Individual characteristics form the most in-depth layer of the onion model, the heart of the management accounting's changing role. In traditional management accounting research, the accounting is considered as a technical phenomenon, while decision-maker and management accountant have been left out or considered in a very simple way. Also in behavioral accounting research, studies concerning the characteristics of a single person have been quite rare. Also the controllership-studies have mainly focused on duties and responsibilities, while deeper analyses about general action models, limitations and uniqueness of human activities have not been conducted.

In this study, the phenomenon is finally analyzed on the inner layer of a single person by applying the framework of two different manager types: an instrumental manager and a participation-oriented manager. The types of management accountants are separated from each other by suggesting for each of them a typical type of information they use. Pihlanto (1995) has developed this framework based on Seseman's³ (1927) work.

Employment of this framework gives an additional possibility to receive some preliminary results concerning the affects of the personal types on the competencies and the roles of the management accounting. It should be admitted as a limitation that, the limited possibility to categorize people during short interviews and relatively little amount of people interviewed made this part of the study highly subjective, speculative and explorative – but perhaps also the most fascinating.

The instrumentally oriented manager believes, that information and management are objective and neutral tools and systems are important to him. He/she avoids argumentation and

3 "Objective, concrete information (Seseman 1927), neutral and totally separated from the human being, it's features being in congruence with the fact-oriented approach of the instrumental manager. The opposite kind of information, non-objective, non-concrete knowledge is produced by a process, in which the acquirer of knowledge places himself in a living experimental relationship with the object of source of knowledge. In this process, both parties become to some degree merged with each other at the experiential level. This means that knowledge is not totally separable from the human actors dealing with it. This human orientation corresponds to the communicative approach of the participation-oriented manager. Every human actor, however uses both of these types of information, but in different proportions." Pihlanto 1995

participation and wants to look the business from outside and his actions are mostly reactive by nature. He/she trusts on established methods, but he/she might accept new ones, if he/she is convinced of their technical usefulness. (Pihlanto 1995) His/her attitude for example to some non-quantitative measures could, however, be rather negative. It is difficult for him/her to see the business in a holistic and way and he/she might underestimate the importance of people. It is also difficult for him/her to imagine himself as a non-financial manager, and thus he/she can't bring his knowledge and information into their context and vice versa it's hard for him/her to interpret other manager's their experiences about the business situation. Some technical questions concerning e.g. production issues might, however, be familiar to him/her. Quantitative and traditional calculations are extremely important to him/her.

Values, processes and people are important to the participation-oriented manager. Communication is an important tool for him/her, and he/she even defines individual through dialogue. He/she tries to participate in the action and management and he/she is proactive. He/she is open to the new methods and accepts also the qualitative information. It is also easier for him/her to understand the customer's or other stakeholders' view and meaning to the business operations. Due to his/her participation-oriented skills, it is also easier for him/her to practice his job in people and action levels successfully. (Pihlanto 1995) He/she is, however, supposed to manage the technical side of accounting well enough in order to run the existing systems as well as to develop new approaches. He/she can take advantage also in technical kind of development, because of his/her more holistic view to the businesses.

These alternatives should, of course, be understood as extremes of the continuum and the characteristics of real individuals could be found somewhere between the extremes. Traditionally, according to Pihlanto (1995), the instrumental manager has been considered as the ideal prototype of a manager, especially in the field of accounting. It is argued in this study, as well as in Pihlanto's (1995) original work, that the features of the latter one (participation-oriented manager) combined with reasonable amount of the first one (instrumental manager) might be more essential in the future, even though this issue is by no means simple.

In the case of instrumental manager, the meanings generated in his/her consciousness tend to be concrete and factual, while feelings and intuitions have no conscious role in his way of action. The first type of intuitions, obvious knowledge, could instead have a role as well as personal common knowledge, when he/she e.g. prefers traditional methods of conducting business or more specific, accounting. Obviously, even though instrumental manager does not admit the meaning of feelings, they affect on his/her acts as well as second type of intuition could prepare ideas, recognized not until they are concrete enough. The emphasis in the generation of meaning relationships is, however, in the area of objective information. (Pihlanto 1995)

The generation processes of the participation-oriented manager is, according to the agenda, supposed to be richer including all types of information and meanings, also feelings and intuition. The ability to see his/her acts as a part of life points out that he/she probably could generate meanings on wider basis than his/her counterpart. This is also connected with the information act based on rich experience and dialogue, which are included in the concept of non-objective knowledge.

