



CHAPTER

6

CAREER OPTIONS IN FINANCIAL MANAGEMENT:

Accounting – System – Financial Analyst
– Investments – Insurance

What can I do in finance?

*Finance is the
controlling
mechanism of
an organization.*

Financing the product or service is an essential activity of all types of organizations. It encompasses a wide range of finance-related occupations, some of which have very little direct relationship to the basic accounting function.

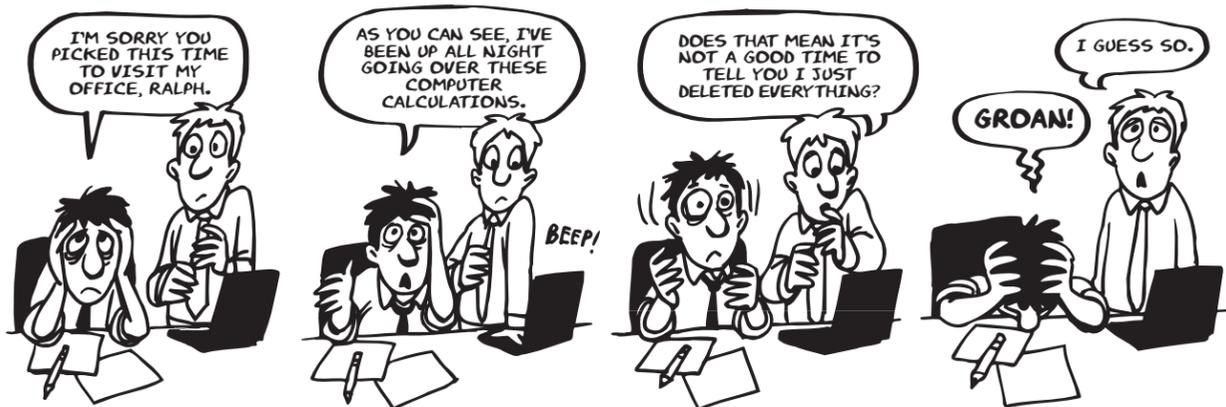
Finance includes accounting for expenditures, budgeting for the future, analyzing past and planned expenditures, investing resources, banking, risk-sharing, and managing a complex combination of procedures, paper work, and the people running the operation.

The accounting and finance function employs people from all academic and work disciplines. Finance requires people who understand the big picture of the total organization.

Financial managers get a broad view of the organization because budget expenditures and prudent monitoring and planning for them extend across all functional lines. The function exists in both public service and private business.

The finance function includes most of the administrative activities involved in running the organization. The positions available include many assignments at various levels of responsibility and include accountants, auditors, budget analysis, financial analysts, credit analysts, banking specialists, insurance





Financial staff work in all sectors (government, private enterprise, and nonprofit) as well as in all industry groups.

specialists, real estate specialists, investment analysts, computer programmers, systems analysts, tax experts, and an extensive array of managers.

Most assignments require some exposure to basic accounting and finance courses, but the depth of study varies greatly with the actual assignment. A real estate or insurance specialist might need only two courses of basic accounting and one course in finance, while a controller aspirant needs a full academic major of accounting and finance courses.

By surfing to specific employer websites and going to their employment section, you will gain more insight into specific jobs. After visiting a few of these, you will better see how your general (noncompany specific) interests fit on your resume. This analysis gives you the big, broad picture.

Because the positions vary so greatly in duties, requirements, and career paths, they must be explored separately. The function cuts across all functional lines, which means, for example, that a budget analyst assigned to the engineering function must know the basics about engineering in addition to basic accounting.

The career profiles that follow provide adequate depth or information to help you determine if a particular position might be appropriate for your background and interests, but the information is not of sufficient depth to determine a firm career choice. It will be necessary to refer to additional sources for the depth you need for that decision.

General Accountant

More than 60 percent of all accountants do management accounting work, and about 20 percent work as public accountants in independent accounting firms. The remainder work in government or teach at colleges and universities.

Because of growing interest in accounting and readily available jobs, the field has grown rapidly over the past decade. In fact, it has grown to the extent that over one million people are now working in the profession and it is one of the fastest growing occupations.

