



## The Accounting Podcast Series

### S04E03: Carolyn Deller

#### Transcript

### *Contemporary management accounting: an emerging career and issues*

A: Albie Brooks

C: Carolyn Deller

A: Welcome to TAPS, The Accounting Podcast Series. I'm Albie Brooks and working with me is Abbey Treloar. Today our guest is Carolyn Deller. Carolyn is an Assistant Professor at the Wharton School of Business at the University of Pennsylvania. Carolyn undertook her BCom Honours here at the University of Melbourne as well as working as a senior tutor and lecturer. She worked as a chartered accountant at KPMG before undertaking her doctoral studies at Harvard Business School, graduating in 2018. Carolyn has published her work in the field of management accounting and control in leading accounting and management journals, and recently received the award for the Best Early Career Researcher as judged by the Management Accounting section of the American Accounting Association, and in 2019 received the best dissertation award. Let's find out more. Welcome to TAPS, Carolyn.

C: Thanks so much for having me.

A: Let's go back to the start. When you set out on your BCom, what attracted you to accounting as a major?

C: So if I go back to the very, very start, I actually first studied accounting for one term in year 9 or 10 in high school. It was one of the many electives that my high school offered students in those years, and my dad thought it would be a good subject for me to take. So I figured I'd take it and see how I liked it. I enjoyed it immensely. Not many people may share this with me, but I personally find few things as satisfying as recording all the debits and credits associated with a bunch of business transactions, putting a balance sheet together, and finding that it actually balances. So my love of accounting really started with the most basic financial accounting as a 15- or 16-year-old. I then took accounting in both year 11 and 12, so the last years of high school, and that really solidified for me that I wanted to study accounting at university, really just because I found it immensely enjoyable.

I'm very much a detail-oriented person, so I think accounting suits my personality well in that respect. And then in terms of getting into it and how I started out, at a careers night at my high school, Eltham High, there was a speaker from one of the Big Four accounting firms, and she spoke about this cadetship program that a number of the Big Four accounting firms offered, at least in Australia, whereby students work full time for two years for the firm straight out of high school while studying their degree part time, and then they go and finish off their full-time studies and return to the firm. That seemed like a really great opportunity to start working in accounting right away. I was really fortunate to be accepted into the cadetship program at KPMG,

and also the Bachelor of Commerce at the University of Melbourne. I started out at both those places at the same time.

A: I think we can all appreciate the idea of when we get things to balance, a feeling of euphoria when that happens and the system actually works. As you would know, some of our colleagues talk about the beauty of accounting, and I think that's one of the things that people are referring to when they describe it as a "beauty" in that financial accounting sense, at least. You spent time in the field of chartered accounting, and once you finished your degree and completed your honours program, what brought you back to academia and the pursuit of doctoral studies at Harvard?

C: As you mentioned, I did my honours year while I was at Melbourne. Just in case anyone listening isn't familiar, it's an additional fourth year of study focused on research. So you take essentially five research-based, PhD-type courses, and complete a research project. And I actually did that program also part-time. That was part-time over two years and I worked full-time for the Accounting Department as a senior tutor. Before starting that I already knew that I very much enjoyed teaching, because I had spent time as a casual tutor in a couple of the first-year accounting subjects. Then through that I discovered that I really enjoyed research as well, so we had a number of the awesome faculty at the University of Melbourne teaching in various parts of the honours program.

Then Shannon Anderson, who is a very well-known management accounting researcher as well, who is at UC Davis in the US, she was in Australia at the University of Melbourne visiting, and she actually taught the majority of the management accounting honours research class. I really liked the style of research that she primarily does, which is getting archival data from a single firm and using that to study various management accounting research questions. So I went back to KPMG after I completed my honours. There's many great things about working at a Big Four accounting firm. There's excellent training, great support to study to become a chartered accountant, which I did while I was there, various opportunities to work overseas with their global network and in different parts of the firm, but I decided that what I really wanted to do was to pursue academia because I really loved both research and teaching based on the experiences that I'd had.