3. CASE FINDINGS

3.1. Case site

It has been recommended, that case studies should take place in fast-moving companies, which operate in changing environment in order to provide illustrations of best practices at the leading edge of adaptive activity. Such cases are expected to provide information that may be helpful in identifying the roles that may be usefully served by management accountants in the 21st century. (c.f. Otley 1994) These ideas have greatly affected on the searching for the case site.

A case site (hereafter "Blue") was one major business group of "Indigo", a global and focused high-tech company. Indigo had net sales of several billion EUR and it employed globally over dozens of thousands people. The selected business group, Blue, is a global leader in its technology. It developed and manufactured infrastructure equipment and systems. Net sales of the target business group were billions of euros, and it employed thousands of people. Blue's as well as Indigo's profitability have been excellent during recent years. Annual increase of net sales has been extremely high. Blue was thus a profitable and fast growing high-tech company. It competed in global, rapidly growing and changing markets. The global liberalization of regulation had changed the markets of the Blue totally. Technology was considered to be still important, but understanding the market needs is seen as the key to success.

The business group included customer segment based and production oriented divisions, which had been divided into strategic business units. There were also divisions of systems platforms, and a customer service and worldwide area organization. Area organization sold the company's systems and customer service arranged the installation. The group was organized as a matrix structure, where cross-functional teamwork in the form of customer specific account teams in the field was extensive.

3.2. How recent development trends challenge the role of management accounting function?

Several simultaneous changes in the 90's brought huge opportunities and challenges to this particular industry and also lead to industry restructuring. Deregulation, combined with new

technologies and new services, has created *new environment*, where Blue's customers must work harder and faster to satisfy final customer needs. With deregulation, there emerged a need for case site company and its rivals to supply not only products for established customers but also to supply complete packages with the services and technologies for also new customers.

Successful focus strategy has led the Blue to the path of high growth, increasing uncertainty and high profitability. Growth means also global, worldwide competition and *globalization of business* activities, not only in sales but also in production and research and development activities. The control of this kind of growth is by no means easy. From management accounting's point of view, the case site has led at least to extensive and *complex organization structure*, enormous need for reporting with massive consolidations, need for new kind of management accounting information (forecasts and non-financial information), increased customers related risks, and increasing need of business knowledge for financial function.

Innovative thinking and acting were encouraged in the Blue's culture, and that is also the case in the field of accounting. *Cross-functional teamwork* is characteristic to the Blue. Teamwork is also necessary due to the matrix organization structure and the nature of a business (systems supply). Complex and elusive organizational structure was hard to support with formal management accounting systems. Revisions in this matter have been made, some of them initiated from the needs of the field. Organizational structure leads, however, to active cross-functional teamwork, and management accounting function had a heavy contribution potential here.

Top management has promoted the *customer-oriented* philosophy during recent years. This idea is a part of a corporate wide attempt to create *a culture for continuous improvement*. There were four corporate values: customer satisfaction, respect for individual, achievement and continuous learning. The organization was intended to be re-engineered in order to create more value, and moreover *corporate values and strategies* should be supported by *performance management system*. Alongside it, performance measurement with Balanced Scorecard had started. Business process oriented management philosophy is also part of this managerial agenda. The controller function is also aligned to these general business development processes. It was stated that controllership should take part also in the customer and product processes, in addition to its traditional support process. The customer orientation was also a logical consequence of the new business phase where liberalization of markets had created lots of new customers competing against each other by differentiating themselves through services.

To conclude, the Blue's corporate culture supports strongly a new kind of acting, also in management accounting, but technical issues were dominant and financials have not commonly been judged as important in decision making. The business process thinking highlighted the overall need for management accounting to take active role in also customer and prod-

uct processes. To sum up, the recent development trends challenged, despite some critical pre thoughts of the researcher, the role of management accounting function precisely in a way described in the professional literature and some previous studies.

