



The Association of
Accountants and
Financial Professionals
in Business

China Management Accounting
Research Centre of Excellence
中国管理会计最佳实践研究中心



China Management Accounting Practices

Ability and Future

EasyFinance & IMA



Acknowledgements

We would like to express our gratitude to 565 financial and nonfinancial executives who participated in the “China Management Accounting Practices: Ability and Future” survey for their perspectives regarding this report.

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More About EasyFinance, IMA, and CRCE

This survey, launched by the China Management Accounting Research Center of Excellence (CRCE) (co-established by EasyFinance and IMA®), addressed financial management staff's proficiency of management accounting methods and tools, and the effectiveness of management accounting practices in Chinese enterprises to guide the future development of Chinese management accounting. Based on the survey data, Chinese management accounting practice has made remarkable progress over the past 20 years. However, there is much more improvement needed to enable Chinese companies to compete with global enterprises.

IMA® (Institute of Management Accountants) is a leading global management accountant organization. Founded in 1919 as the National Association of Cost Accountants (NACA), New Jersey, USA-based IMA has more than 80,000 members in more than 300 branches worldwide. IMA is an authoritative international management accounting organization that promotes the management accounting industry across the world by focusing on research, the CMA® (Certified Management Accountant) certification, continuing education, and social networking, and advocating the highest ethical standards.

EasyFinance has partnered with IMA to mutually support each other. Since its inception in 2004, EasyFinance has always focused on the research and dissemination of financial management best practices. With deep roots in the field of management accounting, EasyFinance has long tracked and studied actual problems in corporate financial management, summed up the theories and models suitable for the financial management reform of Chinese enterprises, and actively spread them to more enterprises. EasyFinance boasts more than 21,000 stable corporate customers and has become the financial training and consulting service provider of the branches or offices of 218 Top 500 global enterprises in China. It's highly praised by numerous trainees and enterprises and recognized by many international organizations.

CRCE has focused on the practicality and localization of corporate management accounting research and carried out research and application projects in enterprises through various forms. Therefore, CRCE has a profound understanding of the status quo and problems in the actual management accounting work of enterprises and strives to help them solve their practical problems. CRCE will continue to analyze common problems in the development of Chinese management accounting and propose practical improvement trends and directions.



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About this Report

EasyFinance Management Consulting Co., Ltd. (EasyFinance) and IMA® (Institute of Management Accountants) jointly initiated this survey, and China Management Accounting Research Center of Excellence (CRCE) was in charge of the implementation of the survey. CRCE was jointly founded by EasyFinance and IMA on December 17, 2013, with the goal of helping Chinese enterprises transform their financial management and create more value by using management accounting tools.

This survey study explores Chinese financial professionals' proficiency at management accounting methods and tools and the effectiveness of management accounting practices in Chinese enterprises to guide the future development of Chinese management accounting. This research helps identify the management accounting competencies and skills used most and needed most in China and develop a competency model to guide the future development of management accountants in China.



The design, distribution, collection, statistics, and analysis of the survey questionnaire as well as the writing of the report were primarily completed by CRCE, which received strong support from IMA during the process, especially in the questionnaire design stage. The content of the survey questionnaire was determined by CRCE team members and IMA's person in charge through face-to-face communication and email exchanges.

The questionnaires were distributed and collected mainly through EasyFinance's official website and official WeChat account, one-on-one interviews, IMA's official WeChat account, and emails. A total of 565 questionnaires were collected from February to March 2016 and there were 518 valid questionnaires, accounting for 91.68%. Meanwhile, more than 10 CFOs were interviewed to thoroughly understand their views and perspectives on the status quo and future development of management accounting.

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Preface

In recent years, a growing number of Chinese enterprises have begun to pay attention to the development of management accounting in China. With the introduction of the Guiding Opinions on Comprehensively Promoting the Construction of Management Accounting Systems by the Ministry of Finance of the P.R.C., management accounting has risen to a systematic engineering process requiring overall planning and design, signaling a gradual shift from early-stage policy research to implementation. Meanwhile, enterprises' attention to active implementation of management accounting best practices has reached new heights.

Given the transition of China's economy from factory-driven to innovation-driven, and the requirement of the Ministry of Finance to promote the development of management accounting talent, EasyFinance and IMA® (Institute of Management Accountants) collaborated to set up the China Management Accounting Research Center (CRCE). In 2014, CRCE issued the survey report titled, *Management Accountants: Improving Business Value*, which received wide praise from Chinese financial managers and enterprises. Building on that research, in 2016 CRCE conducted another survey study to identify the management accounting competencies and skills used most and needed most in China and develop a competency model to guide the future development of management accountants in China.

This report, *Management Accounting Practices in China: Capacity and Future*, presents analysis and a summary of the survey findings. The report consists of five parts: (1) basic information about the enterprises surveyed, (2) survey findings regarding management accounting skills, (3) survey findings regarding financial functions' effectiveness and challenges, (4) survey findings on the effectiveness of management accounting in achieving organizational goals, and (5) perspectives and expectations of CFOs of well-known enterprises regarding the future of management accounting in China. Next, we provide a summary of the key findings and background of the survey.

Report Summary



I Budgeting

Comprehensive budgeting is a major part of management accounting and requires strategic planning and full staff participation. Integrating and using comprehensive budgeting and other management accounting tools to promote the realization of corporate strategic objectives and the improvement of value creation is exactly the goal of management accounting. Respondents ranked the following budgeting-related skills as most important for financial functions:

- Prepare a cash budget;
- Understand the purpose of pro forma financial statements and the relationship between these statements and all other budgets;
- Identify the role of budgeting in formulating short-term objectives and planning and controlling operations to meet those objectives.

Unfortunately, these skills' importance exceeds the skill level possessed by financial staff, especially understanding the purpose of pro forma financial statements. Financial management staff should be able to prepare a proper budget with supporting schedules, promote communication and exchanges between corporate departments through comprehensive budgeting, determine and quantify corporate business objectives, and develop and continuously adjust business plans and regulate management control through budgeting. Only training all the staff to truly recognize the value of comprehensive budgeting can help ensure corporate success.

I Performance Management

Performance management plays the role of breaking down the objectives of all business units and functional areas into corporate performance evaluation, thus promoting corporate development toward strategic objectives through performance management tools such as performance evaluation and salary incentives. Enterprises surveyed reported highest skill levels for three performance management skills:

- Identifying the benefits and limitations of measuring performance by comparing the actual results to the master budget;
- Calculating the sales-volume variance and the sales-price variance;
- Analyzing a segment margin report to evaluate performance.

Being able to identify the benefits and limitations of measuring performance by comparing the actual results to the master budget was rated highest of all the performance management skills, and the corresponding skill level possessed was also rated highest.

The two biggest gaps in performance management skills where the rated importance exceeded the skill level were for (1) defining a standard cost system and (2) calculating price and efficiency variances. These skills may be especially in need of development.

I Cost Management and Decision Analysis

Chinese enterprises are facing many new opportunities and challenges in the context of globalization and gradual maturity of China's socialist market-oriented economy system. In order to survive and develop, enterprises must meet the needs for market-oriented economy development by deepening reform, strengthening cost management, and avoiding market risks. The enterprises surveyed have given higher priority to three decision analysis skills:

- Calculating the breakeven point in units and dollar sales to achieve target income;
- Using cost-volume-profit (CVP) analysis to examine the behavior of total revenues, total costs, and operating profits as changes occur;
- Calculating multiple-product breakeven points based on given sales mix.

Thus, respondents felt breakeven analysis contributes to the achievement of the targeted income. Presumably, this is because the goal of this analysis is to find the critical breakeven point and determine the likelihood of reaching target income in the face of uncertain factors and provide a basis for decision making. Using CVP analysis had the biggest gap between rated importance and skill level and may be especially in need of development.

The lowest-ranked cost management and decision analysis skill was understanding the enterprise's short-run equilibrium price in (1) pure competition; (2) monopolistic competition; (3) oligopoly; and (4) monopoly using the concepts of marginal revenue and marginal cost. This finding is understandable given China's movement toward a more competitive economy.

I Risk Management

Through the survey, we've found that all the enterprises surveyed have attached considerable importance and have especially high skill sets for three risk management skills:

- Identifying and explaining business risks, hazard risks, financial risks, operational risks, and strategic risks;
- Identifying strategies for risk response, including actions to avoid, retain, reduce (mitigate), transfer (share), and exploit (accept) risks;
- Defining enterprise risk management (ERM) and describing key objectives, components, and benefits of an ERM program.

Based on the survey findings, it appears that improving risk prevention and the ability to respond have become a priority for management, whether to respond to rapid changes in the business environment or to achieve business growth. Several reasons are discussed in the report as to why many enterprises' internal controls are not sufficient.

I Financial Functions' Effectiveness and Challenges

The development of financial management functions has long been neglected. Instead of being involved in the business decision-making process, financial staff only discover that the enterprise suffered losses (such as payment of unnecessary tariffs, and so on) when analyzing the results. For the enterprise to be successful and sustainable, the financial department should seize the opportunity to improve the management capability of financial staff to enhance its influence in the enterprise and contribute to the enterprise's decision making and development. In the survey results, three obstacles clearly stood out from the others:

- Nonstandardized finance processes;
- Poor finance IT infrastructure;
- Poor internal relationships with other functions.

Based on the survey results, we believe there is an opportunity to increase the effectiveness of financial functions to enable them to play a larger role. To achieve this role, a financial management-based system should be established to increase and clarify the relationship between the financial management department and other departments to develop a clear division of labor and coordination. Second, financial staff should improve the quality of their work, exhibit professional ethics, be familiar with and master modern management skills, and enhance their comprehensive abilities for financial forecasting, decision making, budgeting, control, and analysis. Finally, financial staff should thoroughly understand the business to improve their analysis and support for decision making and truly become business partners who can recommend practical solutions for both business and finance issues.

The top three rated most effective financial functions are:

- Dealing with tax issues;
- Meeting regulatory requirements;
- Ensuring proper management of working capital.

Obviously, financial staffs have been able to skillfully apply these traditional financial functions to their daily work. On the negative side, however, the six lowest-ranked financial functions are (1) improving the internal control environment, (2) managing risk, (3) supporting the development and implementation of strategy, (4) prioritizing investment opportunities, (5) ensuring proper funding, and (6) reduc-

ing costs. These six functions cover essentially all the content of management accounting, indicating that financial staffs' use of management accounting methods still has much room for improvement.

I Effectiveness of Management Accounting in Achieving Organizational Goals

The management accounting department was rated most effective for

- Improving risk prevention;
- Strengthening internal controls;
- Optimizing internal processes.

However, it should be noted that the effectiveness ratings for these purposes are much lower than the importance ratings. So more needs to be done to improve management accounting effectiveness. We also emphasize that the effectiveness ratings are from financial staff. The effectiveness may be rated differently by those outside the financial department.

The top-rated approach for overcoming barriers to promoting management accounting is gaining top management support. Helping management to strengthen its awareness of the value of management accounting to corporate success plays a key role in the success of management accounting. A good way to do this is to find a business issue that needs more information or better analysis (for example, pilot study). If management accountants can provide value for this issue, it shows the potential for management accounting to provide value elsewhere. Although "early success" was ranked last of all the approaches listed, its importance should not be ignored. Financial staff should be proactive in finding these business issues that need improvement for a pilot study, as it is less likely that management will identify them first. Fortunately, the introduction of the "Guiding Opinions on Comprehensively Promoting the Construction of Management Accounting Systems" by the Ministry of Finance of the P.R.C. will aid the recognition of the role that management accounting can play in Chinese enterprises. We expect that attention to and implementation of the best management accounting practices will be elevated to new heights.

Part I

Specific Basic Information about the Enterprises Surveyed

As shown in Figure 1, 23.4% of the enterprises surveyed are small enterprises (less than 99 employees), while the remaining majority are medium and large enterprises.

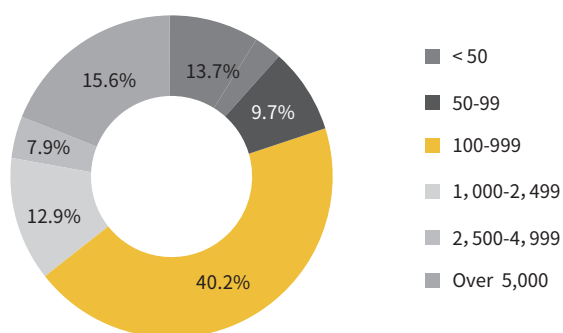


Figure 1 Distribution of enterprises by number of employees

As shown in Figure 2, enterprises with annual revenue of RMB 100 million to 1 billion account for a fairly large proportion (32%) of all the enterprises surveyed. Those with annual revenue less than RMB 5 million and more than RMB 5 billion account for a relatively smaller proportion (about 14% each).

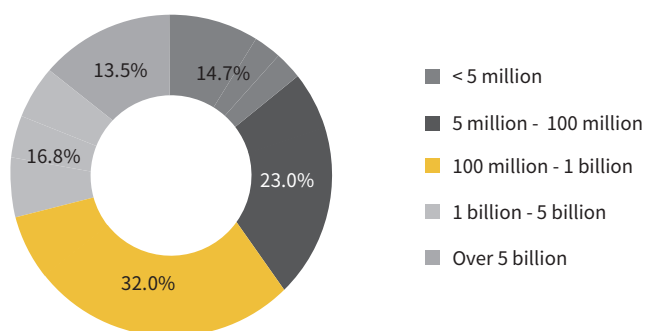


Figure 2 Distribution of enterprises by revenue (RMB)

Figure 3 shows that groups account for a fairly large proportion of the enterprises surveyed (46.5%), followed by individual operating entities (26.1%) and business units (22.6%). Groups account for the largest proportion of the enterprises surveyed because internal controls play such an important role due to their complex organizational structure.

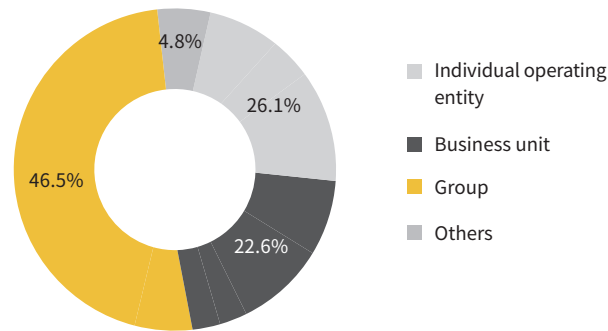


Figure 3 Distribution of enterprises by organizational structure

Figure 4 shows the distribution of enterprises surveyed by industry. Although they cover a variety of industries, approximately 27% of the enterprises operate in traditional manufacturing markets.