I went ahead and applied for various PhD programs, and Harvard Business School in particular is very well known for being a great school in the US for management accounting, especially field-based research, which is the type of research that I do. So I was very fortunate to be admitted there. If I hadn't done that two-year honours program, I don't know that I would have ever found my way to academia, so I'm extremely thankful to Professor John Lyon, who really spearheaded that two-year honours and tutoring program and admitted me. Many of us who did the honours program at the time actually went on to do PhDs in the United States with John supporting us. In terms of inspiration and seeing great examples of management accounting researchers, we had a great group of managerial accounting researchers at Melbourne at that time, including Jennifer Grafton, Anne Lillis, and Maggie Abernethy. And then of course my experience with Shannon as well. So all of that kind of contributed to inspiring me and setting me on this path of going into academia.

A: Fantastic. So now you've progressed into building a portfolio of your own work. Tell us a little bit about your research areas of interest and how that's evolving.

C: Sure. My research focuses on management control systems, so kind of at a high level defining that, is really systems implemented by managers to ensure the behaviours and decisions of organisational members support the achievement of the organisation's objectives. Management control systems, as you well know, include things like budgets, quality control systems, inventory controls, key performance indicators, et cetera. And what I primarily look at in my research is a subset of those management control systems, and I look at human resources management control systems, primarily. So specifically, those types of management control systems that a firm is using to select, i.e. hire, employees, motivate, evaluate, and promote their employees. And for many, many firms, their human capital is their most important asset, and yet managing that human capital is a challenge that many firms struggle with.

As a result, there's a lot of innovation and experimentation in this space as firms try to do a better job of managing and motivating their employees. For example, many firms have implemented nine box systems,

where they not only do a traditional performance evaluation of their employees, but they also evaluate employees' potential. There are many firms that are experimenting with sharing employee performance within the organisation in the hopes of spurring competition between employees and/or knowledge sharing. And there's a growing trend towards providing more real-time feedback to employees, as well as feedback from various sources – peers, customers, lower-level employees – rather than just the employee's immediate supervisor.

So there's a real need for research to examine the effects of these various innovations, and that's what I'm really focused on in my research. For most of my research projects, what I'm doing is I'm collaborating with a firm, they're sharing archival data with me, their proprietary data, and then I'm examining the outcomes that are associated with a particular human resources management control system or intervention. So I've done various studies of that nature. Also doing some projects using proprietary survey data as well, and I've done a couple of experiments too – I try and follow the research question with the most applicable research method, so I've kind of dabbled in a few different areas in terms of methodology.

- A: Spending time in these organisations must be so much fun, apart from the research outcomes itself. And it also helps to inform your teaching as well.
- C: Yeah, exactly. It's really great to be out there and actually talking. Nothing irritates me more than when I read a paper and it says, "We don't know what managers do in practice in XYZ domain," and you think, "Why don't you go and ask a manager what they do?" So I think it's so important to be out there talking to managers and employees to understand what's going on and whether things we're finding and studying are resonating with practitioners.
- A: Yeah. Now, with your focus around human resources accounting related issues, I thought we might just chat briefly about one of your pieces of research published in the Accounting Review recently around Who Should Select New Employees, Headquarters or the Unit Manager? Consequences of Centralising Hiring at a Retail Chain. It's a really good example of the kind of work that you were just referring to. How did this come about, and perhaps share with our listeners what you did to investigate this issue.
- C: Sure. So this is a project that I worked on with Tatiana Sandino, who is a faculty member at Harvard Business School. We started working on this together when I was a doctoral student and, as you mentioned, we published it recently in The Accounting Review. So this actually came out of a preliminary conversation that we had with a CEO at a retail chain. Tatiana and I had some broad research ideas in mind about employee engagement and the importance of middle managers, and an opportunity came up to speak with this CEO. Just by pure luck, this chain had recently started a process of centralising hiring at their stores. Specifically what they were doing was transitioning away from their previous decentralised hiring model where store managers would have full responsibility and autonomy for hiring their own store employees, and moving to a centralised model, essentially, where headquarters would assume all of the administrative responsibility.