3.3. Actions made in order to enhance the role of the controllers

Cultural tension and human resource management

More active and growing role for management accountants was expected throughout the organization because of the new business phase (globalization, growth, customer orientation, growing risks). So *there was a great cultural need and press to change the management accountant's role in the line with the wider organizational culture and action patterns*. The needs for this wider role were well recognized and it was promoted e.g. through education, increasingly decentralized positioning of controller function and job rotation. Also the development of more business oriented control tools were helpful in this sense

The wide experience about the business and interaction with other functions were seen as essential elements of the role development of management accountants in the Blue, and job rotation and education were actively employed here in order to help the current state of art. Young accountants were considered to manage historical financials well, and it was seen that as experience was gained, professionalism increases and time horizon of the perspective expands, but the ability to expand beyond financials to the processes and business could develop only through wide cross-functional interaction.

Huge amount of routine scorekeeping activities (monthly reporting), complex organization structure, old fashioned attitudes and wrong types of person and poor competencies were main barriers of fully utilizing the possibilities of the new role. It was widely stated that personality and competencies have a great impact into the role and development potential of the management accountants in the Blue.

Case site had a subsidiary in the UK and many of the people interviewed shared an opinion, that in UK and also wider in the Anglo-Saxon world the role of the controller or CFO is more active and bigger than in Finland. The believed role of management accountants in Anglo-Saxon culture the UK was seen as some kind of mental "benchmark" and goal for the development efforts concerning the management accountancy. The wider role noticed in the UK was hypothesized to be due to the communication culture, strong capital markets and commitment through the own shareholding of the management by the people interviewed.

Decentralized business controller approach

Decentralized business controller approach was a central device of the enhancement of the accountant's creative and business-oriented role. Sales companies have traditionally had their

own controllers before, and recently controllers were also decentralized into strategic business units of the Blue. Business units were considered to need strong financial competence in order to evaluate market opportunities and to support account management teams in the customer surface in early 1990's. It was a generally held belief, that all functions of business should clearly understand the formation of profitability, and according to the same agenda, the business processes and patterns should be continuously developed and thus the finance and control competence should be embedded in all functions. *Decentralized controllership in business units* was generally accepted and experienced very useful, and in a matter a fact, indispensable pattern of action.

Another, additional chance for contribution has occurred in the form of customer specific account management teams. A step forward in the industry value chain requires a better understanding about the customers business including the financials. It has considered, that account teams need strong financial competencies in order to evaluate customer's long-term viability and the value of the solution offered by the Blue to the customer over time. As a consequence, large amount of *controllers were given a responsibility to take part into the account team meetings* and prepare financial analyses about the customer in years 1994 and 1995. Many controllers were thus been more or less involved in the customer processes in this way. These kinds of duties are quite rare for accounting people, and the work was experienced very difficult and challenging. As the account management team is the nerve center of the customer information, it was stated, that the management accounting's impetus to the management processes of the Blue could be most vital from the field – not in the headquarter – positioned next to the original source of the market information.

At the same time, further additional opportunity and need for management accountants was said to be in appraising new products alternatives and *controlling new product development*. Management accounting function is one of the supporting information channels between customers and R & D function and the support was needed in questions related to timing, risks and economic consequences of different alternatives of action. Development of project milestones, ideas of target costing and life cycle accounting approaches were helpful in the product decisions and product processes in the case site. Also new pricing methods were currently in debate in Blue, especially in the case of software products.

Third phase of organizational arrangements was made in 1998, when routine accounting were group wide organized as a shared service centers called process and *business controllers separated as it own process*. It was largely agreed, that this development greatly enhanced further the opportunities for controllers to support the line business.

Business-oriented accounting tools

Neither the cultural tension nor the decentralized controller approach were enough to satisfy the managerial needs for the management accounting function. Also management accounting systems were naturally revised during the longitudinal case study. *Routine accounting systems were strongly developed in many phases in order to make the routine accounting more effective, simple and relevant, and to save time for the analysis and business oriented work.*

In 1995 a special *consolidation package* were implemented and it provided multidimensional analysis and fast consolidations. *Latest estimates* were already developed to bring the extremely important forecast information to support the management decisions in fast growing global businesses and to coordinate the global value chain. *Rolling forecast method* was implemented in 1998 and it was considered extremely important tool for the proactive business management instead of looking backwards. *Implementation of SAP/R3* simplified and homogenized further the basic accounting system of the case site in the end of the century. New *modular logistics system* together with the developed *standard costing system* were also implemented and they helped also in costing, pricing and profitability analysis in addition to the improvements in logistic operations.

