Management Accounting Research Group Conference:
Thursday 18 April 2013
London School of Economics & Political Science

The 34th Annual Management Accounting Research Group Conference was held at the London School of Economics and Political Science on Thursday 18 April, 2013. This year's conference, titled **'Management Accounting and Corporate Governance: New Issues – New Directions,'** was made possible by the Charitable Trust of the Institute of Chartered Accountants in England and Wales (ICAEW) and the Chartered Institute of Management Accountants. The conference was organised and facilitated by the Department of Accounting at the LSE.

Emeritus Professor Michael Bromwich of the LSE welcomed the audience to a well-attended conference. He emphasised that this conference was an opportunity for people from different backgrounds to talk to each other; advice which was taken on board throughout the day's proceedings.

Following the welcome, Professor Bromwich introduced the first speaker, *Laura Spira*. Professor Spira, trained as a chartered accountant and an expert on corporate governance at Oxford Brookes University, delivered her talk, entitled **'Corporate Governance and Management – a Blurred Boundary?'** Professor Spira presented a selection of definitions of management accounting, management and corporate governance; noting an overlap and provoking the audience to consider this blurred boundary, and whether it was necessarily a bad thing. Professor Spira also addressed the role or boards and board independence. This portion of the presentation prompted several questions on accountability and non-executive director performance.

Michael Power, Professor of Accounting and Director of the Centre for the Analysis of Risk and Regulation (CARR) at LSE, delivered the second talk of the day. The presentation, titled **'Searching for Risk Culture in Financial Organisations,'** was an opportunity for Professor Power to share his thoughts on the relevance of 'culture' today. Described as a problematic topic in practice – both operationally and conceptually, and an 'object of concern,' Professor Power emphasised the importance and relevance of culture and risk culture. In tying these themes back to management, two questions were posed; how can it be managed and is it a management accounting problem? Prior to answering these questions, risk culture itself must be understood. Professor Power presented a two-pronged "attack" to unpacking risk culture, noting that problems exist with definitions. As the research study is still underway, some initial findings from the examination of risk culture were shared. Namely, the focus on informational habits and organisational structure was observed rather than risk culture as an ethical issue. Also noted was the paradox of regulatory interest in risk culture, where regulators require documentation, yet this practice of 'writing things down' doesn't necessarily lead to good risk culture.

The morning talks had served their purpose in provoking a great deal of thought amongst the conference attendees. Fortunately, the lunch break offered ample opportunity for informal discussion.

The first talk of the afternoon session was delivered by *Martin Thomas,* an independent consultant with call4change and an Advisory Board Member at the Centre for Sustainable Organizations. Thomas' talk, titled **'Measuring Thriving Organisational Performance in Turbulent Times,'** highlighted the notions of economic, social and natural capitals and the management of these capitals in achieving the triple bottom line. Thomas also introduced the notion of 'thriving' organisations as those that have gone beyond sustainability, meeting all sustainability criteria and creating new value in one or more of the capitals.

The fourth talk, presented by *Alfred Wagenhofer*, was titled **'Characteristics of Accounting Information that Serves the Board of Directors.'** Professor Wagenhofer is the Chair of the Institute of Accounting and Control and Director of the Center for Accounting Research at the University of Graz, Austria. As indicated in the title of the presentation, Professor Wagenhofer is interested in the types of accounting information that boards use and whether accounting information is best when aggressive, neutral or conservative. During the discussion period, the question was raised as to the definition of conservative accounting. Professor Bromwich also challenged why any praise was given for conservative accounting given the staggering bad debts reported by banks.

The panel discussion, chaired by Professor Bromwich, allowed a few minutes for the panellists – Gillian Lees (Head of Corporate Governance at CIMA), Michael Power, Martin Thomas and Alfred Wagenhofer - to present statements anchored to the day's theme. Professor Power positioned himself, not as an academic, but as a non-executive director, and in so doing, highlighted the role of management accounting in providing him with the information he needs. His emphasis on the integrity of the information was echoed by Gillian Lees who reiterated that the quality of decision making is dependent on the board having the right information, presented in the right way. During the ensuing discussion, members of the audience commented on the ineffectiveness of corporate governance, the availability of relevant information coupled with an inability to take action, and the issue of trust – its measurability and its prevalence. The coffee break which followed the panel discussion was an opportunity for further discussion.

The final presentation of the day, the ICAEW Distinguished Practitioner Lecture, was delivered by *Philip Gregory*, Senior independent non-executive Director at Hansard Global plc. Mr.Gregory's lecture, entitled **'The Effect of Changing Governance on the Finance Function; Some Observations and Experiences,'** offered the audience a lens into the changing demands of a new Chief Financial Officer. Traditionally, a CFO was seen as maintaining a 'good set of books' and this is the role which corporate governance envisions; a bookkeeper, a controller, a corporate policeman. On the other hand, the CEO is seeking a personal financial advisor in his or her CFO, especially in light of the difficult economic climate of the past few years, and the increased speed at which information is needed for decision making. Simultaneously, the corporate governance landscape has changed and boards have changed. The increased number of non-executive directors along with their demands for 'due process' means that a CFOs previously adept at condensing information are now required to expand and explain. In conclusion, Mr.Gregory recognised the improvements in corporate governance and the finance function. Ultimately, he believed that CFOs were not lacking in technical skills, rather the interpersonal skills required to have those 'tough conversations' with the Board. The effective portrayal of the CFO's maiden voyage into executive and board relations was indeed enlightening and the discussion

period touched on additional themes such as the skills required of the CFO, and the CEO-CFO dynamic. Mr. Gregory promptly ended the session at 6:00pm and invited the audience to continue the discussion over dinner. In line with tradition, the closing reception for the 34th MARG Conference was held in the Senior Dining Room on the 5th floor of the Old Building.

Robert Charnock
Nadine De Gannes
Dorothy Toh

London School of Economics
April 2013