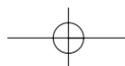
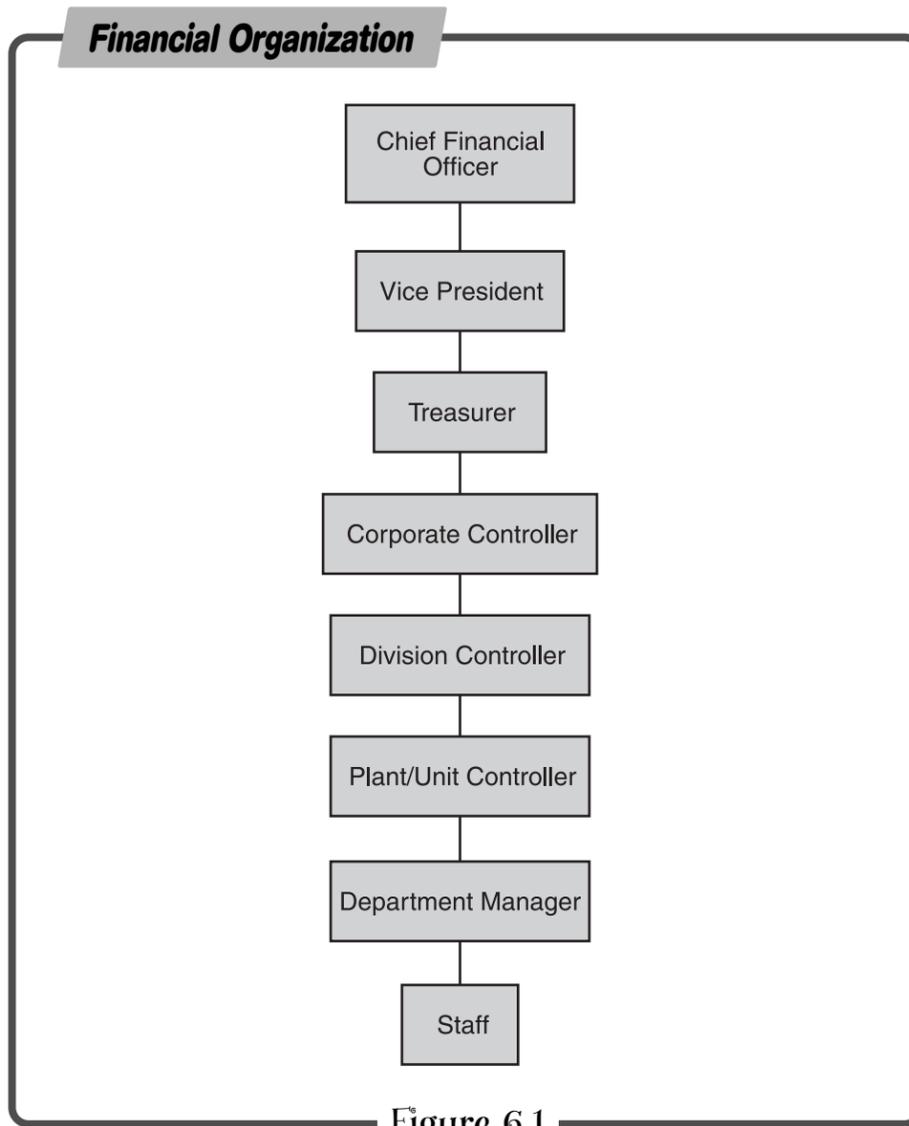
An accountant carries one of many different job titles depending upon the industry, level of responsibility, and type of accounting work he or she performs. All accounting is characterized by compiling, analyzing, and reporting



on the financial condition of the many functions of an organization. Frequently used titles include industrial accountant, tax accountant, financial analyst, budget analyst, administrative assistant, cost accountant, auditor, and for high-level assignments, controller.

Career Paths. Figure 6.1 illustrates a typical financial organization and thus shows the upward career progress normally seen by most successful accountants. The usual entry-level positions are within the various operating departments shown in Figure 6.2.

Within each level of responsibility, staffs perform the basic work activities in the various operating departments. These staffs are managed by accounting *managers*, not bookkeepers.



Accounting Operating Departments

- General Accounting
- Computer Systems
- Internal Auditing/Consulting
- Credit Analysts
- Operating Budgeting
- Capital Budgeting
- Taxes
- Cost Control
- Pricing
- Insurance
- Investments
- Treasury

Figure 6.2

Departments. Operating department managers usually report to a local controller and to a functional operating manager at the head office. This *dual* reporting relationship maintains functional integrity while providing for local operating control.