Activity-based costing was also successfully used in the production and supply-chain arrangements and cost management. Business process management brought the increasing usage of *non-financial measures*, related with the customer and personnel satisfaction, quality and time, during years 1994 and 1996. They were also helpful measures in the implemented performance management system of the company in addition to the traditional financials. The new millennium saw also the introduction of the globally used *balanced scorecard approach* which were used as a special strategic and short term planning tool and which are used together with the rolling forecast approach as the routine reporting system.

These developments and innovations have had a great influence in the management accounting function of the company. They have increased teamwork, reduced time spent for routine activities, increased time spent for development, and provided better business oriented tools for planning and control for management accountants.

3.4. Management accountants' metaphoric roles and changes in these roles

According to the findings, the management accountants'/controllers' most important roles include nine roles. There were different kind of the roles on analyzing, information, people and management levels *inside finance and control department*. Essential role is to continually 1) *develop accounting systems and reporting* and to 2) *manage the own controller team and controller network*. Too much time and attention was generally paid to inside management ac-

counting function, while the value added should be created outside the "home function" by informing the management, co-operating with it and taking part in decision making. Controller should be also a bridge between own department and the rest of the organization.

The "traditional accountant" was commonly called as a "bean-counter" in the Blue during the interviews. The typical bean-counter focused mainly on the inside of his/her own department. He/she analyses information, typically traditional financial information and he/she produces and sends formal financial reports, with few participation attempts. His/her business knowledge is relatively poor. These "inside the function issues" were considered as basic issues, which should always be in condition, before any serious role development could exist. Routine reporting system should "run like excellent engine".

The "inside" development and organizing of management accounting function itself is of course important issue and part of any development process. Skills to manage the own staff are important e.g. in order to reach and maintain good team spirit along the accounting staff. There is always lot of back office posts, where extremely business minded approach was judged not as an important requirement. Not every one could be business controller, either. Thus *casting* is extremely important issue in the organizing the accounting function in order to avoid frustration. Additionally, scorekeeping competence is the very cornerstone of the role in most cases, even in the heart of business controllers' work. At least one should be reliable in his/her own subordinate's eyes and that requires basic accounting knowledge.

During the years of the longitudinal study, the continuous development work and good tolerance to the forever continuing change increased its' importance a great deal. The main focuses of the role development in this study are, however, the organization wide roles outside the own department on information, people and management levels.

On information level of analysis an essential responsibility for management accountant is to 3) *produce and analyze relevant information in order to support the decision making* of line management. Management accountant should be very selective and find and produce right kind of information, because management has no time to do that. This selectivity had reflections to the nature of produced information, which could be e.g. more strategic oriented and has simple structure. 4) *Reflection of the future and potential risks* by management accounting tools was considered to be increasingly important on the information level and thus it is noticed as one duty, which could be linked to the overall development of the business-oriented management accounting function as well as a part of the particular development of accounting reporting of Blue and the emphasized ability to interpret the accounting information.

The ability to join the cross-functional teamwork was emphasized on people level. It was not enough to produce the management information, but to 5) *bring the information into context of other managers and into their frames of meaning*. Lots of informal information was ex-

changed between functions through these liaisons. It was recognized to be more and more important to communicate the knowledge of the economic consequences of different activities, processes and businesses organization wide. It was thus essential that controllers take actively part in the work of the account management teams and product development teams where they could enhance their other than information roles and contribute to the field management also on the next (hands on) level.

On hands on- management level, which includes also elements of managing on people level, management accountant's role was described to be as 6) *a full member of his/her unit's management team*. Another common description was 7) *a sparring partner of the business unit manager* in a way that some added value to the management should born as the sum of the sparring process.

However it seemed evident that by no means 8) *the watchdog role should be overseen* (for example in budgeting, risk appraisals or in controlling the business unit manager). Quite contrary, it is very essential and it should be carefully taken, but it also requires good business knowledge to handle it well. 9) One additional role could be also found in the *promoting of organizational profit consciousness and achievement* in the form of education sessions and also in everyday talk with other functions.