So they would screen employees, they would interview potential employees, and then present a final recommendation to the store manager, who typically would accept that recommendation since they didn't have to spend any additional time or effort finding a new hire. So the good thing for us was that this switch happened on a staggered basis. They were rolling it out to different stores, and so what that meant was we effectively had this natural experiment where we could examine the effect of centralised hiring because you've got some stores that switch, that would be the treatment stores, and we'd be comparing what happened in those to control stores. Essentially what we did was came up with various predictions that were grounded in theory and prior research, as to particular store circumstances that might lead centralised hiring to be more or less beneficial.

The idea was, really, that while there could be benefits of centralised hiring, you're saving the time and effort of store managers, you've got a specialised team at headquarters doing this, they can spend enough resources to make sure you're hiring people, especially potential employees that are aligned with the company values, on the other hand, it could potentially neglect the unit manager's local knowledge. So if the manager is in a store that's far from headquarters or they serve atypical customers or they've got a lot of repeat customers, then the store manager may be better placed than headquarters to know who would be a

good fit for that particular store. What we did was examined this idea, and as a proxy for how good a fit this employee is with the firm, we looked at how long a new hire stayed with the firm, based on whether it was a centralised or decentralised hire, and looking at these different store circumstances.

Essentially, what we found was that the switch to centralised hiring was associated with relatively higher employee departure rates, so employees were departing more quickly, and thus poorer matches between the employee and the firm, if the business unit manager had a local advantage. So that was if the store served repeat customers, served a demographically atypical market, or poses higher information-gathering costs for headquarters which we captured with the distance to headquarters. In these cases, it seemed like the evidence would suggest that the unit manager might be more informed than headquarters about which candidates would best match local conditions, and so therefore centralised hiring was less beneficial for these stores.

A: So was the firm surprised by your results, do you think?

C: Typically with these types of projects, by the time you get back to the firm they've already fully committed to their rollout.

A: Yes.

C: But we did go back to them, and what they had done was tried to find a solution between these two.

A: A balance.

C: I think they found that there were some benefits in centralised hiring including making sure there's consistency and everyone's complying with rules and regulations and things like that in hiring, but that there is some potential loss in terms of the unit managers. So now they were having this model in between where there was a bit more input from the store manager's side. I think the thing with academic research is that by the time we get the data from them, do the analysis, and everything, sometimes they've moved on to the next thing.

A: Moved on, yeah.

C: But they were very interested in what we were doing and very supportive of the research.

A: Great, fantastic. More broadly, then, the practical implications of this would be what?

C: I think the findings from this study suggest that chains – and many organisations we can think of – hotels, grocery stores, et cetera – operate as chains. So I think it's very important for them if they're thinking about the best way to do hiring is to consider information asymmetries that can exist between headquarters and their stores. Are there certain stores where headquarters really have no idea, others that maybe are much closer to headquarters and so headquarters is much more familiar. It may be that rather than having a uniform policy for things like hiring across stores, it might be tailored, so for these stores it would make sense for it to be centralised, these other stores where there's a lot of these atypical customers, et cetera, maybe it's better to leave that decentralised. I think thinking more about what's best for different circumstances as opposed to necessarily having a uniform policy.

A: Yeah, excellent. Well done on the paper, too, because that's a really nice publication to land.

C: Thank you.

A: Two-part question, really. What are you currently working on? And whether you've got a view on what's the much-needed work in the management accounting and control space?

C: As always, we all have multiple projects in the works, but one of my favourites right now is a project looking at mutual rating relationships in multi-rater performance evaluation systems. These multi-rater performance evaluation systems is where firms – the typical setup is an employee is evaluated by various other people within the organisation, then that employee's supervisor will use that as input, also incorporate their own assessment, and then come up with a final rating for the employee, trying to get a greater breadth and

depth of how that employee has performed. What we're looking at in the context of one of these systems is what we're calling mutual rating relationships. So, Albie, if you were to rate me under the system, we're calling it a mutual rating relationship if I'm also rating you, as opposed to only you rating me or only I rating you.