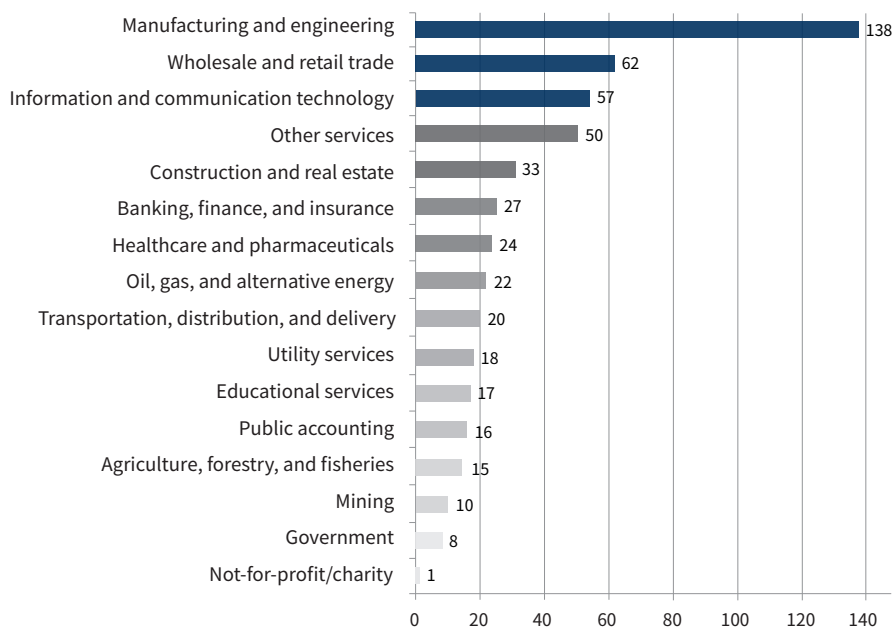


Figure 4 Distribution of enterprises by industry

As Figure 5 illustrates, the enterprises surveyed have a variety of ownership forms including private, wholly foreign-owned, state-owned, publicly listed, joint venture, and nonprofit organizations.

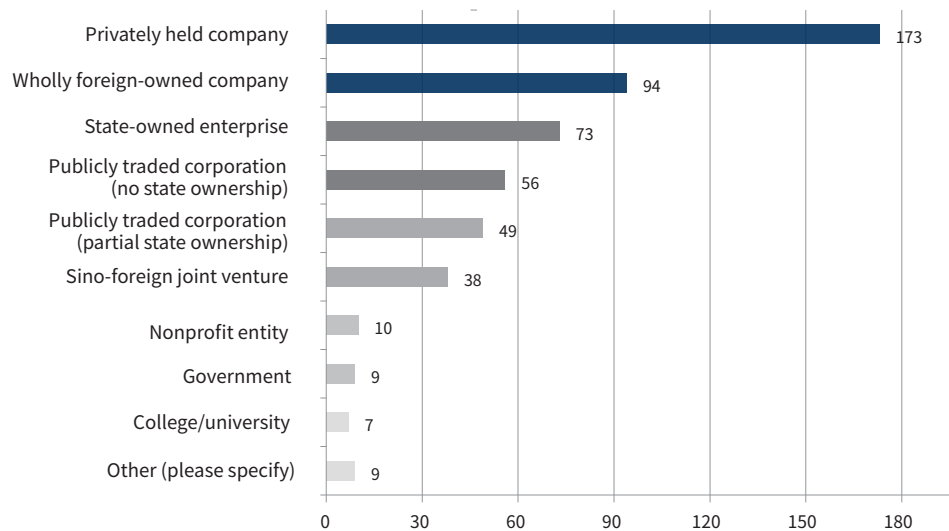


Figure 5 Distribution of enterprises by nature

Regarding respondents' job titles, Figure 6 shows that almost 63% of the respondents are finance directors or managers. For the purpose of authenticity, people in other positions, such as university teachers and corporate finance consultants, executive deputy presidents, M&A managers, and audit directors were also surveyed and accounted for about 17.8% of the total respondents.

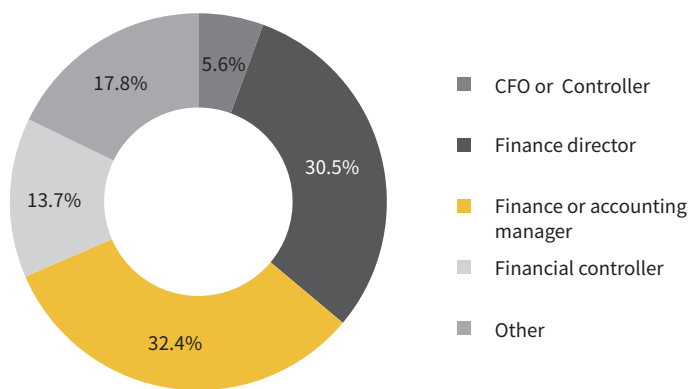


Figure 6 Distribution of respondents by position



As shown in Figure 7, essentially all the major professional certificates in the financial sector are represented with the most widely-held certificate being Certified Public Accountant (CPA) or equivalent (193 respondents), followed by CMA® (Certified Management Accountant; 146 respondents). We also found that 167 respondents didn't have any certificates, mainly because 92 of them were nonfinancial staff and the others are believed to be in the process of obtaining a certificate. (Note: A financial manager may have multiple certificates, so the total number of certificates possessed exceeds 518.)

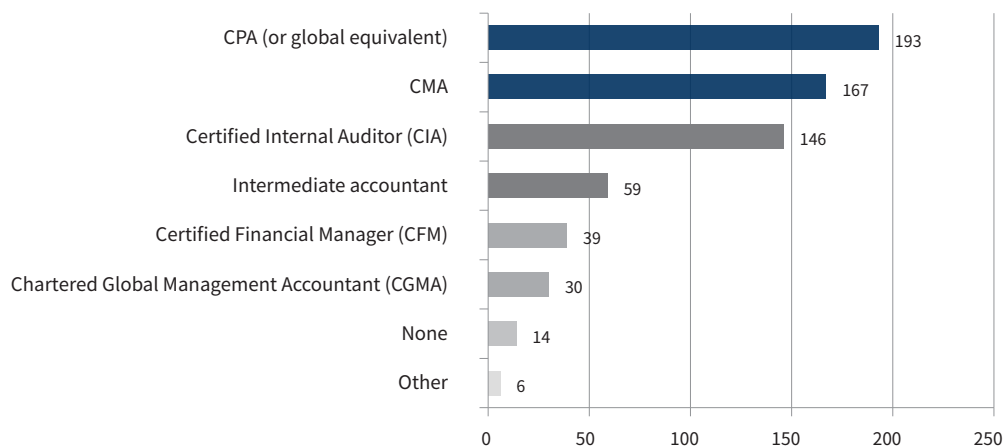


Figure 7 Distribution of respondents by certifications received

The ratio of the enterprises surveyed that have a department dedicated to management accounting to those that don't have one is about 1:1. Based on experience, we believe that the enterprises surveyed have gradually deepened their understanding of management accounting and that management accounting will play an increasing role in the future.

Figure 8 shows that 366 enterprises surveyed have one to ten staff members engaged in management accounting, which is by far the largest proportion. Next are enterprises with 11 to 30 people (72 firms). However, 60% of the respondent firms have four or less people engaged in management accounting work. On the whole, many financial staff members are less engaged in management accounting and engaged primarily in traditional financial management activities.

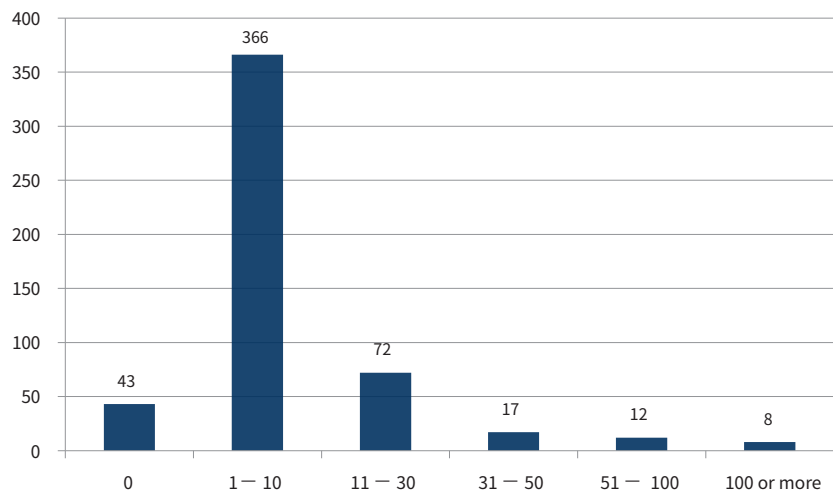


Figure 8 Distribution of enterprises by the number of staff engaged in management accounting

On the whole, the enterprises surveyed are widely distributed by scale, nature of the business, and industry, so they should reasonably reflect the overall situation of enterprises in China. The survey results may be generalized to Chinese enterprises overall.

Part II Management Accounting Skills

1. Budgeting

CRCE surveyed the importance of budgeting-related skills and the level of skills possessed in the operations of enterprises in China, and the survey findings are provided in Table 1 (see Appendix for tables). Both the importance and level of skill were rated on a scale of 1 to 5, where 1 = not at all, 2 = low, 3 = moderate, 4 = high and 5 = extremely high. Figure 9 shows the calculated weighted average value of each degree of importance or skill level and is ranked by importance to corporate development.

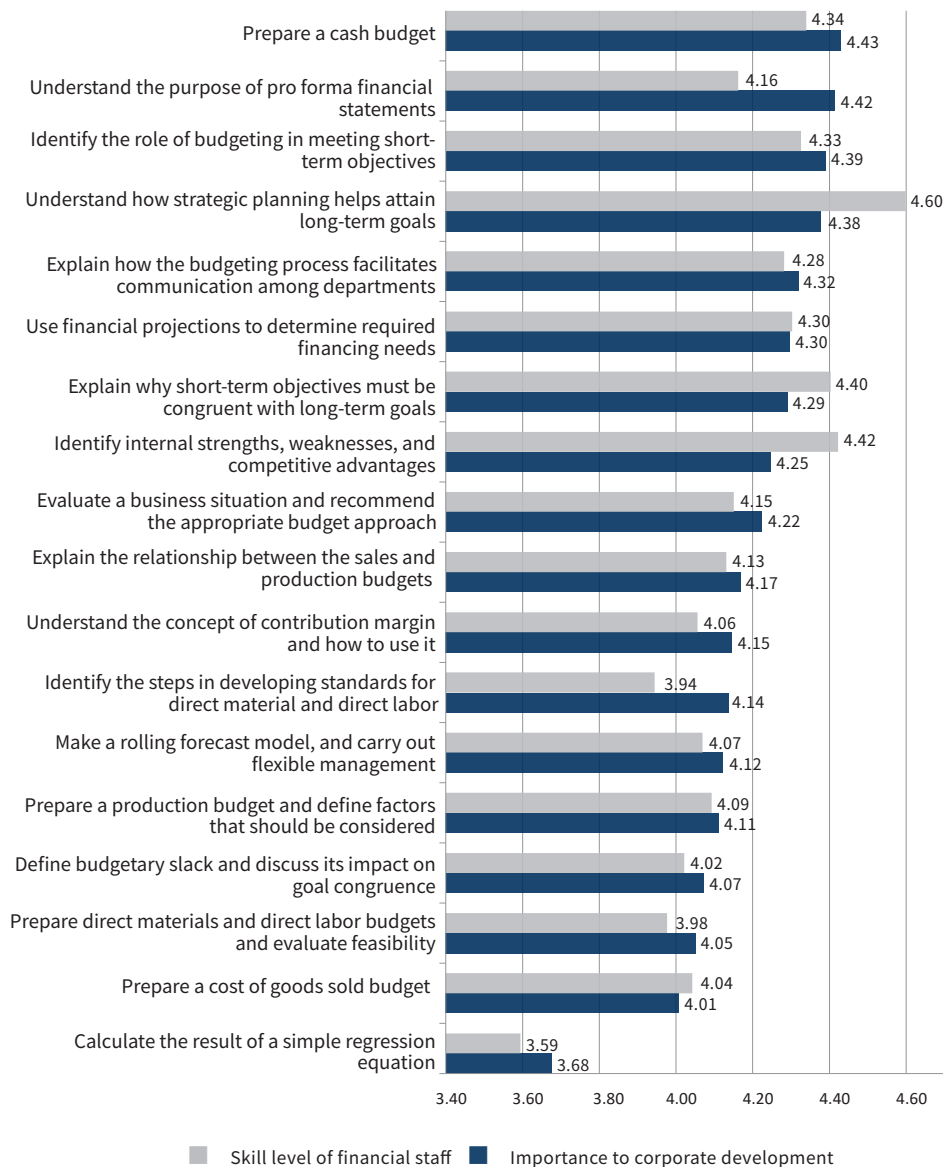


Figure 9 Budgeting-related skills ranked by importance to corporate development

As can be clearly seen from Table 1 and Figure 9, the top three budgeting-related skills ranked by importance to financial functions are:

- Prepare a cash budget;
- Understand the purpose of pro forma financial statements and the relationship between these statements and all other budgets;
- Identify the role of budgeting in formulating short-term objectives and planning and controlling operations to meet those objectives.

In each case, these skills' importance exceeds skill level possessed by financial staff, especially understanding the purpose of pro forma financial statements. In fact, all of the budgeting skills shown in Figure 9 are both rated relatively important and play a vital role in corporate development. Financial management staff should be able to prepare a proper budget with supporting schedules, promote communication and exchanges between corporate departments through comprehensive budgeting, determine and quantify corporate business objectives, develop and continuously adjust business plans, and regulate management control through budgeting. Only training all the staff to truly recognize the value of comprehensive budgeting can help ensure corporate success.

Comprehensive budgeting is a major part of management accounting and requires strategic planning and full staff participation. It's a skill that has been used most extensively and longest by enterprises. Integrating and using comprehensive budgeting and other management accounting tools to promote the realization of corporate strategic objectives and the improvement of value creation is exactly the goal of management accounting. And this heavy task naturally falls on financial staff, who should develop budgets to help make short-term objectives and operations congruent with the strategic plan, recognize organizational strengths, weaknesses, and competitive advantages, and attain corporate long-term goals and a mission.



2. Performance Management

CRCE surveyed the importance of performance management skills in the operations of enterprises in China, and the survey findings are provided in Table 2 (see Appendix for tables).

As with budgeting skills, importance and skill level were rated on a scale of 1 to 5 (1 = not at all, 2 = low, 3 = moderate, 4 = high, 5 = extremely high). Figure 10 shows the calculated weighted average value of each degree of importance or skill level and is ranked by importance to corporate development.