Essential part of the management accountants' business-enabling role comes by his/her *ability to set strong and right limits to the general management's business decisions*. This means, that management accountant must be very independent and he/she must be able to stand against the majority, if necessary. He must be able to shoot down "excellent business ideas" if he/she thinks that they are not economically viable. The participation in the work of management team could be characterized as an establishing a special "personal boundary system" (cf. Simons 1995), created by setting a tight and clear economic limits in order to control the innovative and impulsive participation of other professional disciplines (e.g. marketing, production and R & D) to the financially acceptable direction.

The role of management accountants has been strengthened in the case site in observed years. The potentials are not yet fully utilized as well as the managerial needs were not yet fully satisfied and clear gap between expectations and existing contribution could be found. Controller's requirements and responsibilities have strongly expanded in recent decade. The requirements have increased in case of routine activities as well as in more sophisticated activities, related with accounting innovations, most notably balanced scorecard, rolling forecast and activity-based-costing.

The overall role changes were difficult to study, because roles of management accountants change all the time as posts of individuals change. Due to the promotions, people usually do less and less accounting work and more and more general manager's work. Role changes

seemed to be heavily dependent on the competencies and characteristics of accountants, issue, which is further examined later in this study.

The better image comes from the relevance and reliability of routine management accounting numbers as well as the proven evidence of management accountant's managerial skills. So the routine accounting, development of management accounting innovations and the actual role as well as the image of the management accountants seemed to be deeply intertwined. *The expansion and development of management accounting function was clearly located in the people and hands on levels of the Mintzberg's (1994) framework referring the membership of management team and a sparring partner of business unit manager and interpreter and communicator of the accounting data.* The traditional information oriented role should thus, according to the results, be balanced by other roles (management through people and hands on management of concrete business). The business-oriented role was better performed in the decentralized locations such as business units, teams and controller processes, which supports the early results of Hopper (1980) and newer ones presented by Granlund & Lukka (1998). Despite these novel and theory-based categories, the overall findings of the study were in general rather similar with the study of Granlund & Lukka (1998).

3.5. New competencies

Good management accountant was described as *a business minded person with excellent skills in basic accounting as well as business management and a deep knowledge of company's business. Communication (and listening) skills* were also emphasized and it was commonly mentioned that good management accountant should be *a very convincing performer*. Management accountants view to the business should be wide and holistic. He/she must understand the business well and be able to run it at least in theory. It is important also to understand the organization and its needs well. He/she must also be able to see the big picture beyond the number crunching. Of course individual's character should be in line with the context and situation of his/her task and location. E.g. seniority (age & experience) was felt important asset in China and in Germany and in other countries some other characters were required. In this international sense, language skills were also frequently mentioned. Ability to walk over professional and functional barriers was seen essential. Integrity, confidence, courage and ability to lead one's own controller organization were also emphasized.

Ability to continuously develop own job, accounting organization and accounting systems was one of the most important competencies and its importance seemed to increase during the study. Development work was also closely related with continuous and fast change in ultra-modern environment. Change trends in these requirements and competencies could be thus found especially in the following forms; He/she should be increasingly *participation-ori-*

ented and have better *communication skills* than before and his/her *understanding of organization, business and processes* has become extremely critical. This means increasing utilization of the subjectivity and usage of feelings and intuition. It was stated that there could be found people with good accounting knowledge, but few people, characterized by reasonable combination of accounting, business, and communicative skills. *The softer interpersonal skills were thus to become increasingly important in addition to the traditional financial skills.* Also development work was one of the most important. These findings were well in line with the IMA report (1996), which e.g. pointed out, that the competence gap is widest in the understanding and familiarity with the business and leadership skills. Also the gap in negotiation skills was clearly evident. The study conducted in Finland by Lukka & Granlund (1998) showed also supporting results.

When these findings were *analyzed in the light of the competence theory*, where competencies were divided into: *productive competencies, normative competencies, innovative competencies and emotional-moral competencies.* Productive competencies, related with technical skills and knowledge were connected with basic accounting knowledge, modern accounting innovations and accounting information systems, which were still highly necessary for the job performance.