Financial accounting involves assignments in journal entry preparation, general ledger preparation, financial statement preparation, and analysis of these accounts.

A typical *cost accounting* assignment might involve estimating costs for a new product, preparing a cost analysis on an operating facility, setting cost standards for given products or services, analysis of operating variances, and projecting cost-trend data. These projects call for a thorough understanding of production processes, engineering methods, and new equipment plans.

Internal auditing provides independent, objective reviews of the financial and operational control functions of all levels of operation.

In many organizations the department acts as an internal management consulting unit that makes recommendations to management for profit planning purposes. Auditing is the corporate watchdog and problem solver.

Tax departments prepare the employer's federal, state, and local tax returns for all legal entities and provides professional tax counsel on tax planning, tax laws, legislative interpretation, and court decisions. For many private enterprises, a good tax department saves substantial sums of capital resources annually.

Budgeting requires initial and continuing contact with division and department heads to develop a plan for a realistic expenditure of funds. Projections are based upon manpower requirements, operating efficiency, customer needs, and new plans.

Budget people consolidate reports from various units, analyze total impact, and make recommendations for sources and uses of funds consistent with the organization's mission and available resources.

The *chief financial officer* is responsible for safeguarding the organization's assets. This is accomplished through cash management, financing expansion plans, establishment of long-term debt requirements, supervision of investment portfolios, protection of foreign exchange exposure, credit analysis, credit collection, risk management, insurance, bank relations, and establishment of financial policies for all departments within the organization. The chief financial officer heads the organization's treasury department.

Positions. *The normal entry-level assignment is as an accountant. The assignment might be to any one of the operating departments. People frequently move between operating departments during the early stages of their careers to increase their breadth of organizational exposure and experience.*



One common assignment is to the position of *financial analyst*. This assignment is similar to that of an accountant but carries with it the potential for movement into a line accounting management function. A financial analyst reviews balance sheets and statements of financial condition and writes reports and/or makes presentations to management recommending and supporting certain financial courses of action.

The financial analyst works in the accounting and finance function, and his or her basic role is to analyze, recommend, and support a financial decision based upon concrete financial and market facts.

Financial analysts are found in both controller and treasury functions. The position is usually an interim assignment leading to a top-level financial management responsibility. Management uses the assignment to provide both breadth exposure to many areas and in-depth experience in a particular area. The position is often a training ground for grooming high-potential talent.

Financial analyst is the title most frequently given to MBA degree recipients as they enter the enterprise for their first assignment. The salary level is often above that of the typical entry-level accountant job, and employers usually assign the financial analysts to higher-level managers. In many instances they report to vice presidents and controllers.

After spending a short time as a financial analyst, most organizations assign the person to a line accounting function; often this is a supervisory, rather than an analytical assignment. Most financial analysts have strong accounting, finance, or banking backgrounds and the potential to move quickly into management assignments.

Abstract of Duties. The following list of typical duties of accountants and financial analysts gives you a good feel for a typical routine.

Compile financial records . . . prepare financial reports . . . develop profit and loss statements . . . develop statements of financial operations . . . analyze financial reports . . . prepare budgets . . . conduct internal audits to ensure adherence to acceptable accounting standards . . . manage cash resources.

Prepare balance sheets . . . make financial decisions . . . prepare control procedures . . . create financial systems . . . design procedures and formal data for machine processing . . . write financial and credit reports . . . prepare capital investment plans . . . develop financial plans . . . work with bankers . . . supervise clerical, managerial, and technical personnel.



“Corporate financial analyst” is the most frequently used job title for the MBA candidates.

Requirements. For the highest-level positions in accounting, most employers want to see a full complement of accounting courses usually reflected by an undergraduate degree in accounting. Although an MBA degree in finance or accounting is extremely advantageous, the degree is not often listed as a requirement.

For upper-management accounting positions, very few firms accept anything less than five strong courses in accounting plus two courses in financial analysis.

For top jobs, many firms require certification as a “Certified Management Accountant” or a “Certified Public Accountant.” The CMA and CPA certificates represent accomplishment in accounting beyond the basic academic training in college.

At the entry level, the bachelor’s degree in accounting is normally required along with evidence of a strong ability to write concise, clear, and grammatically sound reports.

