

An Exploratory Exercise to Establish the Profile of a Double-hybrid Management Accountant with Justifications

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Abstract:

In the late 80s, the profession of management accounting encountered much criticisms on its models and practices, generally known as the “relevance lost”. Since then, much effort has been made by the management accounting community to develop innovative management accounting practices and promotes a business-unit orientation of management accountants. The management accounting field recognizes two main types of management accountant profiles, i.e., the functionally oriented management accountants and the hybrid management accountants. This paper argues that, both from a theoretical and a real-world practice standpoint, there is a need to offer another profile of management accountant, called a double-hybrid management accountant. Double-hybrid management accountants are scholar-practitioners. The intellectual competence of them is explicitly grounded on pluralism. In the discussion, the paper identifies a number of research topics as related to the notion of double-hybrid management accountant.

Key words: double-hybrid management accountant, pluralism, management accounting research, management accounting practices, professional development

Introduction

Since the late 80s, the field of management accounting has experienced a quite turbulent period of time. A key concern raised in the management accounting field is captured in the

phrase “relevance lost”, coming from a book written by Johnson and Kaplan around that time (1991). Three main responses from the management accounting community have been made: (i) development of innovative management accounting methods (i.e. the products), (ii) development of better implementation of management accounting practices, and (iii) stress of the hybrid (multi-disciplinary) and business-orientated profile of management accountants. This paper examines this context of evolution of management accounting thinking and practices. It then formulates a more demanding version of hybrid management accountant, called “double-hybrid management accountant”, which the writer maintains as possessing much better professional and academic competence to cope with the challenges originating from the theoretical foundation in the mainstream management accounting thinking.

A review on management accounting theories and practices

Management accounting has been informed by cost accounting, which is concerned with measuring costs of objects, e.g. products and departments, and cost behaviors in organizations. Cost accounting provides cost information for operations control and planning. The information of cost accounting is also relevant for financial accounting and financial reporting. For instance, financial reporting needs product costs to establish valuation of inventory balance which needs to be disclosed in balanced sheets of enterprises. Management accounting incorporates cost accounting information, plus other accounting and non-accounting information to support managerial decision-making and management function in general. These are summarized as the score-keeping, attention directing and problem solving functions of management accounting (Bhimani *et al.* 2012). Broadly speaking, management accounting theories cover both the accounting and management domains.

In the late 80s, however, dissatisfaction with management accounting models and practices grew. [The notion of management accounting model was explained in Bjørnenak and Olson (1999) as “a general scheme of how the management accounting system is designed.”] For examples, there were complaints that conventional overhead cost allocation practices were too crude, that budgeting practices were less relevant in an increasingly turbulent business environment, that management accounting was not capable to deal with intangible resources, and that management accounting was not sufficiently strategic in orientation, etc. As Otley (2001) states about the situation around that time: “The use of management accounting information was... inimical with good management practice...”. Management accounting innovations began to appear in the management accounting field. Major innovative management accounting models include activity based costing, the balanced scorecard approach, “beyond budgeting” models, management accounting for intellectual capital and target costing. Many of these management accounting innovations incorporate strategic management and marketing thinking and are subsequently included in a broad subject called Strategic Management Accounting. [The subject of Strategic Management Accounting was put forward much earlier by Simmonds in 1981.] At the same time, in the academic management accounting community, the mainstream management accounting thinking and management models have been challenged as being solely focused on a scientific, and objective theoretical stance. The mainstream management accounting is said to be mainly based on neoclassical economics and is essentially a kind of rational accounting theory studies (RATS). The limitations of an objective and scientific theoretical perspective of mainstream management accounting have been especially exposed in alternative management accounting perspectives, which have been identified as Ethnographic or interpretive accounting

research studies (EARS) perspective and Critical accounting theory studies (CATS) perspective (Jönsoson and Macintosh 1997). As Otley (2001) also points out: "...our subject matter is not amenable to the methods of the 'hard' sciences; our 'facts' are social 'facts' generated by the perceptions and attitudes of the participants themselves, and coloured by the social and cultural context within which they are set..." Otley's viewpoint underlines the 3 inter-related complexities in social sciences, namely, natural world complexity, social world complexity and internal world complexity as explained by Midgley (1992). [It should be noted that Midgley's work belongs to the systems thinking literature.]