Regarding with the normative competencies dealing with adjustment, there could be found an increasing ability to be continuously adjustable to the everlasting change. In motivation-related competencies, extremely high commitment was required from the accountants as well as other professions in the case site. The clearest change dealt with the socio-cultural competencies, where increasing interrelationships in organizations, namely co-operation, interaction and communication were highly important and where the change was the biggest. Requirements for the innovative competencies arose from the continuing change and extreme development requirements in the case site. Requirements related innovative competencies were faced one of the biggest changes together with the subjective business knowledge and socio-cultural competence requirements. Emotional-moral competencies mean increasing usage of autonomous subjectivity in balancing emotional value-related knowledge and rational-based knowledge in personal job and the development of personal work. This was highly evident in the frequently mentioned cases of "increasing business understanding, seeing the big picture and seeing behind the numbers."

The management accountants' competence change in modern organization was thus no more than precise the same than mentioned in the wider social discussion dealing with the competencies in modern work. (c.f. Väärälä 1995, Takala 1998, Kortteinen 1997). Even tough this is a special and unique topic and situation for accountants, it is at the same time very general phenomenon in modern society, where socio-cultural, adjustment, innovative and

emotional-moral competencies are more and more frequently needed and emphasized. Change in management accountants' work could be furthermore conveniently interpreted with these wider competence theories. Competencies related with interpersonal skills and increasing subjectivity could, however be further analyzed with the inner layer of the onion, with the personal theory, provided by Pihlanto (1995)

3.6. Findings analyzed by Pihlanto's framework

It could be found different kind of management accountants in the Blue by using Pihlanto's framework. Some of accountants looked clearly more like instrumental managers and some more like participation-oriented managers. The hard core of financial and accounting skills (productive competencies) as such could be seen suitable for both theoretical archetypes and it is always essential base for all activities of management accounting. The neutral outsider characteristic of the instrumental management accountant could be seen useful in conducting the watchdog kind of controlling duties and his/her ability to stay out of management by beliefs and rely on cold facts might prove useful, while participation-oriented manager might more easily participate in the business with enthusiasm. However it is easier for a participation-oriented manager to know and understand the current state of business affairs, which in this way might be useful for his/her controlling work.

The increasing competence requirements concerning the communication, cooperation and wide business oriented perspective could be clearly connected with the type of participation-oriented management accountant, who has, according to the theory, been defined as a dialogue oriented, *participation-oriented person, who sees him/her as a part of his environment and who generates wider set of meaning relationships and thus has richer world view*. The ability to bring the accounting information into other manager's consciousness and make it meaningful to them as well as vice versa to translate their information into relevant meaning relationships for accounting language might prove highly essential in supporting and participating in the business decisions. Affecting on people through dialogue is an essential part of the participation-oriented managers way of run the business, according to Pihlanto (1995). The participation-oriented management accountant's ability to see problems in issues, considered unproblematic by others, might also be very useful when acting as a sparring partner of the line management. The dominating beliefs could be challenged and new revolutionary ideas could be found through the employment of the second type of intuition (and emotional-moral competence).

New and challenging requirements and competencies emphasize softer skills, without any competence requirements reduction in instrumental accounting skills. Communication skills and will, cooperation and interpersonal skills, ability to understand business and realities be-

hind the numbers are *moving the personality requirements increasingly in the direction of the theoretical archetype of participation-oriented management accountant*, which means that the characteristics of instrumentally oriented management accountant should be balanced with the reasonable amount of the opposite characteristic. The required competencies are hypothetically linked to different managerial types in the following table.

TABLE 1: The characteristics of a “good new management accountant” or “business controller” in Blue divided by the Pihlanto’s framework.