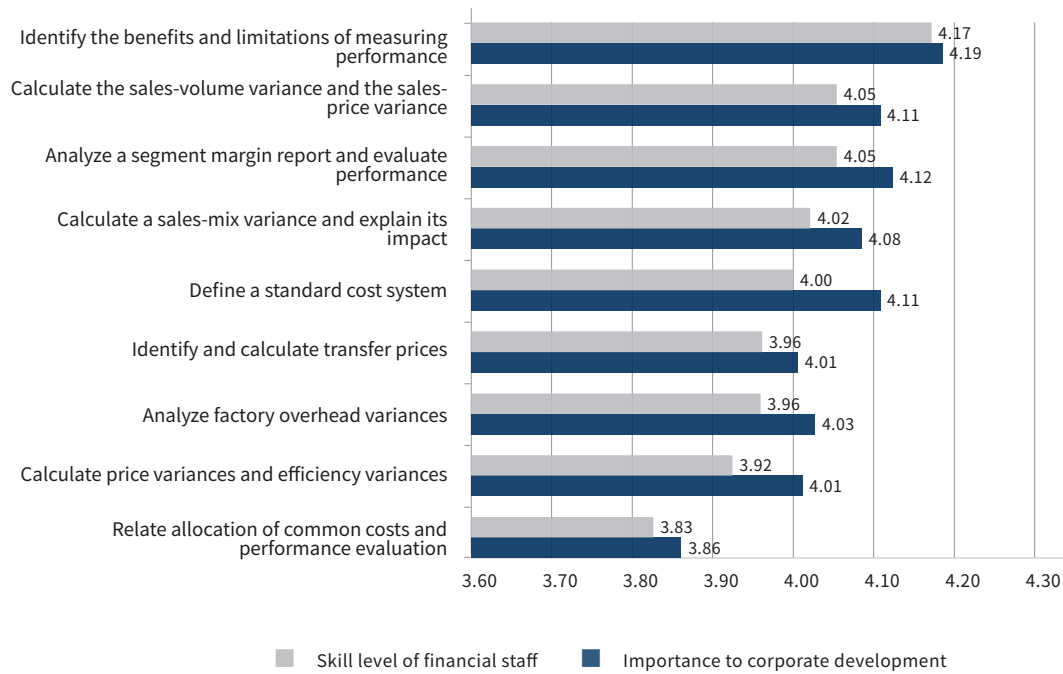


Figure 10 Performance management skills ranked by importance to corporate development



Enterprise management is a complex “project.” As with comprehensive budgeting, integrating and using management accounting tools can promote the realization of corporate strategic objectives and the improvement in value creation. Performance management, as one of these management accounting tools, plays the role of breaking down the objectives of all business units and functional areas into corporate performance evaluation, thus promoting corporate development toward strategic objectives through performance management tools such as performance evaluation and salary incentives.

As shown in Figure 10, the enterprises surveyed reported higher skill levels for three performance management skills:

- Identify the benefits and limitations of measuring performance by comparing the actual results to the master budget;
- Calculate the sales-volume variance and the sales-price variance by comparing the flexible budget with the master (static) budget;
- Analyze a segment margin report and evaluate performance.

Overall, the weighted average ratings for performance management skills were between “high” and “very high.”)

Performance management requirements and standards are constantly changing with enterprises’ development needs at different stages. Value creators are motivated through salary distribution based on performance evaluation to use their initiative and creativity to bring more benefits to their enterprise. The survey shows that the importance of “identify the benefits and limitations of measuring performance by comparing actual results with the master budget” to corporate development accounts

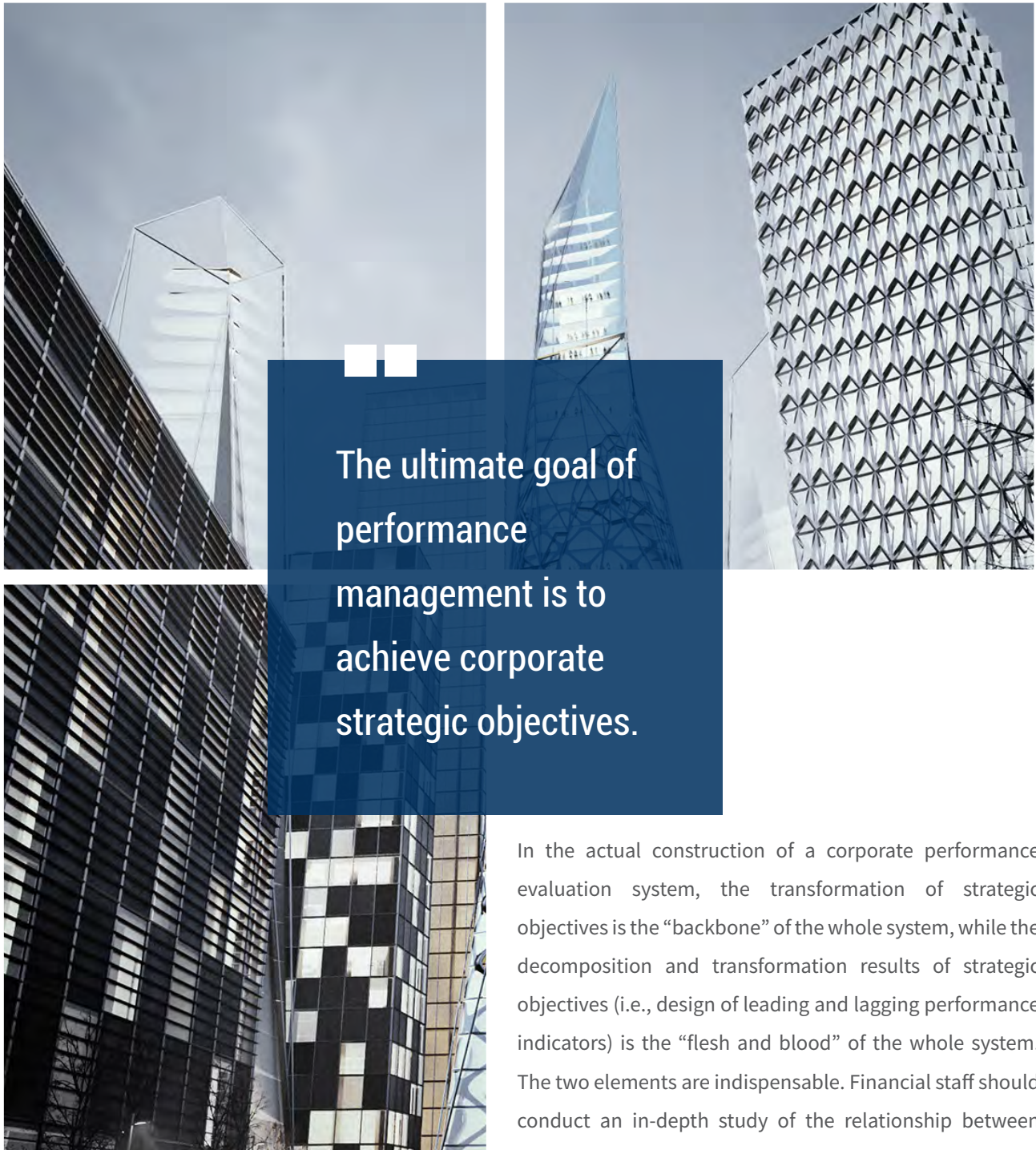
is 4.19%, the highest importance rating of all the performance management skills. And the corresponding skill level possessed of 4.17 is also the highest rating overall.

As shown in Table 2, respondents most often rated “high” or “extremely high” regarding the importance of measuring performance by comparing actual results to the master budget, analyzing segment margin reports, and calculating the sales-volume and sales-price variances (85%, 84%, and 82%, respectively). Variance analysis is the practice of comparing budgeted or standard amounts to actual results and determining the root cause of the variance. In case of a major variance, management should carefully investigate and determine its causes to be able to take appropriate corrective actions.

The two biggest gaps in performance management skills where the rated importance exceeded the skill level were for (1) defining a standard cost system ($4.11 > 4.00$) and (2) calculating price and efficiency variances ($4.01 > 3.92$). These skills may be especially in need of development.

Overall, the skills rated the lowest for both importance and skill level related to calculating transfer prices, analyzing factory overhead variances, calculating price and efficiency variances, and explaining the problem with allocating common costs to segments. Keep in mind this does not mean these skills are not important. Two-thirds of the respondents ranked these skills as high or extremely high importance.

The skill most often rated “not at all” for both importance and skill level was calculating the price (rate) and efficiency (usage) variances for direct materials and direct labor and interpret the results with nine firms. Most of those enterprises are from construction and real estate, information and communication technology, wholesaling and retailing, and other service industries.



The ultimate goal of performance management is to achieve corporate strategic objectives.

In the actual construction of a corporate performance evaluation system, the transformation of strategic objectives is the “backbone” of the whole system, while the decomposition and transformation results of strategic objectives (i.e., design of leading and lagging performance indicators) is the “flesh and blood” of the whole system. The two elements are indispensable. Financial staff should conduct an in-depth study of the relationship between performance evaluation and strategic management by combining theory with practice, complement and improve performance management, and establish and improve the performance management system to truly implement performance management.

3. Cost Management and Decision Analysis

Respondents rated the importance and skill level of various cost management and decision analysis skills in the operations of their Chinese enterprises, and the full response distributions are provided in Table 3 (see Appendix). As with previous questions, they were rated on a scale of 1 to 5 (1 = not at all, 2 = low, 3 = moderate, 4 = high, 5 = extremely high). Figure 11 shows the weighted average value and ranking for each skill.

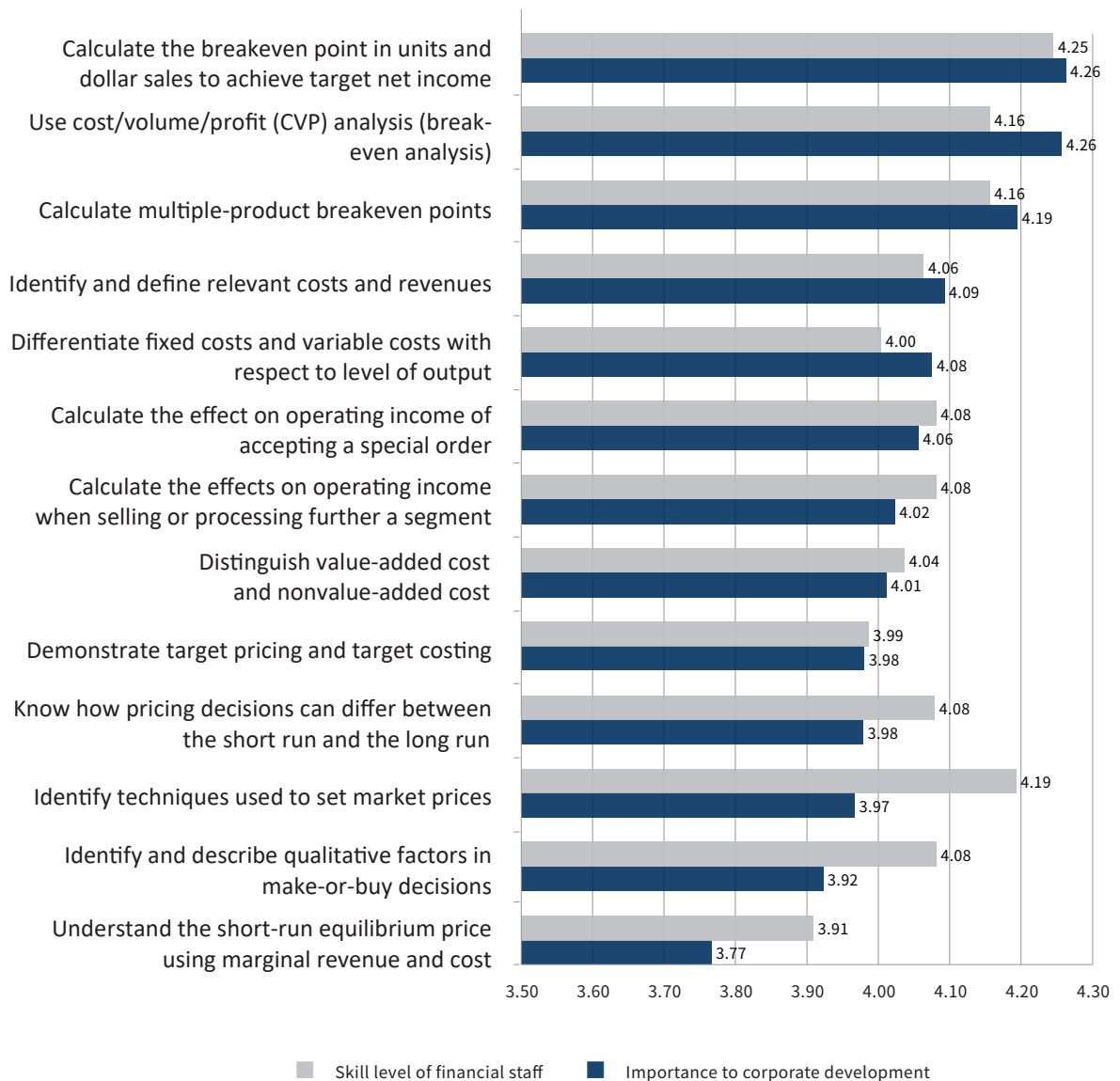


Figure 11 Cost management and decision analysis skills ranked by importance to corporate development

Chinese enterprises are facing many new opportunities and challenges in the context of globalization and gradual maturity of China's socialist market-oriented economy system. In order to survive and develop, enterprises must meet the needs for market-oriented economy development by deepening reform, strengthening cost management, and avoiding market risks. Enterprise managers should be realistic, focus on strengthening production and management decision making, strive for maximum corporate performance in the fierce market competition, and promote the sound and rapid corporate development. Analysis of the enterprises surveyed shows that the awareness of "cost management" and "decision analysis" has taken root.

As shown in Figure 11, the enterprises surveyed have given higher priority to three decision analysis skills:

- Calculating the breakeven point in units and dollar sales to achieve target income;
- Using cost-volume-profit (CVP) analysis to examine the behavior of total revenues, total costs, and operating profits as changes occur;
- Calculating multiple-product breakeven points based on given sales mix.

These three skills all had weighted average ratings between 4.19 and 4.26 for importance to corporate development, and between 4.16 and 4.25 for skill level possessed.

Calculating the breakeven point in units and dollar sales to achieve targeted income was the top-ranked skill. Breakeven analysis is a method of analyzing how changes in various factors (for example, sales volume, variable cost per unit, sales price, and fixed costs) will affect the breakeven point. It can also be used to analyze the effects of an investment program to decide whether to accept or reject the program. More than 88% of respondents rated this skill as high or extremely high for importance and more than 85% for skill level possessed.

Using CVP analysis had the biggest gap between rated importance (4.26) and skill level (4.16). The next highest is differentiating fixed and variable costs with respect to level of output. These two skills may be especially in need of development.

Thus, respondents felt breakeven analysis contributes to the achievement of the targeted income. Presumably, this is because the goal of this analysis is to find the critical value, namely the breakeven point, to determine the likelihood of reaching target income in the face of uncertain factors and provide a basis for decision making.

The lowest-ranked cost management and decision analysis skill was understanding the enterprise's short-run equilibrium price in (1) pure competition; (2) monopolistic competition; (3) oligopoly; and (4) monopoly using the concepts of marginal revenue and marginal cost. This finding is understandable given China's movement toward a more competitive economy. Economically, understanding the short-run equilibrium price helps enterprises grasp the trend of market demand and supply as well as the trend of product prices rather than passively accept the product price of the market. We recommend that Chinese enterprises place greater emphasis on cost management and strengthen their cost structure analysis and control to support corporate decisions and increase their rate of return.