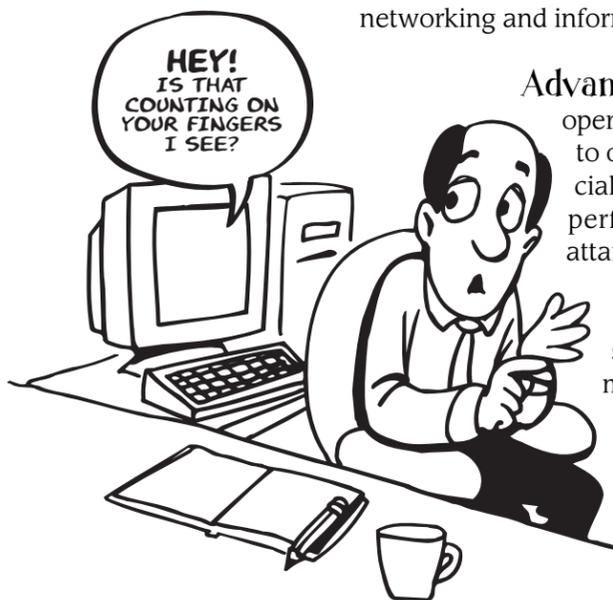
Many employers look for additional courses in financial analysis coupled with an internship, cooperative education experience, or similar practical experience, but they do not require these credentials. MBA degree-holders who have a large number of accounting courses often start as a financial analyst or “assistant to” an accounting manager.

Perhaps more than the accounting skills, employers look for evidence of strong communicative skills, written and verbal, as they promote and move people up into accounting manager positions. Partly for this reason, employers look for evidence of leadership via extracurricular activities, civic responsibilities, and other work experience.

Financial Executives Institute

www.fei.org

The FEI is a professional organization representing 14,000 senior financial executives from over 8,000 corporations throughout Canada and the United States. This site offers information about chapters and members as well as information about conferences and career services. Use for networking and informational interviewing.



Advancement. New accountants rotate through several operating departments and at various levels of reporting to obtain breadth of knowledge about the overall financial function. It takes three to five years, depending upon performance, openings, and size of organization, to attain the manager level.

In very small organizations the functions performed by the operating departments may be consolidated into the controllership function which makes movement from top to bottom of the organization relatively “flat.”

During the early years, accountants may be given titles like financial analyst, budget analyst, assistant to, assistant department manager, or assistant controller. The levels of responsibility in some organizations are junior, staff, senior, and



chief accountant for each operating department and within various plants, divisions, or headquarters.

Promotions every two to four years are quite common, and they almost always involve substantial earnings increases in addition to the normal merit and cost-of-living increases. As one advances, the pyramid becomes narrower and narrower, so the time span between promotions tends to become longer. Because of the demand for highly qualified financial managers and executives, the earnings increases tend to be above average even though title changes may not occur.

Training. Most employers provide some formal training at the entry level, the purpose of which is to show how the fundamental accounting principles taught in school relate to the employer's specific manner of building upon the basic skills.

Most employers attempt to maximize exposure to all accounting departments with an overview training program that relieves one from spending time in every department. A few employers rotate people through each department with two- to six-month assignments to accomplish the same purposes as the overview training.

Regardless of the method employed, most employers provide some type of in-house training (OJT, rotational, courses) supplemented with outside seminars and home office programs. The purposes are to expose one to all facets of the organization (both within accounting and within other functional areas), to provide an introduction to the people with whom one must work, and to provide experiences through which one will learn how to do and manage other functions.

As advancement comes, many organizations move people up in the function or laterally to a new function to broaden the learning process. In addition to building specific accounting skills, more attention is given to supervisory, management, and decision-making skills as people are moved.

Outlook. There are over one million accountants employed in the United States at many levels of responsibility. The growth continues at a pace faster than that of most other occupations. The competition for each job opening is tempered by the fact that fewer new employees are entering the field than the field needs at this time.

The competition is reflected in entry-level and management-level salaries, which are among the highest paid to any occupational group except engineers. The annual performance reviews normally result in further salary increases that appear to stay above the current rate of inflation.

Promotions usually bring substantial pay boosts. Top financial managers are among the highest paid occupational groups.