Many of the works on alternative management accounting perspectives have been published in refereed journals such as *Critical perspectives on Accounting, Management Accounting Research* and *Accounting, Organisations and Society*. From the alternative management accounting perspectives, the mainstream management accounting perspective is insensitive to the fundamental characteristics of the object of study of management accounting, which are social, cultural political, psychological and value-full in nature; the contexts of management accounting practices very often are messy. This kind of criticisms on the scientific and objective theoretical stance as embraced by mainstream management accounting can also be easily found in the literatures of Research Methods and Systems Thinking. It can also be said that the mainstream management accounting thinking has been too restrictive by mainly upholding the organizational metaphor of machines; while metaphors of organisms, brains, cultures, political systems, psychic prisons, flux and transformation, and instruments of domination have been ignored. [These metaphors of organization are explained in Morgan (1986).] As management accounting has been applied in more messy topics and contexts such as environmental protection, corporate governance, support for

virtual organizations and cross-national/ cross-cultural business management, the limitations of the scientific and objective stance of mainstream management accounting is more acutely felt by management accounting practitioners.

Overall, management accounting research has been conducted from diverse theoretical perspectives, though relatively independently. As Jönsoson and Macintosh (1997) put it: "...it seems that EARS [Ethnographic or interpretive accounting research studies], CATS [Critical accounting theory studies] and RATS [Rational accounting theory studies], in the main and all too often, do indeed pass each like ships in the night...". [It should be noted that textbooks on Research Methods in Accounting, such as Ryan *et al.* (2002), explicitly cover various theoretical perspectives.]

On double-hybrid management accounting research items

Jackson (2003) argues that different theories and theoretical perspectives examine situations, problems and practices from different angles. Based on this argument, it is attractive to adopt a pluralist stance to inform problem-solving and management practice. Specifically, Jackson (2003) maintains that:

- some systems approaches are for "improving goal seeking and viability"
- some systems approaches are for "exploring purposes"
- some systems approaches are for "ensuring fairness"
- some systems approaches are for "promoting diversity"

In essence Jackson's recommendation is supportive of pluralism at the theoretical and methodological levels in management practices. In our case, this recommendation equally applies to management accounting practices.

For Midgley (1992), pluralism represents a "new set of

paradigmatic assumptions”, which incorporates the three paradigms of ontological thoughts, namely, realism, idealism and normative construction, although, in practice, only one paradigm is employed as “a moment of thought”. Adoption of pluralism is justified because the complexity of reality that management accountants, like practitioners in other social sciences fields, are facing is made up of three inter-related parts, i.e. natural world complexity, social world complexity and internal world complexity (Midgley 1992).

In short, Jackson (2003)’s thinking about systems approaches and Midgley’s thinking about pluralism can be applied in management accounting theories and models. For Jackson, employment of pluralism, when explicitly grounded on contemporary systems thinking, promotes *creative holism*. That is, it is fully aware of the 3 inter-related parts of complexity as pointed out by Midgley (1992) with systems thinking that is multi-perspective; and being multi-perspective promotes creativity in problem-solving and management practices. In our case, this can be management accounting practices. Creative holism and pluralism also support usage of multiple methodologies anchored on different theoretical perspectives. Out of this literature review, the writer identifies the following research items for further investigation in management accounting:

1. Double-hybrid management accounting research
2. Double-hybrid management accounting models
3. Double-hybrid management accounting practices
4. Double-hybrid management accounting development
5. Desired profile of a double-hybrid management accountant

Double-hybrid means supportive of multiple perspectives and multiple methods in management accounting research and practices. Discussions of aspects of these research items have been scattered in the management accounting literature but not synthesized with the lens of pluralism explicitly so far.

A comparison of the three profiles of management accountants

Emsley (2005) distinguishes two profiles of management accountants, namely, functionally oriented management accountants and business unit oriented management accountants; and argues that business oriented management accountants are more capable than functionally oriented management accountants to introduce management accounting innovations in organizations. The writer would argue that business unit-oriented management accountants are essentially hybrid management accountants; they must have sufficient management education in other non-accounting disciplines and working experience in other non-accounting work domains to be competent business unit-oriented management accountants. Thus, the profile of business unit-oriented management accountants is the same as that of hybrid management accountants referred to in management accountant works, e.g. Bhimani, Horngren, Datar and Rajan (2012) and Cooper and Dart (2009), and the profile of a hybrid management accountant is typified by the description of professional management accountant in professional management accountants' websites such as that of the Chartered Institute of Management Accountants (CIMA), UK.¹ The following quotation from Kim *et al.* (2012) also serves as an illustration: "Respondents strongly valued qualities such as professional principles, hard work, intelligence, analytical and forward thinking in MAs. Further, more innovative, dynamic and people-oriented qualities were strongly suggested for future MAs [*writer's note: MAs means management accountants*], with roles relating to multi-skilled business integrator, business partner/advisor, leader, agent, and decision enabler/maker." Notwithstanding this, a hybrid

¹ There are other management accounting professional bodies such as: Institute of Certified Management Accountants (ICMA Australia), Certified Management Accountants of Canada, Institute of Management Accountants (IMA USA).

management accountant is still not a true master of management accounting; a hybrid management accountant's skills is still plagued by the limitations of mainstream management accounting thinking and affiliated management accounting models. Thus, the writer recommends another profile of management accountants, which is named by this writer as a double-hybrid management accountant.