4. Risk Management

For modern enterprises, risk management refers to the identification, prediction, and measurement of risks followed by the selection of effective means to minimize cost, address risks in a planned way, and ensure economic security for production safety. The survey results show that enterprises are gradually developing awareness of risk management. In fact, this skill set is the only one in the study where skill level is generally ranked higher than importance.



Figure 12 Risk management skills ranked by importance to corporate development

Figure 12 (and Table 4 in Appendix) reports the weighted average ratings for the importance and skill level of management accountants' risk management skills in Chinese enterprises.

As shown, the enterprises surveyed have especially high skill sets for three risk management skills:

- Identifying and explaining business risks, hazard risks, financial risks, operational risks, and strategic risks;
- Identifying strategies for risk response, including actions to avoid, retain, reduce (mitigate), transfer (share), and exploit (accept) risks;
- Defining enterprise risk management (ERM) and describing key objectives, components, and benefits of an ERM program.

The risk management skill rated as most important to corporate development was identifying and explaining business risks, hazard risks, financial risks, operational risks, and strategic risks (4.19). As opportunities and risks co-exist in the development of enterprises, financial staff with a strategic vision can help enterprises seize the opportunities and forge ahead, while those who only know how to keep accounts may get their enterprises into trouble.

Understanding the importance of risks and learning to identify risks are only the beginning of good risk management.

Knowing how to use methods and tools such as the Delphi method, brainstorming, checklist method, strengths-weaknesses-opportunities-threats (SWOT) analysis, checklists, and graphic technology are necessary skills that financial staff should possess to be able to identify risks.

After identifying the risks, the more important and urgent issue is how to respond to them. The survey data shows that 80% of the respondents rated the importance of “identify strategies for risk response” as “high” or “extremely high,” and no one responded “not at all.” Tools and methods such as avoiding, accepting, reducing, and sharing risks are particularly important in the process of risk response. On May 14, 2013, the Committee of Sponsoring Organizations (COSO) of the Treadway Commission U.S. issued the *Internal Control—Integrated Framework* (U.S., 2013), which will help executives improve the quality of internal control by taking more stringent measures in their business operations, regulatory compliance, and financial reporting. Internal control should be a dynamic controlling, monitoring, and promoting system for enterprises not only for survival, but also for future development.

“Explain quantitative risk assessment tools including cash flow at risk, earnings at risk, earnings distributions, and earnings per share (EPS) distributions” is ranked the third most important risk management skill. Its importance to corporate development and skill level is 4.04 and 4.09, respectively, indicating that financial risks play an

important role in risk management activities. It’s critical that financial staff understand how to identify and prevent financial risks. They should be capable of integrating and mining data, mining value, identifying risks, and presenting financial information in a way to accurately meet users’ needs. Unfortunately, this task has long remained a superficial formality in practice as financial staff often analyze data only superficially and fail to identify problems, find root causes, or correctly convey the information.

Based on the above survey findings, it appears that improving risk prevention and the ability to respond has become a priority for management, whether to respond to rapid changes in the business environment or to achieve business growth. There are several reasons why many enterprises’ internal controls are not sufficient. First, the concept of internal control is not clear or lacks consensus. Second, internal control plans do not adequately fit the actual conditions of the enterprise. Third, there is a lack of knowledge on how to implement the needed controls. To address these problems, financial staff must be able to identify defects in internal control systems and provide improvement proposals based on their knowledge of advanced theories relating to internal control, risk management, fraud control, and internal audit, and then develop an internal control system that fits actual conditions and characteristics.

MANAGEMENT ACCOUNTING



Part III

Financial Functions' Effectiveness and Challenges

Obstacles to the Effectiveness of Financial Functions

Survey findings regarding the degree of difficulty for various obstacles to the effectiveness of financial functions are illustrated in Figure 13 (see Table 5 in the Appendix for full responses). Degree of difficulty was rated on a scale of 1 to 5 (1 = not sure, 2 = not difficult at all, 3 = slightly difficult, 4 = moderately difficult, 5 = very difficult). The weighted average value for each obstacle was calculated and used to rank the obstacles shown in Figure 13 below.

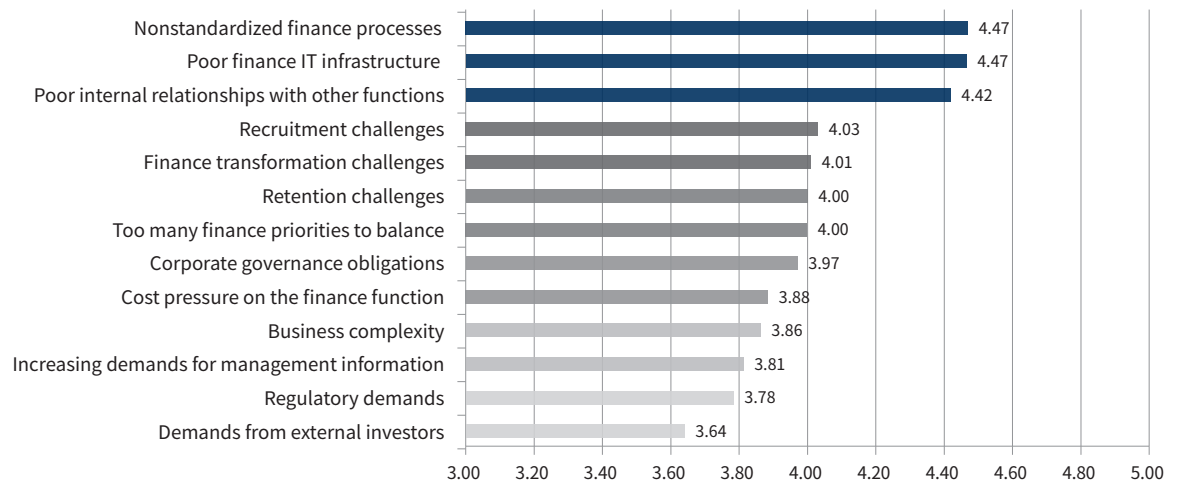


Figure 13 Weighted average ratings of obstacles to the effectiveness of financial functions ranked by difficulty

The development of financial management functions has long been neglected. Instead of being involved in the business decision-making process, financial staff only discover that the enterprise suffered losses (such as payment of unnecessary tariffs, and so on) when analyzing the results. Thus, the financial department will be criticized too. For the enterprise to be successful and sustainable, the financial department should seize the opportunity to improve the management capability of financial staff to enhance its influence in the enterprise and contribute to the enterprise's decision making and development.

As shown in Figure 13, three obstacles clearly stood out from the others:

- Nonstandardized finance processes;
- Poor finance IT infrastructure;
- Poor internal relationships with other functions.

Nonstandardized financial processes refer to poor consistency between accounting subsystems, and their inability to accurately and comprehensively reflect the actual business condition of the whole enterprise. Other issues include lack of timely updated accounting data or real-time access to accounting information. To optimize the financial accounting process, management should first analyze it comprehensively. Next, it should reconstruct the financial accounting process to make all accounting information easily available so the financial functions can fully meet management's information needs. We have found over time that having nonstandardized financial processes is a common problem that most Chinese enterprises face because they do not place high enough importance on the financial department and therefore spend much effort to help establish standard financial processes.

Poor finance IT infrastructure is also a prominent problem. In constructing information-based financial management, Chinese enterprises need to take proactive measures to better regulate the financial processes and systems, increase management's understanding of information, and establish and improve relevant financial systems such as incentive systems so that they can be effectively implemented throughout the enterprise.

The third highest ranked obstacle was poor internal relationships with other functions. A lack of effective communication with other departments impedes the ability of financial management staff to dig into specific business issues. A good start is for the chief financial officer to discuss with other management the types of issues the financial management staff are facing and what information would help them to deal with these issues effectively. If the financial staff can find a good way to help management, it will open the door to more cooperation and collaboration.

Other challenges commonly named by respondents related to recruiting and retaining talented staff and too many regulatory and governance obligations. One way to address these obligations is to do a "strategic audit" by sorting finance activities into three groups: strategic, obligatory, and elective. Strategic activities are those that are not required but directly support the strategic objectives of the company. Obligatory activities are required by government, customers, suppliers, or other stakeholders. Finally, elective activities are those policies and traditional practices that are not required but are mostly procedural or infrastructural in nature. The strategic audit is designed to help identify and discontinue unnecessary elective activities and free up time and resources to do more strategic activities.

Decision making is the core of management, and the right balance of resources, information, and control helps companies make better decisions to respond to changes. All of these inputs are part of the business and closely related to the work of financial management. Traditional accounting-based financial management has long been outdated. In this new era, financial management staff need more contact with the business to thoroughly understand and support business processes and decision making. This increased familiarity provides the basis for strong business performance evaluation and maximizes the effect of finance on the use of resources, information, and control, leading to the birth of "business finance."

The emergence and development of business finance is not only an inevitable result of finance specialization, but also an important way for financial staff to break through a development bottleneck.

Based on the survey results, we believe there is an opportunity to increase the effectiveness of financial functions to enable them to play a larger role. To achieve this role, a financial management-based system should be established to increase and clarify the relationship between the financial management department and other departments to develop a clear division of labor and coordination. Second, financial staff should improve the quality of their work, exhibit professional ethics, be familiar with and master modern management skills, and enhance their comprehensive abilities for financial forecasting, decision making, budgeting, control, and analysis. Finally, financial staff should thoroughly understand the business to improve their analysis and support for decision making and truly become business partners who can recommend practical solutions for both business and finance issues.

Effectiveness of Corporate Financial Functions

We asked the mostly financial management respondents to rate the effectiveness of financial functions in Chinese enterprises. Effectiveness was rated on a scale of 1 to 5, where 1 = not sure, 2 = not effective at all, 3 = moderately effective, 4 = slightly effective, and 5 = very effective. The weighted average value for each function was calculated and ranked as shown in Figure 14 with the full results shown in Table 6 in the Appendix.

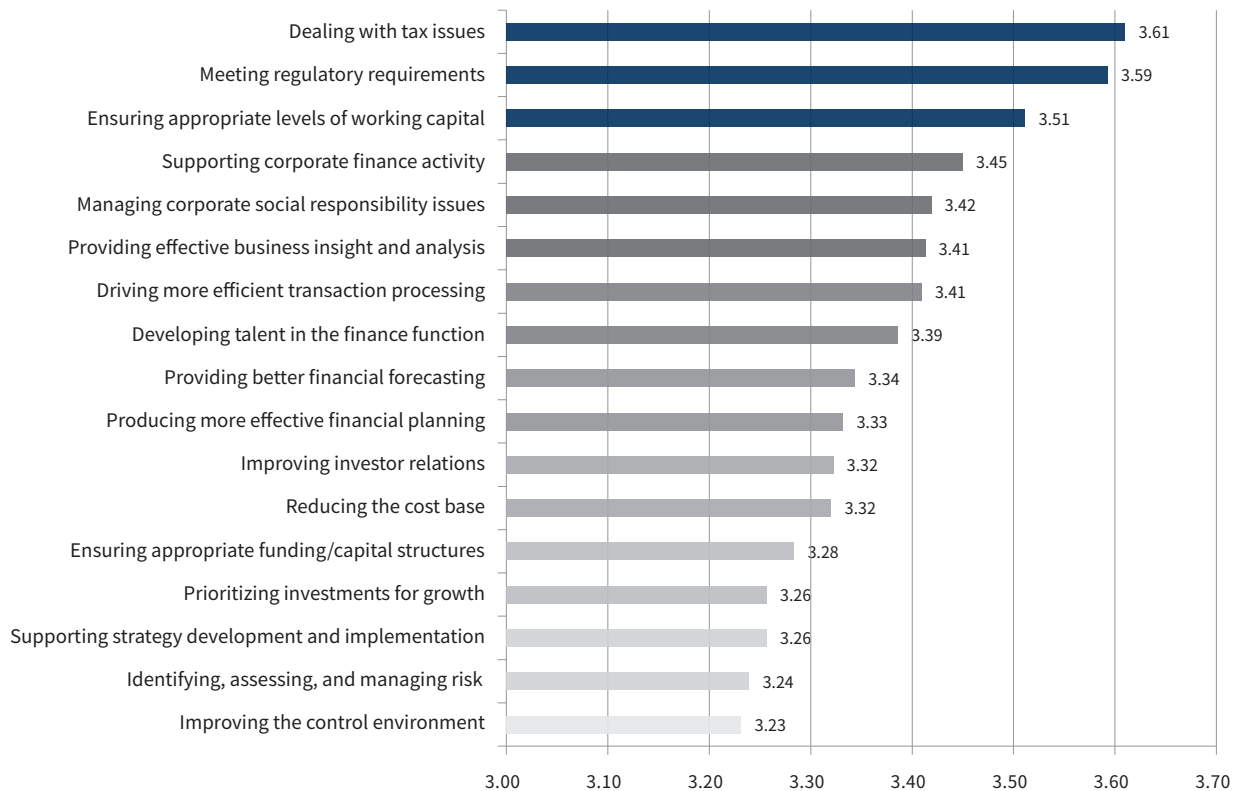


Figure 14 Rankings by effectiveness of corporate financial functions

Figure 14 shows the top three rated most effective financial functions are:

- Dealing with tax issues;
- Meeting regulatory requirements;
- Ensuring proper management of working capital.

Overall, financial staffs have been able to skillfully apply these traditional financial functions to their daily work.

On the negative side, however, the six bottom-ranked financial functions are (1) improving the internal control environment, (2) managing risk, (3) supporting the development and implementation of strategy, (4) prioritizing investment opportunities, (5) ensuring proper funding, and (6) reducing costs. These six functions cover essentially all the content of management accounting, indicating that the financial staff's use of management accounting methods still has much room for improvement.

First, we discuss reducing costs. Every enterprise hopes to “reduce costs” to suit today’s competitive era of meager profit. And the ability to reduce costs and increase profits has become an important measure of whether an enterprise has a competitive advantage. But how to actually reduce costs and increase profits is easier said than done. And it is tempting to recommend across-the-board cuts. But here is where the strategic audits mentioned earlier can be effective. Financial staff should master an understanding of corporate strategy to know what costs are strategic vs. those that are obligatory or elective. Breaking away from traditional cost control frameworks to focus on dedicating as many resources as possible to strategic implementation is the basis of strategic cost management. This approach to reducing costs is based on the competitive environment and includes utilizing good cost control concepts such as benchmarking successful enterprises to find more strategic ways for reducing costs.

Second, as discussed in the previous “risk management” module, enterprises generally consider the ability to identify, assess, and respond to risks and improve the internal control environment to be among

the most important aspects in risk management. However, as shown in Figure 14, these two financial functions were rated the least effective. Therefore, we must suppose that improving risk prevention and response capacity has become one of the top priorities of business management, whether to respond to rapid changes in market or to achieve needed growth. But the internal control systems of many enterprises are not satisfactory. There are several potential reasons for this situation (see risk management module).

Based on the above analysis, we believe that beyond skillfully performing traditional financial duties such as generating financial reports, managing working capital, and complying with tax and regulatory obligations, the financial team of an enterprise should establish management awareness, develop a concept of management accounting that fits corporate strategy, and provide support for corporate decision making especially through means such as cost control, financial organization control, internal control, and financial analysis to improve management efficiency and business performance.