Most initial jobs demand attention to detail because the work is of a project-related nature. This requires a special type of mental attitude. As one progresses, the daily routine slowly changes from the detail-orientation to one of managing people and resources.

Most jobs do not entail extensive travel, but when one reaches managerial assignments more travel is demanded. The major exception is the internal auditing function, which often requires regular travel between various units, but this inconvenience is usually compensated for by financial considerations.

The accounting and finance function often serves as a training ground for general management responsibilities later.





The accounting function offers enormous exposure to top management in all areas of all organizations (public and private), because every function has a need for accounting expertise. Preparing and making formal presentations to high-level management is a common activity of rising accounting managers.

Every major organization needs a strong management team in finance and accounting and this enhances employment possibilities and the chance for upward progress in the field.

Creative Financial Staffing. Search firm specializing in CPA, financial analysts, and all other types of financial staff for all sizes of employers. Post resume, search for jobs, job search resources, salary guide, etc.

Public Accountant

Public accountants are independent practitioners who work on a fee basis for organizations needing financial records verified. Government regulations require many organizations to hire an independent third party to review financial records.

The three major functions of public accountants are to:

- Report the financial facts
- Attest to their authenticity
- Advise clients of alternate plans of action

Public accountants review an organization's financial records and give an *opinion as to the reliability* of the methods of accounting used by the organization and the *accuracy of the records kept*. Public accountants also *advise clients* on tax matters and other financial concerns, but more often make after-the-fact analyses.

The organization's accountants then make recommendations and implement decisions for the future. Public accountants deal largely with historical data but they also render advice about future directions.

Organizations. Most large public accounting firms are organized into three main units:

- auditing
- tax
- management consulting service

By overwhelming numbers, most people enter the firm via the audit staff, but a few who are highly trained in tax work do enter the tax department directly.

The management service unit serves in a capacity identical to that of a management consulting organization. It provides advice to clients for decision-making purposes. Most people in this function are highly experienced and/or educated in a specific technical area. Many of the larger firms are spinning off the consulting service but there is still a consulting function that probably will always remain.



Many firms use a team approach to providing consulting services. The client receives technical advice from a variety of experts who individually would be impractical to hire for a short-term project. The accounting firm finds it profitable, however, because the team works on similar projects for many different clients.

Career Path. Entry into public accounting is almost always at the entry-level assignment. Only a few experienced people move between firms, so most firms recruit a very high percentage of employees from college campuses. The promote-from-within concept is stronger in public accounting than in about any other industry. The typical career path is illustrated in Figure 6.3.

“Staff accountants” usually begin in the audit branch of the firm. Although most firms have a tax and management service component and hire a few entry-level people, many often move people into one of these specialties internally. Only about 10 to 15 percent of the individuals beginning as staff accountants reach the top partner level but this varies by firm.

The initial training period is aimed at orientation and preparation for passing the CPA examination with supervisors meeting regularly with new employees to review work assignments and offer professional assistance.

Typically the staff accountant is given one area of the audit (verification of cash balances, inventories, receivables, etc.) and asked to evaluate the client’s control procedures and to verify the accuracy of the figures.

The second level is the **senior** accountant, who assumes responsibility for field assignments and for supervising several staff assistants. The promotion comes in two to four years. The senior is rotated to a variety of jobs and