We're looking at the circumstances under which employees are more likely to be in such mutual rating relationships, whether the ratings in these relationships are higher on average than non-mutual ratings, because then there's incentive for employees potentially to give each other a higher rating in this kind of quid-pro-quo arrangement, and whether supervisors appear to be cognisant of these relationships because, in our setting, at least, they can approve or veto requests for who they want to rate them, and whether they're cognisant when they're arriving at their overall rating of an employee. This is one of my recent studies using archival data from a firm, and then using some survey data matched with more publicly-available data, I also now have a couple of projects looking at risk oversight and risk reporting at the board level.

This is a new area for me getting into this, and this is very topical because there's a lot of emphasis right now on risk oversight and broader risk management within firms. I think in general when we're doing research we need to look at the literature and understand areas where there are gaps, where there might be a need for more research and things we need to learn. I think it's also very important, especially in management accounting, to keep pace with practice and see what insights we can provide on topics important to practitioners. I think in particular there's going to be a need and there's a lot of demand for more work looking at management control systems and how they relate to firms' environmental and social practices and outcomes. Diversity, equity, and inclusion is a very important topic right now as well. I think there's a lot of scope there for management accounting researchers to look at what impact existing management control systems and new innovations that might come about have on diversity, equity, and inclusion as well.

- A: Yeah, excellent. I think one of the – you seem to be having little difficulty, which can be a problem for some people sometimes, getting access to firms and information. But you seem to have nice, cooperative organisations that you're able to access, which is really nice for the kids of relevant management accounting and control type research that you and others want to do.
- C: Yes, exactly. Getting access is very key, and so I think people get introductions to different people they know, they connect with executives at their universities. I think one thing that's very important to stress is that you've got to treat the data confidentiality and that they can trust you, because oftentimes, even though its deidentified it could be quite sensitive data that they might be sharing with you. So building up a reputation for doing these types of studies and being willing to sign an NDA and things like that goes a long way.
- A: Yes, excellent. Well, you certainly have a lot in the pipeline and a lot going on, so that's excellent, but it also keeps you pretty busy, of course.
- C: Yes.
- A: If we talk just briefly about the teaching space. You teach in the management accounting and control space, and my understanding is it's a subject or course titled Strategic Cost Analysis. So from your research experience and interactions with industry, what do you see as the key component of a contemporary cost or management accounting program or course? One of the things we find in this management accounting space around the globe is pressure on management accounting subjects and courses to survive curriculum reviews and the attitudes towards that subdiscipline, if you like, in accounting programs. One of the things that we have to do is keep our material as contemporary as we possibly can, so what do you see as the key components of a contemporary cost or management accounting course?
- C: I find that trend very surprising, just to stick to that for a minute, because if anything there's more topics I would want to put in my course and I always have to think about how I can condense it and I can't get into all the detail that I would want to on the various topics. It's very surprising to me, and also I think sometimes students in the moment don't necessarily appreciate what it is that they're being taught, but when they go

into the real world and realise, “Wherever I go, there’s going to be budgeting and performance evaluations,” I think they do realise – sometimes a bit too late – just how important the topics are.

But I think there’s a lot of students and young people getting into entrepreneurship and starting their own businesses, so I think those short-term decision-making topics that you often do in the first couple of weeks are very important – make or buy, add or drop a product line – so people think through those types of decisions. Even CVP analysis, right? How many products or units would I need to sell to break even or make a profit of this? I think teaching those fundamental building blocks is especially important in people who are starting out a business. As I mentioned, there are things that students, even if they don’t become accountants, are going to encounter, such as budgeting. I think teaching that, because this is really the only course where that comes up, is very important.

Understanding traditional and contemporary costing systems is important. Many students go into consulting and areas like that, so they may use activity-based costing and things like that if they’re helping with a costing system in a firm. Variance analysis is a topic that I also really enjoy, and think is important to think about. What are the various different things that can drive cost and revenues in an organisation and what are all the different interrelationships between them? If you buy a lower-quality input, what’s the spillover there? It might lead to more labour time as well, et cetera, even if we’re saving on the cost side. I think that’s a good way for students to learn and think about things and understand that things can have spillover effects on to other things and to wrap their head around that. I always enjoy doing variance analysis as well.