Part IV

Effectiveness of Management Accounting in Achieving Organizational Goals

Importance of Management Accounting Objectives to Corporate Development

CRCE surveyed the importance of management accounting objectives to corporate development, and the survey findings are provided in Table 7 (Appendix). Importance was rated on a scale of 1 to 5, where 1 = not important at all, 2 = slightly important, 3 = moderately important, 4 = important, 5 = very important. The weighted average value rating for each objective was calculated and ranked as shown in Figure 15 below.

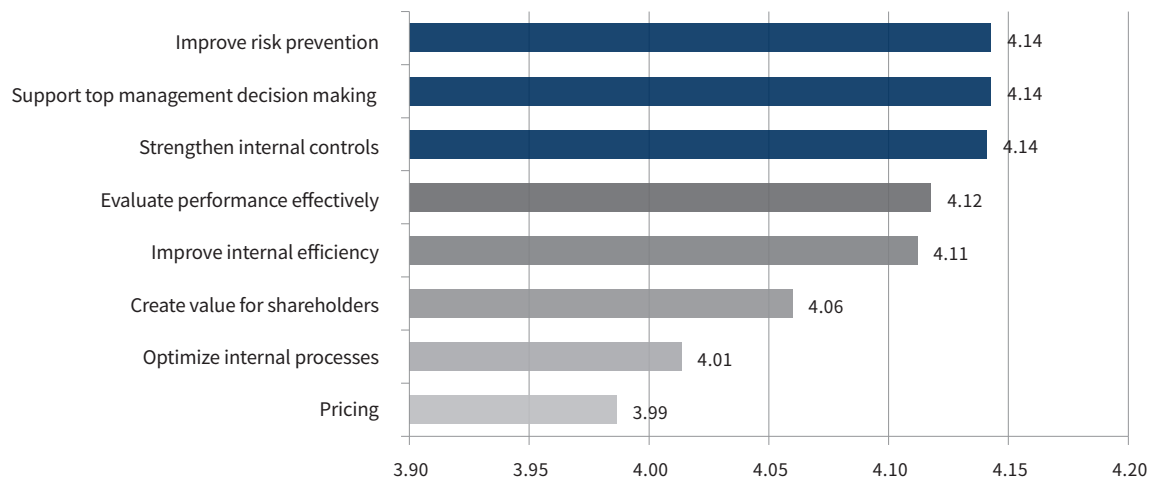


Figure 15 Weighted average ratings of management accounting objectives to corporate development ranked by importance

The ultimate objective of management accounting is to help enterprises be more profitable. Specifically, management accounting involves partnering in management decision making, devising planning and performance management systems, providing information for internal operations and management, and providing expertise in financial reporting and control to assist management in formulating and implementing the enterprise's strategy. As shown in Figure 15, the three management accounting objectives ranked most important to corporate development were (1) improve risk prevention, (2) support top management decision making, and (3) strengthen internal controls. However, all of the objectives were rated as important with weighted average ratings of around 4.0 or higher. The challenge is to show management that the financial staff can add value through all of these objectives.

Effectiveness of the Management Accounting Department to Achieving Corporate Objectives

Survey findings relating to the effectiveness of the management accounting department in achieving corporate objectives are provided in Table 8 (Appendix). Effectiveness was rated on a scale of 1 to 5, where 1 = not effective at all, 2 = slightly effective, 3 = moderately effective, 4 = effective, 5 = very effective. The weighted average value of effectiveness was calculated and ranked as shown in Figure 16 below.

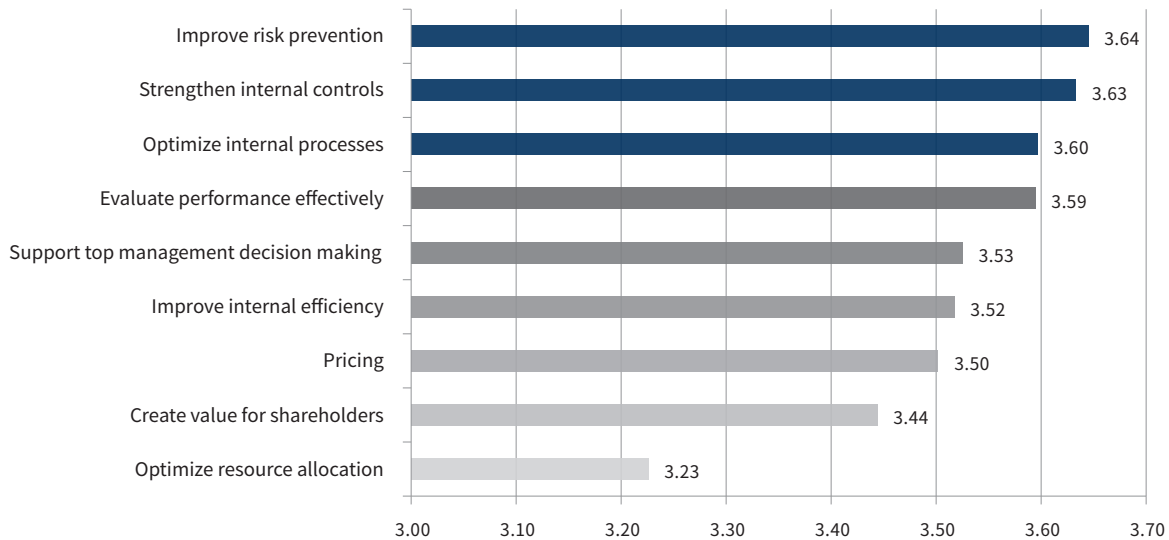


Figure 16 Effectiveness of the management accounting department to achieving corporate objectives ranked by weighted average degree of effectiveness.

As shown in Figure 16, the top three corporate objectives that the management accounting department can most effectively achieve are (1) improving risk prevention, (2) strengthening internal controls, and (3) optimizing internal processes, each with weighted value scores from 3.60 to 3.64. These three are in line with the top-three rankings of importance corporate development as discussed in the previous section (see Figure 15). According to the financial staff surveyed, management accounting is being recognized for effectively improving risk prevention, strengthening internal controls, and optimizing internal processes. However, it should be noted that the effectiveness ratings are in the 3.6 range and the importance ratings are in the 4.1 range. Thus, more needs to be done to improve effectiveness. We also emphasize that the effectiveness ratings are from financial staff. The effectiveness may be rated differently by those outside the financial department.

Improving risk prevention was ranked top for both importance and effectiveness. Risk management has become a critical area for most companies today and management accounting staff should be able to identify high-risk areas in corporate operations, master effective methods for improving controls, and improve risk prevention.

As China's economy continues to develop, management accounting will play an increasingly important role in Chinese enterprises. How to truly achieve management accounting objectives and implement management accounting skills to promote the sustainable development of enterprises is an urgent issue that each enterprise should address.

Obstacles Enterprises Are Confronted with in Promoting Management Accounting

We asked about the obstacles that enterprises are confronted with in promoting management accounting, and the survey findings are provided in Table 9 (Appendix). The difficulty of each obstacle was rated on a scale of 1 to 5, where 1 = very easy, 2 = easy, 3 = moderate, 4 = difficult, 5 = very difficult. The weighted average values for each obstacle was calculated and ranked difficulty in Figure 17 below.

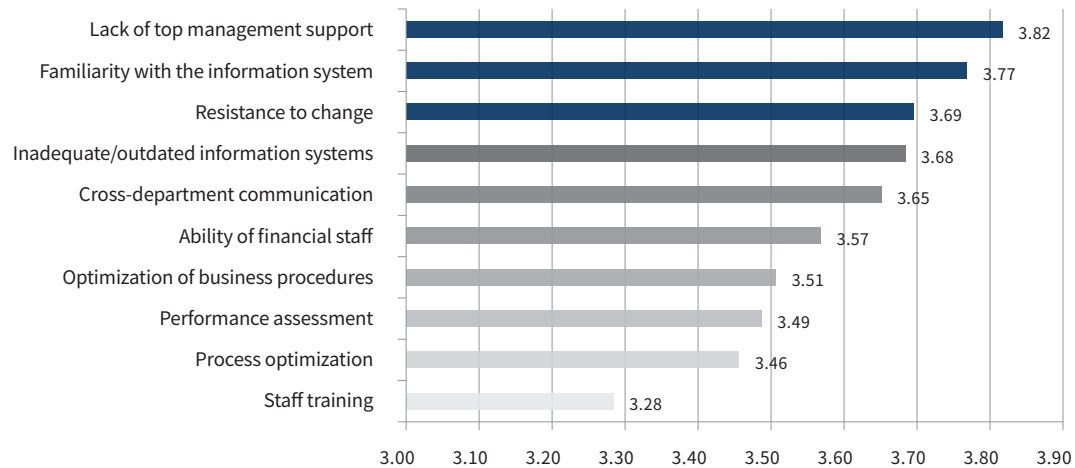


Figure 17 Rankings by difficulty of obstacles enterprises are confronted with in promoting management accounting

As shown in Figure 17, the most difficult obstacles in promoting management accounting are (1) lack of top management support, (2) inadequate familiarity with information systems, and (3) resistance to change, all in the 3.7 to 3.8 range. The application of management accounting in Chinese enterprises is still low. Top management support is often the biggest obstacle because without that support (for example, people, funding, motivation, and so forth.) it is difficult to overcome the other obstacles. With top management support, it is easier to get the information system improvements, training, and cross-functional support needed to be successful. And nothing else will overcome management accounting obstacles as much as decision makers paying sufficient attention to management accounting information.

A sound management accounting information system that meets the objective needs for China's economic development is yet to be established due to backward construction and management accounting research that is too theoretical. Management accounting theory lags behind the needs for economic development in China's unique environment. Perhaps the established performance assessment procedures are deemed adequate for providing the resources and rewards that people in other functional areas desire. Further, communication between financial staff and other departments may be weak or inefficient.

Enterprises' Emphasis on the Importance of Promoting Management Accounting

As discussed in the previous section, enterprises are confronted with various obstacles in promoting management accounting. Regarding the importance of different approaches to overcoming these obstacles in Chinese enterprises, survey findings are provided in Table 10 (Appendix). Importance was rated on a scale of 1 to 5, where 1 = not important at all, 2 = slightly important, 3 = moderately important, 4 = important, 5 = very important. The weighted average value for each approach was calculated and ranked by importance in Figure 18 below.

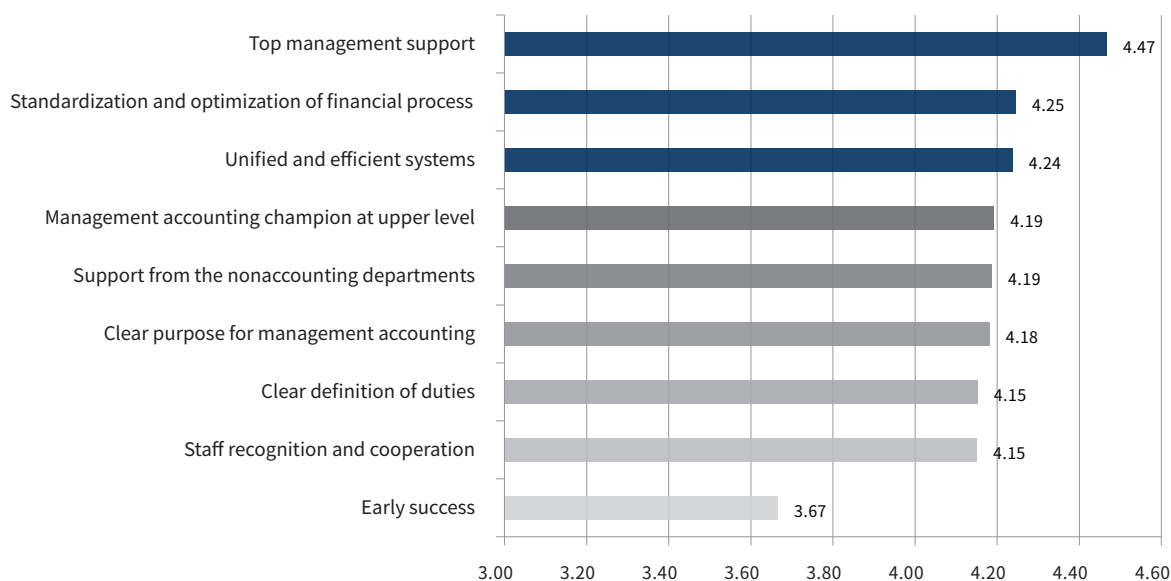


Figure 18 Rankings by the China enterprises' emphasis on the importance of promoting management accounting

As shown in Figure 18, clearly the top rated approach is gaining top management support (4.47). Except for “early success,” all of the other approaches were rated important in the 4.15-4.25 range.

The top ranking for top management support is not surprising given that the lack of it was ranked as the top obstacle. Helping management to strengthen its awareness of the value of management accounting to corporate success plays a key role in the success of management accounting. A good way to do this is to find a business issue that needs more information or better analysis (for example, pilot study). If management accountants can provide value for this issue, it shows the potential for management accounting to provide value elsewhere. Although “early success” was ranked last of all the approaches listed, its importance should not be ignored. Financial staff should be proactive in finding these business issues that need improvement for a pilot study, as it is less likely that management will identify them first.

To be successful in promoting management accounting in their organization, it is imperative that financial staff improve the quality of their management accounting skills. As management accounting professionals, financial staff should be assertive in using their skills and experience to optimize the financial process, set clear objectives, and clearly assign work responsibilities. In other words, financial staff should strive to transform themselves from “reporters” to “business partners” to help pave the way for sustained and improved firm performance.

Fortunately, the introduction of the “Guiding Opinions on Comprehensively Promoting the Construction of Management Accounting Systems” by the Ministry of Finance of the P.R.C. will aid in the recognition of the role that management accounting can play in Chinese enterprises. We expect that attention to and implementation of the best management accounting practices will be elevated to new heights.

Developing Management Accounting Talents

The skill sets of financial staff can be a significant obstacle to successful management accounting. We asked respondents about their perceived importance for various ways to develop and recruit management accounting talent, and the survey findings are provided in Table 11 (Appendix). Again, importance was rated on a scale of 1 to 5, where 1 = not important at all, 2 = slightly important, 3 = moderately important, 4 = important, 5 = very important. Figure 19 below shows the weighted average value for each method ranked by importance.