INSTRUMENTAL MANAGER	PARTICIPATION-ORIENTED MANAGER
Old characteristics, importance remaining	New characteristics, importance is increasing
<ul style="list-style-type: none"> – Analytical skills – Instrumental accounting competence – Independency 	<ul style="list-style-type: none"> – Communication skills – Cooperation and interpersonal skills – Wide business management skills – Ability to see big pictures and understand large entities

Competencies and the worldview can develop, expand and get richer through wide cross-functional experience and interaction. This means that business issues get concrete meaning, and new kind of creative intuition could be thus produced. Numbers get concrete, deeper and wider meanings in the consciousness of management accountants and hence the potential contribution to the management process increases. One aspect in the education and cumulative experience is the shaping of management accountant’s values in order to enhance the motivation-related competencies. Participation-oriented role model, oriented to relevant managerial issues, could be made clear and create voluntary intention and shared value in order to act in a way required, i.e. participation-oriented and in managerially relevant way. To sum up, the change to *the increasing business orientation was clearly a cultural journey and needs a further explication from the cultural point of view.*

4. CONCLUSIONS

Environmental, organizational and cultural changes affected in a complex, but expected way to the developments of the management accounting function in Blue. The role of management accountants was thus in clear transition during the observed time period.

New roles were sought in the company by using several development avenues: *by decentralizing* the controller function (into business units, account teams, R&D process, and controller process with SSC), *by utilizing job rotation, recruitment policy, and managerial training*, *by implementing new accounting innovations* (rolling forecast, balanced scorecard, activity-based costing) in order to achieve business oriented tools and *by implementing new accounting and other software systems* (consolidation package, SAP/R3, logistics system, standard costing system) in order to simplify and speed up the basic accounting.

The managerial aspects of management accounting (participation in the management and team work, sparring the unit manager, communication and translation of accounting information, and taking advance from the new accounting innovations) are emphasized in the new roles of management accountants, even though the strong basic accounting base remains. According to Mintzberg's (1994) framework, *the role of the management accountants* has expanded from the traditional, indirect and administrative management through information - style into the style, which *emphasizes much more management through people and hands on management*.

Changes in the management accountant's competencies were actually very similar than in general in the modern post-industrialist society. The greatest changes dealt with *socio-cultural competencies* (co-operation, interaction and communication), *innovative competencies* (development of accounting and creative work) and *emotional-moral competencies* (feelings, intuitions and subjectivity).

Analyzed by the Pihlanto's (1995) framework, *the new competence requirements of the management accountants in the Blue suggested the increasing notion of the participation-oriented management accountant's characteristics and the notion of the subjectivity* instead of traditionally dominated instrumental managers personality and the notion of the pure objectivity. The results in Blue could be illustrated according to the onion model framework of the study in the following way:

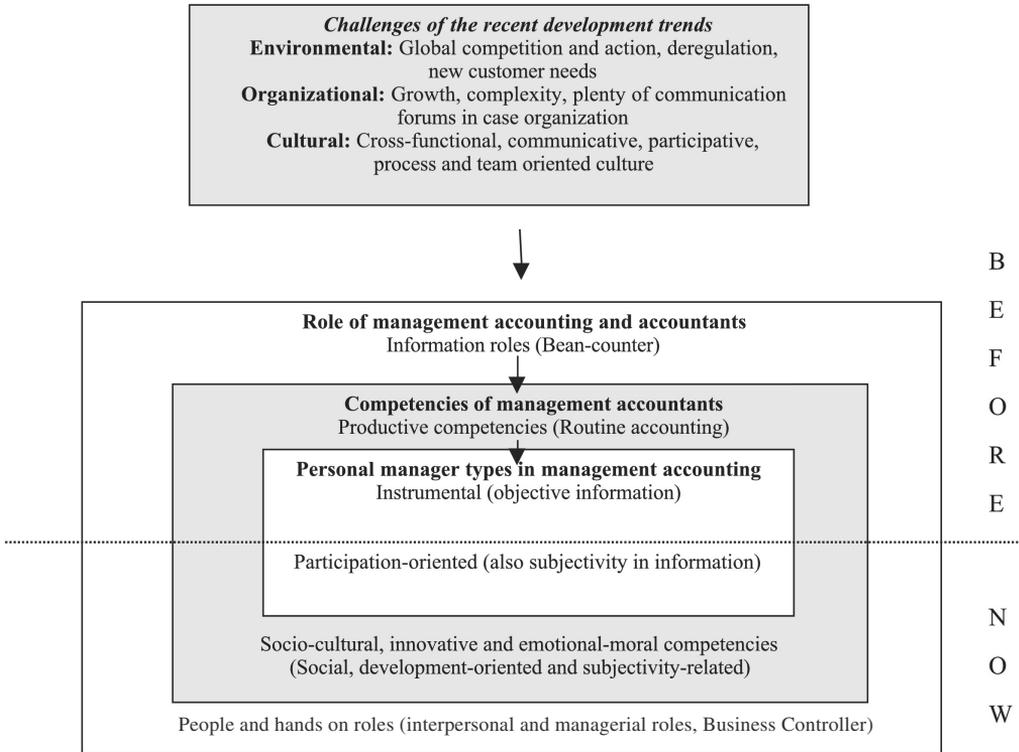


FIGURE 2: The results of the study in an onion model

Finally, as one major conclusions of the study, a hypothetical connections between the two archetypes of management accountants (dominant metaphor), dominant management roles by Mintzberg (1994), management accountants' metaphoric roles, required competencies, dominant manager type by Pihlanto (1995) and dominant concept of information (also Pihlanto 1995) are hypothetically connected with each others in the following table. Metaphor, management role, metaphoric role, required competencies, dominant personal manager type and dominant concept of information presented in the same line are thus connected, i.e. hypothesized to occur at the same time, i.e. together. The dominant metaphor moves from the bean counter to business partner, dominant role from management by information to hands on management, dominant manager type from instrumental to participation oriented, and dominant concept of information from objective to non-objective, when moving downwards in the table 2. These connections might be tested in the future in another studies with larger samples. ■

TABLE 2: Roles of management accountants; case findings.

DOMINANT METAPHOR B=Bean counter BC=Business Controller	DOMINANT ROLE (Mintzberg 1994) I=Information P=People H=Hands On	METAPHORIC ROLES AND THEIR CHANGING IMPORTANCE	COMPETENCIES REQUIRED <i>Important skills mentioned</i>	DOMINANT MANAGER TYPE (Pihlanto 1995) I=Instrumental P=Participation-oriented	DOMINANT CONCEPT OF INFORMATION (Pihlanto 1995)
B	I	Produce and analyze relevant information <i>-Importance remained</i>	Productive <i>Accounting skills</i>	I	Objective and concrete
B & BC	I Linkages with other roles essential	Develop information and handle change <i>-Importance increased</i>	Productive, adjustment and innovative <i>Accounting skills and understanding of business</i>	I & P	Objective and concrete, but wider generation of meaning relationship and concept of knowledge might prove useful (second type of intuition and making problematic of issues taken for granted.)
B & BC	Based on I, but other roles might provide deeper insight.	Watchdog <i>-Importance remained</i>	Productive <i>Neutrality, ability to evaluate both from inside and outside, understanding of business</i>	I & P	Objective and concrete
BC	I	Proactive notions and reflections of future events and risks <i>-Importance increased</i>	Emotional-moral <i>Understanding of business</i>	I & P	Based on objective and concrete information, but ability to see his/her own action as a part of business might prove helpful.
BC	P	Promoting organizational profit consciousness <i>-Importance increased</i>	Socio-cultural and emotional-moral <i>Communication and interpersonal skills, wide perspective, understanding of business</i>	P	Non-objective and non-concrete knowledge created through experiment and dialogue, intuition, wide world view
BC	P	Bring the information into context and frames of meanings of the other managers & interpretation <i>-Importance increased</i>	Socio-cultural and emotional-moral <i>Communication and interpersonal skills, wide perspective, understanding of business</i>	P	Non-objective and non-concrete knowledge created through experiment and dialogue, intuition, wide world view
BC	P & H	Sparring partner, consultant <i>-Importance increased</i>	Socio-cultural and emotional-moral Communication and interpersonal skills, wide perspective, understanding of business	P	Non-objective and non-concrete knowledge created through experiment and dialogue, intuition, wide world view
BC	P & H	Member of own unit's management team <i>-Importance increased</i>	Socio-cultural and emotional-moral Communication and interpersonal skills, wide perspective,	P	Non-objective and non-concrete knowledge created through experiment and dialogue, intuition, wide world view understanding of business
BC	P	Managing own department <i>-Importance remained</i>	Socio-cultural <i>Communication, interpersonal and leadership skills</i>	P	Both, ability to see him/herself as a same reality with subordinates might be helpful, dialogue important.

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