A double-hybrid management accountant is not only a hybrid accountant with good knowledge and working experience in various management disciplines, but also a person well versed in various management accounting perspectives, such as the RATS, the CATS, and the EARS perspectives. In addition, this person has good knowledge of pluralism in the academic literature, especially the systems thinking one. In short, a double-hybrid management accountant is hybrid at both the theoretical and practices levels. Since the professional development to possess the competence of a double-hybrid management accountant is very demanding and engaging, it should be clear that not all management accounting practitioners want to be or can afford to be a double-hybrid management accountant.

The following table, Table 1, makes a comparison of the profiles of functionally oriented management accountants, hybrid management accountants and double-hybrid management accountants. It serves the purpose of consolidating some of the ideas presented in this paper.

	<i>Functionally oriented managements accountants</i>	<i>Hybrid management accountants</i>	<i>Double-hybrid management accountants</i>
<i>Typical working experience</i>	Work in the Accounting Department	Work in various departments in organizations	Work in various departments in organizations, plus some research and teaching experience at

			universities
<i>Research philosophy</i>	RATS	RATS + EARS	Pluralism RATS + EARS + CATS
<i>Performance criteria</i>	Efficiency Effectiveness	Effectiveness Mutual understanding	Creative holism
<i>Role in organizations</i>	Functional specialist	Business partner	Transformational leader

Table 1: a comparison of the profiles of functionally oriented management accountants, hybrid management accountants and double-hybrid management accountants

Based on the literature review as introduced in this paper, this writer argues that a double-hybrid management accountant is in the best position to be a master of management accounting practices; a double-hybrid management accountant, being a scholar-practitioner, should also be able to make significant contribution to the theoretical development of management accounting that has high academic and practical values. This version of management accountant profile, however, is missing in the existing management accounting literature.

Implications on management accounting development and education

Using the analogy of a ladder, it can be said that the education requirement for a functionally oriented management accountant (level 1 – lower level) is lower than that of a business unit-oriented management accountant (level 2 – middle level); in turn, the education requirement of a business unit-oriented management accountant (a hybrid management accountant) is less stringent than that of a double-hybrid management accountant (level 3 – upper level). The body of knowledge required for level 1 has been clearly established in the syllabus of professional management accounting bodies,

such as the Chartered Institute of Management Accountants (CIMA); and that for a hybrid management accountant is that of the CIMA, plus that of an MBA programme, for instance. As to the educational requirement for a double-hybrid management accountant, this should be equivalent to that of a Ph.D., with explicit mastery of the theory on pluralism. Having said that, there is a need to investigate further the topic of professional development to reach level 3 for double-hybrid management accountants. There is also a need to research on the managerial intellectual learning process involved to develop management accountants of different profiles. The works of Ho (2013a; 2013b) on managerial intellectual learning process and on Enlightening Management Education are relevant to this research topic, in this respect.

Concluding remarks

Both the works of (i) Kim *et al.* (2012), which is on the professional identity of management accountants, and (ii) Stone *et al.* (2000) and Hunton *et al.* (2000), which examine the job requirements for management accountants at different levels of hierarchy in organizations, direct their attention on functionally oriented and business unit-oriented management accountants. There is scant attention of these works on the scholar-practitioner profile on management accounting. In this paper, the writer points out the professional and academic contributions that a double-hybrid management accountant can make to the academic and business communities.

The importance of developing double-hybrid management accountants is becoming increasingly important as more attention is paid to the “management” aspect of management accounting rather than the “accounting” aspect of management accounting, as Otley (2001) recommends. At the same time, the relevance of the professional competence of double-hybrid management accountants is growing with an

increasingly complex external environment facing management accounting practices, which is revealed in Stede *et al.* (2010)'s report. As Stede *et al.* (2010) state: "Business models used in emerging Asia and traditional western markets were at odds. In the west, transparency was the keystone, providing new rules and disclosures for how business should be conducted, and shareholder value maximization became the universal mantra..... Meanwhile, in emerging Asia the powerful corporations were generally less transparent, governance systems were murkier, and decisions at all levels often influenced by personal relationships.... With the global flow of capital and increased competition on global markets between companies in the east and west, these differences create tensions, particularly in financial functions where they must be reconciled to complete business transactions and smooth other interactions, especially where governments are meddling in the business..."

This ends my endeavor to establish a new profile of a double-hybrid management accountant and its theoretical/practical significance.

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