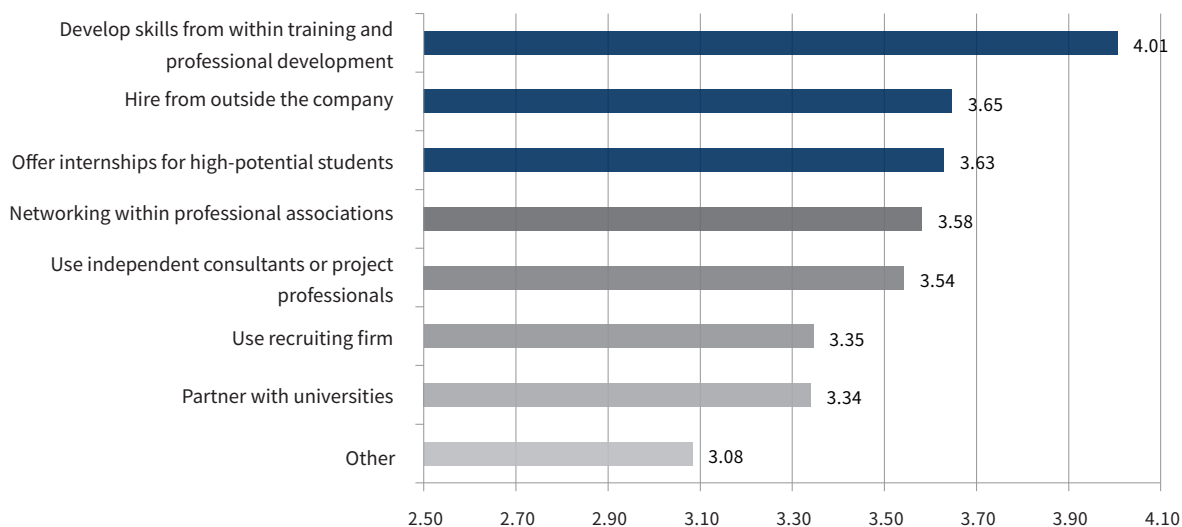


Figure 19 Rankings by importance of the ways for bringing in management accounting talent

As shown in Figure 19, the top three most important methods for bringing in management accounting talent are (1) developing skills from within (for example, training and professional development), (2) hiring from outside the company, and (3) offering internships for high-potential students, with values of 4.01, 3.65, and 3.63, respectively. Clearly, respondents attached the greatest importance to developing management skills from within the company. A good reason for developing skills from within is that it is usually cheaper and easier than hiring skilled management accountants from outside the company, which usually requires recruiting costs and higher compensation. Although training and development has costs as well, they are usually less by comparison, plus the employees are already familiar with the business. Of course, recruiting from outside the company may be the only option. Plus, it has the advantage of potentially adding someone with significant experience and abilities that can add value right away.

Given the grim employment situation this year, it's a good option for university graduates to get a job in a desirable enterprise by seizing internship opportunities. It may also be a way to add entry-level staff with advanced analytical skills learned in their university program. Further, it may be advantageous to partner with certain universities to develop management accounting talent "training bases."

Developing management accounting talent from within is critical to increasing the role of management accounting as corporate demand for management accounting information continues to build. Employees with excellent management accounting skills should be able to eventually help build a bridge between management accounting theory and needs of the enterprise.

Motivating Management Accounting Staff

Finally, we asked respondents about the importance of different ways for motivating management accounting staff in Chinese enterprises, and the survey findings are provided in Table 12 (Appendix). Once again, importance was rated on a scale of 1 to 5, where 1 = not important at all, 2 = slightly important, 3 = moderately important, 4 = important, 5 = very important. The weighted average value for each method was calculated and ranked by importance as shown in Figure 20 below.

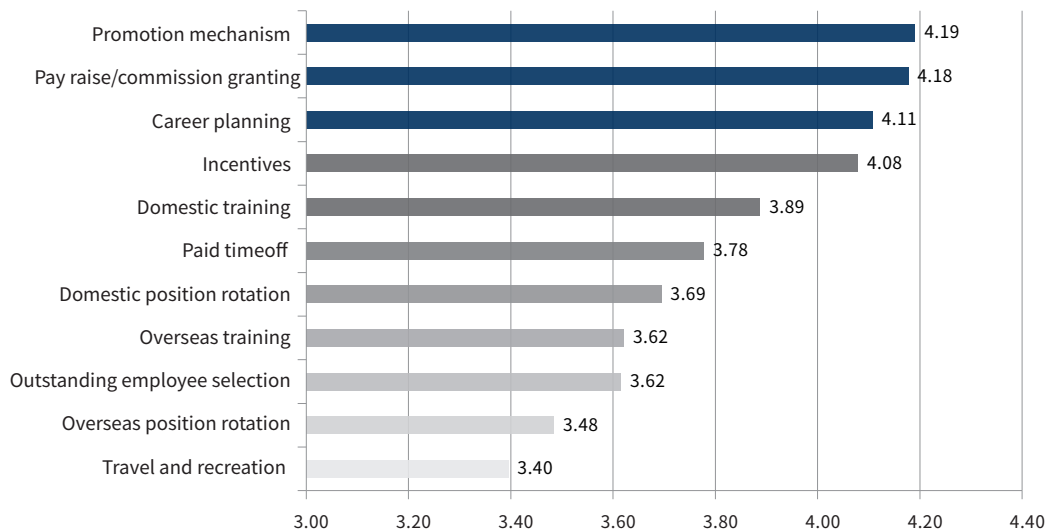


Figure 20 Ways for motivating management accounting staff ranked by importance

As the old Chinese saying goes, “It is easy to seize power, but difficult to maintain it.” It’s also more important for enterprises to motivate and retain management accounting talent than to bring it in from the outside. As shown in Figure 20, the top-ranked methods for motivating management accounting staff are promotion mechanisms, pay raises, career planning, and incentives, with values from 4.08 to 4.19. Overall, financial staff are most interested in promotion and monetary awards.

Establishing promotion and incentive systems mainly serve two functions: resource allocation and a method for providing incentives to motivate staff. Both functions help to reduce staff turnover. First, resource allocation means assigning the right tasks to the right people to achieve a match between capacity and positions, which is an important goal of HR management. Second, providing incentives refers to the income and status of high-level positions that lower-level employees strive for. Traditional concepts still affect the staff of modern Chinese society. They have a deep-rooted notion that occupying high-level positions in an enterprise is a symbol of power and status, and they regard promotion as a main measure of personal success. Therefore, good promotion mechanisms and pay raise/commission granting systems create an atmosphere that motivates staff to develop and use their skills to increase their chance for promotion. To gain the feeling of honor and satisfaction, staff will work hard to get promoted faster plus their enhanced sense of mission will reduce their mobility.

To ensure long-term development of management accounting staff, finance departments should design a proper “career plan” for them, so they can see how developing their management accounting and other skills will help their career. As shown in Figure 20, “career planning” was ranked as the third most important motivation method. People with career planning have clear development goals. Employees are not motivated by income alone. They also desire career planning and development. Therefore, career planning for management accounting staff not only helps them find their orientation in life, it also promotes corporate development.

Part V Perspectives and Expectations



For this report, we invited the CFOs of well-known enterprises from the industry to express views on the status quo and future of management accounting from their perspectives. Their views and expectations will be much closer to the actual situations of enterprises and provide some guidance for the direction of management accounting.

I Management Accounting The Imperative

Along with China's economic reform entering into the deep-water zone, in recent years a large number of domestic enterprises gradually found sluggish sales growth, rapid increase in labor costs, and fall in profit, and they are threatened by growing crises. At the same time, among the *Fortune* 500 companies for 2015, there are 106 Chinese enterprises shortlisted that achieve a breakthrough in the scale, and many of them are outstanding enterprises with a variety of remarkable financial indicators.

In my view, despite the economic scale, the skill level of management will lead to different results, and Chinese enterprises have an urgent need to enter into the era of delicacy management.

There is gold in the data, but before the gold rush we must accumulate the data in the first place. Companies with advanced management often apply the standard cost, comprehensive budget management, performance evaluation, cost analysis, and so forth, and gradually build the basis for data analysis. And analyzing various differences can further help Management to gradually understand the nature of the business and make better judgments accordingly, thus, companies will achieve value creation in the end.

Value creation is the nature of business, which is also the ultimate goal of management accounting. I sincerely hope that all my colleagues who put management accounting into practice would work and grow together so as to make due contributions to the upgrading of enterprise management level!

—— Bosch (China)'s vice CFO, Eric Yang

| How Financial Staff Use Management Accounting to Help Business Departments Implement Strategic Decisions

Financial staff should be fairly confident about how corporate decision making, business activities, and business changes will be reflected in management accounting reports and cause changes to actual (actual and forecast) budget. Management accounting is actually a kind of language. Financial staff should use this language to reflect the business situation of enterprises and enable management to use it for business analysis, the development of KPIs for all management levels, and the implementation of strategic decisions.

—— Benteler Asia-Pacific's chief financial officer, Joyce Fang

| Several Performance Management Skills that Are Important to Financial Functions and Corporate Development

All good performance comes from clear expectations and efficient goal setting, as well as regular follow-up, timely feedback, and tracking. The financial function should be closely integrated with the objectives of the enterprise in the aspect of performance management and goal setting, and combine with the objectives of the financial department and financial personnel. The close integration from top to down would ensure the effectiveness of financial functions.

1. The SMART goal setting should satisfy the following requirements: Specific, Measurable, Attainable, Relevant, and Time Bound; the set goal should be interpreted and accepted by all members, which is particularly important for the later follow-up.
2. Regular feedback and follow-up are very important.
 - 1) Give the feedback periodically and on time;
 - 2) Positive and negative evaluation should be provided and in detail;
 - 3) Your expectations and goal setting should be mentioned again in feedback;
 - 4) Respect the "result-based";
 - 5) Provide the channels for consulting and seeking help.

—— Didi Travel's chief finance officer, Amanda Zhang



I Importance of Risk Management to Corporate Development and Financial Functions

Risk management is a technology as well as an art in the process of corporate production and operations. Only appropriate risk management mechanisms can support the sustainable development of enterprises as excessive risk control will cause high costs, high time consumption, and low efficiency, and weak risk awareness and inadequate risk management mechanisms will bring higher operation risks. How to properly position and balance risks is a great challenge to risk management staff, since financial functions play a key role.

The following risk management practices are generally common in industrial enterprises and play a crucial role in corporate development and financial functions.

■ **Strategic risk management:** Strategic risk management produces a major impact on corporate strategic objectives, resource allocation and core competence, and so forth. Through professional analysis and judgment, financial staff can provide this practice with supporting data, model deduction, and risk warnings, and set up a crisis response mechanism.

■ **Business risk management:** Business risk management is of great significance for business operations, brand marketing, and strategic development directions of enterprises. The functions of financial staff in this area can be greatly extended to cover the development of pricing mechanisms, monitoring of investment returns, protection of

intellectual property rights, and risk management of business contracts.

■ **Financial risk management:** Financial risks are traditionally more intuitive risks that can be readily understood, including investment risks, financing risks, credit risks, currency risks, and liquidity risks, which have a major impact on operation efficiency, profitability, solvency, continuous trading capacity, and so on. Financial functions are fully reflected in the field of financial risk management, such as enhancing corporate credit, improving operation liquidity requirement, avoiding foreign exchange transaction risks, and establishing investment risk monitoring mechanisms, where expertise has played a key role.

■ **Legal risk management:** Legal risk management is sometimes overlooked. Financial functions exist as internal control mechanisms most of the time. The significance of legal risk management for enterprises is often recognized except when major events occur such as the anti-corruption case of the pharmaceutical industry and the antitrust case of the automotive industry. Strengthening risk management to include anti-corruption and anti-unfair competition is related to business reputation and even survival. Efforts should be made to develop a compliance culture inside enterprises, give play to internal controls and the expertise of compliance staff, and evaluate and prevent legal risks to ensure the sound and safe development of enterprises.

—— Total's chief finance officer, Renee Zhao

I Obstacles to the Effectiveness of Financial Functions

There are many factors limiting the effectiveness of financial functions. The two main obstacles for most Chinese enterprises are (1) Management lacks financial knowledge, regards financial functions as the functions of bookkeeping, and neglects the guiding significance of financial data for management work; and (2) Financial staff are out of touch with the actual business and lack effective communication with other departments, resulting in rigid management, failure of the budget system, and an inability to properly prevent corporate management risks.

—— Evonik's controller, Jessie Wu

There are many obstacles to the effectiveness of financial functions in enterprises. Common obstacles include financial staff's nonparticipation in the business and lack of communication between staff preparing financial statements and other departments. Therefore, the financial policies and procedures developed by financial staff through much time and effort are out of touch with the business, and understandably, other departments won't properly cooperate in the implementation of these policies and procedures. The result is lower understanding and attention of decision makers to finance, as well as unwillingness of financial staff to participate in the business. Hence, a vicious circle is formed.

—— Huntsman's finance director, Pamela Chen

At the different stages of business development, the financial functions and staffing requirements are not the same. When financial personnel and financial systems fail to change with the changing business requirements, the companies should make a choice between the new and old employees. It will become an obstacle for the financial department to play an effective role if this cannot be handled properly.

The key points for the effectiveness of the financial department are understanding finance and business and being good at communication, as well as having strong leadership. The lack of an excellent leader would lead to the mediocrity of the financial department.

Rapidly changing markets and intra-company changes such as mergers, acquisitions, changes of CEOs pose challenges and opportunities for the effectiveness of financial functions and are issues that most financial leaders face.

—— Sealed Air North's chief finance officer, Max Geng



Tables in Appendix

Appendix: Tables of full survey responses

Table 1: Importance and Skill Level of Budgeting-related skills

For each of the following budgeting-related skills, please rate (a) how important that skill is to your organization's success and (b) how much that skill is possessed by your management accounting and finance group.