- A: I think you’re one of a small number of people who really enjoy doing it. It might be more fun to teach than it is to learn it initially.
- C: It is.
- A: But I agree entirely with everything that you’ve said, and it’s hard to move away from what you refer to as the building blocks of the management accounting and control, the fundamentals of the subdiscipline, really.
- C: One thing I try and do, because I think that we can help students with it, is to try and bring some cases – I know some universities, every class they give these cases, and that’s not always feasible, especially for undergraduate students. But I now have my course broken up into four units, and at the end of each unit I typically do a case so they can see how they would actually apply these concepts in the real world, even if you’re not going to be a financial or managerial accountant, so they can see some of the usefulness and the practicality of what we’re teaching.
- A: Yeah, I agree entirely about the case-based teaching. Also, in order to build our skills and expertise around some of those fundamentals, we don’t need a case initially, but I think a spattering of cases through our subjects and courses is a really good way for the students to be exposed to the messiness of organisations and how accounting operates and lives within that organisational mess sometimes. I think that’s a really useful thing for us to be doing. Now, sticking with the students, if you were to put your advisory hat on, what’s your advice to current undergraduate students, particularly those contemplating a career in accounting? It’s a bit of a broad question, but what do you think? What would be your advice? What would be your advice to yourself, I guess, looking back?
- C: I think more generally, not accounting-specific, I would advise to get involved with clubs and initiatives on campus to the extent possible. That was something that I wasn’t very involved in when I was a student, but now I see nearly all my undergraduate students are involved in various clubs and initiatives. It’s great to have these various things on your CV and I think it’s also super helpful in terms of getting real-world experience. If you’re helping plan different events, you’re going to have to do budgeting and you’re going to have work out ticket prices, so I think you really can build a lot of these real-life skills, learning to work with other people. We’re not always going to get to work with just our friends when we go into an organisation. I think they’re really good learning experiences to have alongside the traditional what you’re learning in the classroom as well. Talking to your professors.

We have this great program at UPenn where you can go out to lunch or dinner with a professor in a small group of students. I didn’t really know if any students would be interested in that, but in a typical semester

I'd do that with a third to half of my students. It's a really great opportunity to get to know your students and for them to get to know you. Talk to professors more, which I also didn't do much when I was an undergrad. I think they're a great resource and have a lot of experience in academia and whatever they did before they came into academia that they can share as well. In terms of accounting, I'd really focus on connecting with people that are already working in accounting to find out what are the accounting roles that would be of interest to you.

People in accounting degrees are doing jobs that wouldn't maybe even necessarily cross your mind. It's not just Big Four or a management accounting position, right, there's various different jobs that people can go into. Trying to find out about the culture at different firms that you're thinking about going into, because I think firm culture can kind of make or break whether you're happy in a place above and beyond what the day-to-day job is. I think it's really important to try and get a sense of those things and connect with people as much as you can while you're a student. People are interested and happy to talk to you and kind of make the most of that. And to do what you enjoy. Too often people go into certain professions because they get paid X or Y, but I think you've really got to focus on doing what you enjoy, because it's going to be a long, long time out in the workforce and you really want to love what you do to the extent possible.

A: Yeah, look, I think that is true. And often when you're a student engaged in undergraduate study, taking an extra semester, even, to do something that you really might want to do or that might add some value can be really useful rather than the speed to finish and move on because, as you say, once in the full-time workforce, you're there for a long time. So what might seem a time issue when you're 20 years of age is not really, so that opportunity to explore other possibilities is a good thing. And going back to where we started with you, you were in that program where you were part-time in your student and part-time in your work, which takes a bit longer to do the degree, but the benefits unfold over time from doing it in that fashion.

So there are different ways in which we can complete these things. Excellent advice. I think that's just fantastic. Well, we've taken a fair bit of your time, Carolyn, so thanks for joining us here at TAPS. We really appreciate you taking the time to have a chat with us, to share the really exciting work that you're doing on the research front, and your teaching, and you're clearly an important faculty member at Wharton. The impact that you're having through your research is just fabulous to see when, having done your original program through the University of Melbourne – it's great to see people spread around the world and having an impact in all sorts of ways, so well done on your work to date. It's been a lot of fun chatting with you. We wish you well in your current and future endeavours, so thanks again.

C: Thanks so much.