		Not at all	Low	Moderate	High	Extremely high	Total
Prepare a cash budget	Importance to corporate development	0.58% (3)	1.35% (7)	9.65% (50)	40.35% (209)	48.07% (249)	100% (518)
	Skill level of financial staff	0.19% (1)	0.58% (3)	7.14% (37)	40.15% (208)	51.93% (269)	100% (518)
Understand the purpose of pro forma financial statements and the relationship between these statements and all other budgets	Importance to corporate development	0.58% (3)	2.12% (11)	15.44% (80)	44.21% (229)	37.64% (195)	100% (518)
	Skill level of financial staff	0.00% (0)	0.19% (1)	6.18% (32)	45.56% (236)	48.07% (249)	100% (518)
Identify the role of budgeting in formulating short-term objectives and planning and controlling operations to meet those objectives	Importance to corporate development	0.00% (0)	0.77% (4)	9.27% (48)	46.53% (241)	43.44% (225)	100% (518)
	Skill level of financial staff	0.00% (0)	0.58% (3)	6.37% (33)	46.53% (241)	46.53% (241)	100% (518)
Understand how strategic planning determines the path an organization chooses for attaining its long-term goals and mission	Importance to corporate development	0.58% (3)	0.39% (2)	2.12% (11)	32.43% (168)	64.48% (334)	100% (518)
	Skill level of financial staff	1.16% (6)	0.58% (3)	6.56% (34)	42.66% (221)	49.03% (254)	100% (518)
Explain how the budgeting process facilitates communication and enhances coordination among departments across the organization	Importance to corporate development	0.19% (1)	0.97% (5)	9.65% (50)	48.84% (253)	40.35% (209)	100% (518)
	Skill level of financial staff	0.19% (1)	0.97% (5)	9.46% (49)	45.37% (235)	44.02% (228)	100% (518)
Use financial projections to determine required outside financing and dividend policy	Importance to corporate development	0.39% (2)	0.97% (5)	10.81% (56)	43.63% (226)	44.21% (229)	100% (518)
	Skill level of financial staff	0.39% (2)	0.58% (3)	10.81% (56)	45.56% (236)	42.66% (221)	100% (518)
Explain why short-term objectives and operations must be congruent with the strategic plan and contribute to the achievement of long-term strategic goals	Importance to corporate development	0.19% (1)	0.39% (2)	5.60% (29)	46.53% (241)	47.30% (245)	100% (518)
	Skill level of financial staff	0.19% (1)	0.58% (3)	8.88% (46)	50.58% (262)	39.77% (206)	100% (518)
Identify internal factors that should be analyzed during the strategic planning process and explain how this analysis helps recognize organizational strengths, weaknesses, and competitive advantages	Importance to corporate development	0.00% (0)	0.39% (2)	5.41% (28)	45.75% (237)	48.46% (251)	100% (518)
	Skill level of financial staff	0.00% (0)	0.19% (1)	10.42% (54)	53.86% (279)	35.52% (184)	100% (518)

Evaluate business situation and recommend the appropriate budget approach (such as annual/master budget, project, activity-based and zero-based)	Importance to corporate development	0.19% (1)	0.97% (5)	14.67% (76)	51.93% (269)	32.24% (167)	100% (518)
	Skill level of financial staff	0.00% (0)	1.16% (6)	10.81% (56)	52.51% (272)	35.52% (184)	100% (518)
Explain the relationship between the sales budget and the production budget	Importance to corporate development	0.97% (5)	1.35% (7)	14.48% (75)	50.00% (259)	33.20% (172)	100% (518)
	Skill level of financial staff	0.97% (5)	0.97% (5)	12.36% (64)	51.74% (268)	33.98% (176)	100% (518)
Understand the concept of contribution margin, identify when it is most appropriate to use, and calculate both unit and total contribution margin	Importance to corporate development	0.58% (3)	2.51% (13)	17.37% (90)	49.81% (258)	29.73% (154)	100% (518)
	Skill level of financial staff	0.19% (1)	0.58% (3)	15.44% (80)	51.93% (269)	31.85% (165)	100% (518)
Identify the steps in developing standards for both direct materials and direct labor costs	Importance to corporate development	0.97% (5)	1.93% (10)	22.97% (119)	50.00% (259)	24.13% (125)	100% (518)
	Skill level of financial staff	0.77% (4)	0.58% (3)	15.83% (82)	49.81% (258)	33.01% (171)	100% (518)
Develop a rolling prediction model and perform flexible management of sales, production and procurement plans through rolling predictions	Importance to corporate development	0.39% (2)	2.51% (13)	17.57% (91)	48.84% (253)	30.69% (159)	100% (518)
	Skill level of financial staff	0.39% (2)	1.16% (6)	14.29% (74)	54.25% (281)	29.92% (155)	100% (518)
Prepare a production budget and define factors that should be considered when preparing a production budget	Importance to corporate development	0.77% (4)	1.54% (8)	16.60% (86)	49.81% (258)	31.27% (162)	100% (518)
	Skill level of financial staff	0.77% (4)	1.93% (10)	13.32% (69)	53.28% (276)	30.69% (159)	100% (518)
Define budgetary slack and discuss its impact on goal congruence	Importance to corporate development	0.39% (2)	1.93% (10)	18.53% (96)	53.47% (277)	25.68% (133)	100% (518)
	Skill level of financial staff	0.58% (3)	0.97% (5)	15.06% (78)	57.53% (298)	25.87% (134)	100% (518)
Prepare direct materials and direct labor budgets and evaluate the feasibility of achieving production goals on the basis of these budgets	Importance to corporate development	0.58% (3)	3.47% (18)	19.69% (102)	50.19% (260)	26.06% (135)	100% (518)
	Skill level of financial staff	0.58% (3)	2.51% (13)	16.99% (88)	50.97% (264)	28.96% (150)	100% (518)
Prepare a cost of goods sold budget	Importance to corporate development	0.19% (1)	1.93% (10)	18.92% (98)	51.35% (266)	27.61% (143)	100% (518)
	Skill level of financial staff	0.19% (1)	2.12% (11)	20.66% (107)	50.77% (263)	26.25% (136)	100% (518)
Perform linear regression analysis	Importance to corporate development	0.77% (4)	7.53% (39)	36.68% (190)	41.51% (215)	13.51% (70)	100% (518)
	Skill level of financial staff	0.77% (4)	5.98% (31)	33.40% (173)	44.59% (231)	15.25% (79)	100% (518)

Note: The figure in parentheses is the number of responding enterprises. Percentages are calculated from the total figures.

Table 2: Importance and Skill Level of Performance Management Skills

For each of the following performance management skills, please rate (a) how important that skill is to your organization's success and (b) how much that skill is possessed by your management accounting and finance group.

		Not at all	Low	Moderate	High	Extremely high	Total
Identify the benefits and limitations of measuring performance by comparing actual results to the master budget	Importance to corporate development	0.19% (1)	1.35% (7)	14.67% (76)	48.65% (252)	35.14% (182)	100% (518)
	Skill level of financial staff	0.00% (0)	0.77% (4)	14.29% (74)	50.58% (262)	34.36% (178)	100% (518)
Calculate the sales-volume variance and the sales-price variance by comparing the flexible budget with the master (static) budget	Importance to corporate development	0.19% (1)	2.51% (13)	19.50% (101)	47.30% (245)	30.50% (158)	100% (518)
	Skill level of financial staff	0.00% (0)	1.74% (9)	16.22% (84)	51.54% (267)	30.50% (158)	100% (518)
Analyze a segment margin report and evaluate performance	Importance to corporate development	1.16% (6)	1.16% (6)	19.11% (99)	48.26% (250)	30.31% (157)	100% (518)
	Skill level of financial staff	0.58% (3)	0.77% (4)	14.67% (76)	53.67% (278)	30.31% (157)	100% (518)
Calculate a sales-mix variance and explain its impact on revenue and contribution margin	Importance to corporate development	0.97% (5)	2.70% (14)	19.88% (103)	46.14% (239)	30.31% (157)	100% (518)
	Skill level of financial staff	0.39% (2)	1.74% (9)	17.18% (89)	50.39% (261)	30.31% (157)	100% (518)
Define a standard cost system and identify the reasons for adopting a standard cost system	Importance to corporate development	0.77% (4)	3.47% (18)	20.08% (104)	46.33% (240)	29.34% (152)	100% (518)
	Skill level of financial staff	0.77% (4)	1.16% (6)	16.80% (87)	49.03% (254)	32.24% (167)	100% (518)
Identify and calculate transfer prices using variable cost, full cost, market price, negotiated price, and dual-rate pricing	Importance to corporate development	0.97% (5)	4.05% (21)	20.27% (105)	47.30% (245)	27.41% (142)	100% (518)
	Skill level of financial staff	0.39% (2)	3.09% (16)	21.43% (111)	45.75% (237)	29.34% (152)	100% (518)
Analyze factory overhead variances by calculating variable overhead spending and efficiency variances and fixed overhead spending and production volume variances	Importance to corporate development	1.16% (6)	2.51% (13)	22.97% (119)	45.95% (238)	27.41% (142)	100% (518)
	Skill level of financial staff	0.77% (4)	1.74% (9)	19.11% (99)	50.77% (263)	27.61% (143)	100% (518)
Calculate price (rate) variances and efficiency (usage) variances related to direct material and direct labor inputs and interpret the results	Importance to corporate development	1.74% (9)	2.51% (13)	22.97% (119)	47.10% (244)	25.68% (133)	100% (518)
	Skill level of financial staff	1.35% (7)	1.16% (6)	19.50% (101)	50.97% (264)	27.03% (140)	100% (518)
Explain why the allocation of common costs among segments can be an issue in performance evaluation	Importance to corporate development	0.97% (5)	4.63% (24)	27.61% (143)	44.40% (230)	22.39% (116)	100% (518)
	Skill level of financial staff	0.58% (3)	4.05% (21)	27.41% (142)	44.59% (231)	23.36% (121)	100% (518)

Note: The figure in parentheses is the number of responding enterprises. Percentages are calculated from the total figures.

Table 3. Importance and Skill Level of Decision Analysis Skills

For each of the following decision analysis skills, please rate (a) how important that skill is to your organization's success and (b) how much that skill is possessed by your management accounting and finance group.

		Not at all	Low	Moderate	High	Extremely high	Total
Calculate the breakeven point in units and dollar sales to achieve targeted operating income or targeted net income	Importance to corporate development	0.39% (2)	1.16% (6)	12.93% (67)	44.59% (231)	40.93% (212)	100% (518)
	Skill level of financial staff	0.39% (2)	1.35% (7)	9.65% (50)	48.84% (253)	39.77% (206)	100% (518)
Use cost/volume/profit (CVP) analysis (breakeven analysis) to examine the behavior of total revenues, total costs, and operating profits as changes occur in output levels, selling prices, variable costs per unit, or fixed costs	Importance to corporate development	0.39% (2)	1.35% (7)	16.80% (87)	45.17% (234)	36.29% (188)	100% (518)
	Skill level of financial staff	0.19% (1)	0.97% (5)	11.00% (57)	48.65% (252)	39.19% (203)	100% (518)
Calculate multiple-product breakeven points given percentage share of sales	Importance to corporate development	0.39% (2)	1.16% (6)	16.22% (84)	46.91% (243)	35.33% (183)	100% (518)
	Skill level of financial staff	0.19% (1)	1.16% (6)	13.32% (69)	49.61% (257)	35.71% (185)	100% (518)
Identify and define relevant costs (incremental, marginal, or differential costs), sunk costs, avoidable costs, explicit and implicit costs, and relevant revenues	Importance to corporate development	0.58% (3)	2.32% (12)	18.92% (98)	46.53% (241)	31.66% (164)	100% (518)
	Skill level of financial staff	0.39% (2)	1.35% (7)	17.95% (93)	49.23% (255)	31.08% (161)	100% (518)
Differentiate between costs that are fixed and costs that are variable with respect to levels of output	Importance to corporate development	0.97% (5)	1.74% (9)	20.85% (108)	48.84% (253)	27.61% (143)	100% (518)
	Skill level of financial staff	0.58% (3)	1.16% (6)	18.92% (98)	48.84% (253)	30.50% (158)	100% (518)
Calculate the effect on operating income of a decision to accept or reject a special order when there is idle capacity and the order has no long-run implications	Importance to corporate development	0.97% (5)	3.09% (16)	15.25% (79)	48.26% (250)	32.43% (168)	100% (518)
	Skill level of financial staff	0.77% (4)	2.70% (14)	17.18% (89)	48.84% (253)	30.50% (158)	100% (518)
Calculate the effect on operating income of a decision to sell or process further and to drop or add a segment	Importance to corporate development	0.00% (0)	1.93% (10)	16.02% (83)	54.05% (280)	27.99% (145)	100% (518)
	Skill level of financial staff	0.39% (2)	2.32% (12)	18.73% (97)	51.74% (268)	26.83% (139)	100% (518)
Distinguish between a value-added cost and a nonvalue-added cost	Importance to corporate development	0.58% (3)	2.32% (12)	19.69% (102)	47.68% (247)	29.73% (154)	100% (518)
	Skill level of financial staff	0.39% (2)	2.90% (15)	19.50% (101)	49.61% (257)	27.61% (143)	100% (518)
Demonstrate an understanding of target pricing and target costing and the main steps in developing target prices and target costs	Importance to corporate development	0.77% (4)	2.32% (12)	20.08% (104)	51.16% (265)	25.68% (133)	100% (518)
	Skill level of financial staff	0.58% (3)	1.54% (8)	22.39% (116)	50.19% (260)	25.29% (131)	100% (518)
Know how pricing decisions can differ between the short run and the long run	Importance to corporate development	0.39% (2)	2.51% (13)	16.22% (84)	50.58% (262)	30.31% (157)	100% (518)
	Skill level of financial staff	0.19% (1)	3.28% (17)	20.27% (105)	50.97% (264)	25.29% (131)	100% (518)
Identify techniques used to set prices based on understanding customers' perceptions of value, competitors' technologies, products, and costs	Importance to corporate development	0.77% (4)	1.35% (7)	13.32% (69)	46.91% (243)	37.64% (195)	100% (518)
	Skill level of financial staff	1.16% (6)	2.90% (15)	22.01% (114)	45.95% (238)	27.99% (145)	100% (518)
Identify and describe qualitative factors in make-or-buy decisions, such as product quality and dependability of suppliers	Importance to corporate development	0.39% (2)	2.12% (11)	17.18% (89)	49.61% (257)	30.69% (159)	100% (518)
	Skill level of financial staff	0.77% (4)	3.09% (16)	24.13% (125)	47.10% (244)	24.90% (129)	100% (518)
Understand the short-run equilibrium price for the enterprise in (1) pure competition; (2) monopolistic competition; (3) oligopoly; and (4) monopoly using the concepts of marginal revenue and marginal cost	Importance to corporate development	1.16% (6)	3.86% (20)	24.71% (128)	43.44% (225)	26.83% (139)	100% (518)
	Skill level of financial staff	1.54% (8)	5.21% (27)	29.34% (152)	42.86% (222)	21.04% (109)	100% (518)

Note: The figure in parentheses is the number of responding enterprises. Percentages are calculated from the total figures.

Table 4. Importance and Skill Level of Risk Management Skills

For each of the following risk management skills, please rate (a) how important that skill is to your organization's success and (b) how much that skill is possessed by your management accounting and finance group.

		Not at all	Low	Moderate	High	Extremely high	Total
Identify and explain business risks, hazard risks, financial risks, operational risks, and strategic risks	Importance to corporate development	0.19% (1)	0.77% (4)	10.81% (56)	36.29% (188)	51.93% (269)	100% (518)
	Skill level of financial staff	0.19% (1)	1.93% (10)	14.09% (73)	46.72% (242)	37.07% (192)	100% (518)
Identify strategies for risk response, including actions to avoid, retain, reduce (mitigate), transfer (share), and exploit (accept) risks	Importance to corporate development	0.00% (0)	1.35% (7)	11.78% (61)	43.82% (227)	43.05% (223)	100% (518)
	Skill level of financial staff	0.00% (0)	0.77% (4)	19.31% (100)	50.19% (260)	29.73% (154)	100% (518)
Explain quantitative risk assessment tools including cash flow at risk, earnings at risk, earnings distributions, and earnings per share (EPS) distributions	Importance to corporate development	0.39% (2)	2.51% (13)	18.92% (98)	44.21% (229)	33.98% (176)	100% (518)
	Skill level of financial staff	0.19% (1)	1.74% (9)	21.81% (113)	46.14% (239)	30.12% (156)	100% (518)
Demonstrate an understanding of the COSO ERM conceptual framework	Importance to corporate development	0.58% (3)	0.97% (5)	18.92% (98)	43.05% (223)	36.49% (189)	100% (518)
	Skill level of financial staff	0.58% (3)	1.16% (6)	22.78% (118)	44.59% (231)	30.89% (160)	100% (518)
Define enterprise risk management (ERM) and describe key objectives, components, and benefits of an ERM program	Importance to corporate development	0.19% (1)	1.93% (10)	15.06% (78)	46.14% (239)	36.68% (190)	100% (518)
	Skill level of financial staff	0.39% (2)	2.12% (11)	20.66% (107)	49.23% (255)	27.61% (143)	100% (518)
Explain the role of corporate governance, risk analysis, and portfolio management in an ERM program	Importance to corporate development	0.58% (3)	1.35% (7)	17.37% (90)	46.53% (241)	34.17% (177)	100% (518)
	Skill level of financial staff	0.39% (2)	1.54% (8)	22.97% (119)	49.81% (258)	25.29% (131)	100% (518)
Explain the use of probabilities in determining exposure to risk and calculate expected loss given a set of probabilities	Importance to corporate development	1.16% (6)	2.70% (14)	23.17% (120)	45.75% (237)	27.22% (141)	100% (518)
	Skill level of financial staff	1.16% (6)	2.70% (14)	26.83% (139)	45.37% (235)	23.94% (124)	100% (518)

Note: The figure in parentheses is the number of responding enterprises. Percentages are calculated from the total figures.

Table 5. Difficulty of the Obstacles to the Effectiveness of Financial Functions

Please indicate to what extent the following are barriers to finance function effectiveness.

	Not sure	Not difficult at all	Slightly difficult	Moderately difficult	Very difficult	Total
Nonstandardization of the financial process	1.16% (6)	1.74% (9)	6.76% (35)	29.73% (154)	60.62% (314)	100% (518)
Weak foundation for information-based financial management	1.35% (7)	1.35% (7)	6.56% (34)	30.89% (160)	59.85% (310)	100% (518)
Lack of effective communication with the business department	1.54% (8)	1.54% (8)	7.92% (41)	31.47% (163)	57.53% (298)	100% (518)
Difficulty in talent recruitment	2.90% (15)	3.67% (19)	12.55% (65)	49.23% (255)	31.66% (164)	100% (518)
Challenge to financial transformation	4.25% (22)	4.25% (22)	13.51% (70)	42.28% (219)	35.71% (185)	100% (518)
Easy outflow of talent	3.67% (19)	3.67% (19)	12.16% (63)	50.00% (259)	30.50% (158)	100% (518)
Frequent need for balance between multiple priority objectives in financial work	2.70% (14)	1.93% (10)	13.13% (68)	57.34% (297)	24.90% (129)	100% (518)
Corporate governance constraints	1.93% (10)	4.83% (25)	16.80% (87)	47.10% (244)	29.34% (152)	100% (518)
Cost pressure on the financial department	2.51% (13)	5.21% (27)	16.80% (87)	52.32% (271)	23.17% (120)	100% (518)
Business complexity	3.09% (16)	5.21% (27)	15.25% (79)	55.21% (286)	21.24% (110)	100% (518)
Provision of more management information requested by the management	1.93% (10)	9.65% (50)	14.29% (74)	53.47% (277)	20.66% (107)	100% (518)
External regulatory requirements	2.90% (15)	5.41% (28)	19.69% (102)	54.44% (282)	17.57% (91)	100% (518)
Requirements of external investors	3.86% (20)	9.85% (51)	19.31% (100)	52.32% (271)	14.67% (76)	100% (518)

Note: The figure in parentheses is the number of responding enterprises. Percentages are calculated from the total figures.

Table 6. Effectiveness of Corporate Financial Functions

Please rate how effective you believe your finance function currently supports each of these activities.

	Not effective at all	Not sure	Moderately effective	Slightly effective	Very effective	Total
Deal with tax issues	2.70% (14)	7.72% (40)	44.40% (230)	16.22% (84)	28.96% (150)	100% (518)
Meet regulatory requirements	2.90% (15)	6.18% (32)	46.33% (240)	17.95% (93)	26.64% (138)	100% (518)
Ensure proper management of working capital	1.54% (8)	9.85% (51)	48.84% (253)	15.44% (80)	24.32% (126)	100% (518)
Support corporate financing activities	6.56% (34)	7.92% (41)	43.24% (224)	18.53% (96)	23.75% (123)	100% (518)
Deal with corporate social responsibility issues	5.21% (27)	8.49% (44)	46.72% (242)	18.34% (95)	21.24% (110)	100% (518)
Effective business insight and analysis	2.70% (14)	11.20% (58)	47.88% (248)	18.53% (96)	19.69% (102)	100% (518)
More efficient transaction processing	3.86% (20)	8.11% (42)	49.81% (258)	19.69% (102)	18.53% (96)	100% (518)
Develop financial talent	1.93% (10)	12.36% (64)	48.07% (249)	20.46% (106)	17.18% (89)	100% (518)
Provide more accurate financial forecasts	1.16% (6)	15.44% (80)	49.81% (258)	15.06% (78)	18.53% (96)	100% (518)
Develop more effective financial plans	1.93% (10)	15.06% (78)	49.61% (257)	14.67% (76)	18.73% (97)	100% (518)
Improve investor relations	6.18% (32)	8.49% (44)	48.65% (252)	20.27% (105)	16.41% (85)	100% (518)
Reduce costs	1.74% (9)	10.62% (55)	55.79% (289)	17.57% (91)	14.29% (74)	100% (518)
Determine an appropriate working capital structure	4.05% (21)	11.20% (58)	51.16% (265)	19.50% (101)	14.09% (73)	100% (518)
Improve investment efficiency	4.83% (25)	11.39% (59)	51.54% (267)	17.76% (92)	14.48% (75)	100% (518)
Support the development, validation, and implementation of strategies	3.28% (17)	13.32% (69)	52.12% (270)	16.99% (88)	14.29% (74)	100% (518)
Identify, assess, and respond to risks	2.70% (14)	14.67% (76)	52.12% (270)	16.99% (88)	13.51% (70)	100% (518)
Improve the internal control environment	2.12% (11)	17.18% (89)	50.19% (260)	16.41% (85)	14.09% (73)	100% (518)

Note: The figure in parentheses is the number of responding enterprises. Percentages are calculated from the total figures.

Table 7. Importance of Management Accounting Department to Organization

Companies usually set up the management accounting department or function to meet certain purposes. For each of the following purposes, indicate how important they are to your organization.

	Not important at all	Slightly important	Moderately important	Important	Very important	Total
Improve risk prevention	0.19% (1)	0.77% (4)	18.53% (96)	45.56% (236)	34.94% (181)	100% (518)
Support top management decision making	0.39% (2)	2.32% (12)	16.02% (83)	45.17% (234)	36.10% (187)	100% (518)
Strengthen internal controls	0.00% (0)	1.93% (10)	17.18% (89)	45.75% (237)	35.14% (182)	100% (518)
Evaluate performance effectively	0.39% (2)	2.12% (11)	16.02% (83)	48.26% (250)	33.20% (172)	100% (518)
Improve internal efficiency	0.00% (0)	2.32% (12)	18.15% (94)	45.56% (236)	33.98% (176)	100% (518)
Create value for shareholders	0.19% (1)	2.70% (14)	21.43% (111)	42.28% (219)	33.40% (173)	100% (518)
Optimize internal processes	0.58% (3)	1.93% (10)	21.43% (111)	47.68% (247)	28.38% (147)	100% (518)
Pricing	1.35% (7)	2.70% (14)	21.04% (109)	45.75% (237)	29.15% (151)	100% (518)

Note: The figure in parentheses is the number of responding enterprises. Percentages are calculated from the total figures.

Table 8. Effectiveness of the Management Accounting Department

How effective do you think your management accounting department or function is to the company for the following purposes?

	Not effective at all	Slightly effective	Moderately effective	Effective	Very effective	Total
Improve risk prevention	1.74% (9)	10.04% (52)	31.08% (161)	36.29% (188)	20.85% (108)	100% (518)
Strengthen internal controls	1.16% (6)	10.23% (53)	33.20% (172)	34.94% (181)	20.46% (106)	100% (518)
Optimize internal processes	2.12% (11)	11.78% (61)	32.43% (168)	31.66% (164)	22.01% (114)	100% (518)
Evaluate performance effectively	2.70% (14)	10.23% (53)	30.50% (158)	38.03% (197)	18.53% (96)	100% (518)
Support top management decision making	3.86% (20)	9.46% (49)	32.63% (169)	38.42% (199)	15.64% (81)	100% (518)
Improve internal efficiency	2.70% (14)	12.36% (64)	31.47% (163)	37.45% (194)	16.02% (83)	100% (518)
Pricing	4.44% (23)	11.39% (59)	32.24% (167)	33.40% (173)	18.53% (96)	100% (518)
Create value for shareholders	3.09% (16)	11.97% (62)	37.07% (192)	33.20% (172)	14.67% (76)	100% (518)
Optimize resource allocation	1.16% (6)	5.02% (26)	71.62% (371)	14.48% (75)	7.72% (40)	100% (518)

Note: The figure in parentheses is the number of responding enterprises. Percentages are calculated from the total figures.

Table 9. Difficulty of Obstacles in Promoting Management Accounting

Companies are confronted with multiple obstacles in promoting management accounting. How do you rank the degree of difficulty of the following obstacles in your company?

	Very easy	Easy	Moderate	Difficult	Very difficult	Total
Lack of top management support (people, funding, etc.)	1.93% (10)	5.21% (27)	33.01% (171)	28.96% (150)	30.89% (160)	100% (518)
Inadequate information systems	0.77% (4)	5.02% (26)	32.43% (168)	40.15% (208)	21.62% (112)	100% (518)
Resistance to change	2.51% (13)	8.30% (43)	33.78% (175)	27.99% (145)	27.41% (142)	100% (518)
Outdated information systems	0.97% (5)	7.53% (39)	35.91% (186)	33.40% (173)	22.20% (115)	100% (518)
Cross-department communication	0.97% (5)	6.56% (34)	36.29% (188)	38.80% (201)	17.37% (90)	100% (518)
Ability of financial staff	0.97% (5)	6.95% (36)	43.24% (224)	32.05% (166)	16.80% (87)	100% (518)
Optimization of business procedures	0.19% (1)	7.14% (37)	47.10% (244)	33.01% (171)	12.55% (65)	100% (518)
Performance assessment	0.77% (4)	6.76% (35)	47.49% (246)	33.01% (171)	11.97% (62)	100% (518)
Process optimization	1.16% (6)	7.72% (40)	47.88% (248)	30.89% (160)	12.36% (64)	100% (518)
Staff training	1.74% (9)	11.00% (57)	53.47% (277)	24.71% (128)	9.07% (47)	100% (518)

Note: The figure in parentheses is the number of responding enterprises. Percentages are calculated from the total figures.

Table 10. Importance of the Factors in Promoting Management Accounting

How important do you think the following factors are in promoting management accounting in your company?

	Not important at all	Slightly important	Moderately important	Important	Very important	Total
Top management support	0.19% (1)	0.77% (4)	12.36% (64)	25.48% (132)	61.20% (317)	100% (518)
Standardization and optimization of the financial process	0.00% (0)	0.19% (1)	15.83% (82)	43.24% (224)	40.73% (211)	100% (518)
Unified and efficient systems	0.39% (2)	0.97% (5)	15.64% (81)	40.54% (210)	42.47% (220)	100% (518)
A management accounting champion at the upper management level	0.39% (2)	1.16% (6)	17.37% (90)	40.93% (212)	40.15% (208)	100% (518)
Support from the nonaccounting departments	0.19% (1)	0.77% (4)	17.37% (90)	43.44% (225)	38.22% (198)	100% (518)
Clear purpose for management accounting	0.39% (2)	0.77% (4)	17.76% (92)	42.47% (220)	38.61% (200)	100% (518)
Clear definition of responsibilities	0.19% (1)	1.35% (7)	18.73% (97)	42.47% (220)	37.26% (193)	100% (518)
Staff recognition and cooperation	0.39% (2)	1.93% (10)	17.57% (91)	42.47% (220)	37.64% (195)	100% (518)
Early success	1.16% (6)	3.86% (20)	38.80% (201)	39.58% (205)	16.60% (86)	100% (518)

Note: The figure in parentheses is the number of responding enterprises. Percentages are calculated from the total figures.

Table 11. Importance of the Ways for Building Management Accounting Skills

Evaluate the importance of the following ways to build management accounting skills in your staff.

	Not important at all	Slightly important	Moderately important	Important	Very important	Total
Develop skills from within (i.e., training and professional development)	0.58% (3)	2.70% (14)	21.62% (112)	45.75% (237)	29.34% (152)	100% (518)
Hire from outside the company	0.77% (4)	2.32% (12)	42.66% (221)	39.96% (207)	14.29% (74)	100% (518)
Use recruiting firm	1.74% (9)	8.11% (42)	52.51% (272)	29.15% (151)	8.49% (44)	100% (518)
Offer internships for high-potential students	1.35% (7)	4.83% (25)	35.71% (185)	45.75% (237)	12.36% (64)	100% (518)
Partner with universities	2.12% (11)	9.65% (50)	49.42% (256)	29.73% (154)	9.07% (47)	100% (518)
Networking with professional associations	1.93% (10)	6.37% (33)	38.03% (197)	39.00% (202)	14.67% (76)	100% (518)
Use independent consultants or project professionals	1.93% (10)	6.37% (33)	42.08% (218)	34.75% (180)	14.86% (77)	100% (518)
Other	4.63% (24)	9.85% (51)	63.32% (328)	16.99% (88)	5.21% (27)	100% (518)

Note: The figure in parentheses is the number of responding enterprises. Percentages are calculated from the total figures.

Table 12: Importance of the Ways for Motivating Management Accounting Staff

Evaluate the importance of the following ways to motivate management accounting staff in your firm.

	Not important at all	Slightly important	Moderately important	Important	Very important	Total
Incentives	0.77% (4)	1.54% (8)	18.73% (97)	46.91% (243)	32.05% (166)	100% (518)
Promotion mechanism	0.39% (2)	0.97% (5)	15.44% (80)	45.56% (236)	37.64% (195)	100% (518)
Domestic position rotation	1.16% (6)	4.05% (21)	34.36% (178)	44.98% (233)	15.44% (80)	100% (518)
Outstanding employee selection	1.35% (7)	2.90% (15)	42.66% (221)	39.00% (202)	14.09% (73)	100% (518)
Career planning	0.39% (2)	1.93% (10)	21.04% (109)	39.77% (206)	36.87% (191)	100% (518)
Pay raise/commission granting	0.19% (1)	1.16% (6)	17.95% (93)	42.08% (218)	38.61% (200)	100% (518)
Paid timeoff	1.16% (6)	3.86% (20)	33.01% (171)	39.96% (207)	22.01% (114)	100% (518)
Domestic training	0.77% (4)	2.90% (15)	27.80% (144)	43.82% (227)	24.71% (128)	100% (518)
Travel and recreation	2.51% (13)	9.07% (47)	45.95% (238)	31.27% (162)	11.20% (58)	100% (518)
Overseas position rotation	5.02% (26)	6.76% (35)	39.38% (204)	32.43% (168)	16.41% (85)	100% (518)
Overseas training	4.05% (21)	4.25% (22)	36.10% (187)	36.68% (190)	18.92% (98)	100% (518)

Note: The figure in parentheses is the number of responding enterprises. Percentages are calculated from the total figures.

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