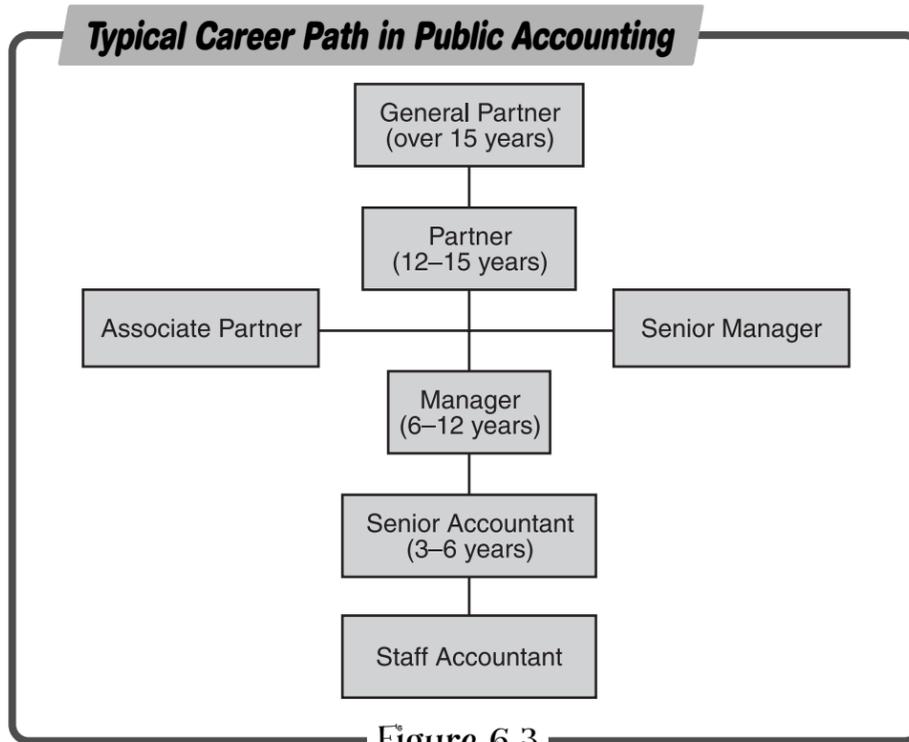


Figure 6.3



assumes responsibility for small jobs. There are various levels of seniors, and most seniors stay at this level for two to four years.

The third level is the **manager** who maintains direct contact with the client's problems, personnel, organization, and accounting methods. Managers assign seniors and assistants to jobs. The manager, with the partner, writes the "management letter" to the client suggesting ways to improve operations.

Some firms have an intermediate level known as a **supervisor** before the manager stage. Most managers have five to eight years of experience before reaching this level and remain in the assignment four to eight years. Some plateaus exist at this level.

A few firms promote the manager to an intermediate step, often called **principal** or **senior manager**, a few years before they are given partnership status. In other firms, the word "principal" implies a position largely equivalent to a partner.

Consulting firms and divisions of the public accounting firms called "Management Advisory Services" often employ the job title "principal" in lieu of partner or just one step before partnership status.

The word "partner" implies ownership and hence a capital investment in the firm. Many times the principal does not have a financial investment in the firm.

A **partner** bears the responsibility of management and takes part in decision making and policy formulation. Final responsibility for servicing clients rests with partners. Partners maintain and foster relationships with accounts and deal with questions regarding fees, services, and recent developments in the industry.

There are also various levels of partners. It normally takes twelve to fourteen years to reach the partner stage.

Requirements. Most public accounting firms require 24 to 30 semester hours of accounting courses and a four-year college degree. Many states require a five-year accounting program to sit for the CPA exam.

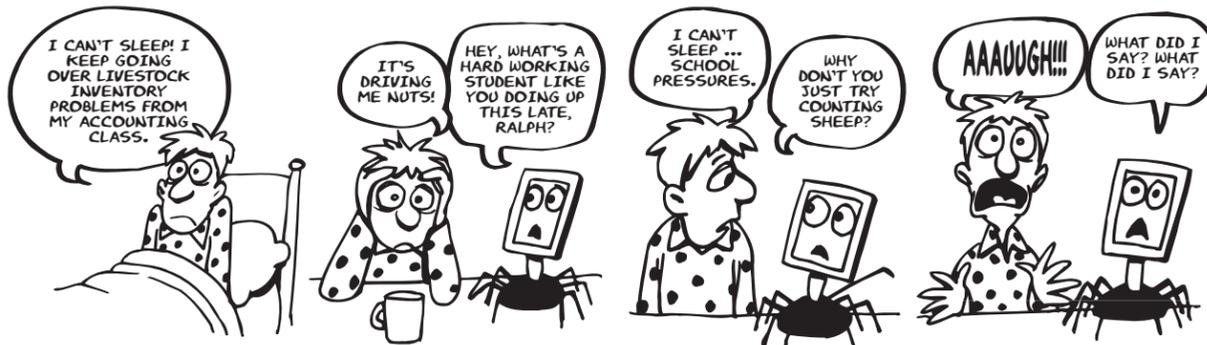
Most seek graduates in the top 25 percent of the graduating class and rarely drop standards below 3.2 on a 4.0 scale. CPA firms need the assurance that employees can later pass the rigorous national CPA examination.

Public firms also turn down a high percentage of students in the top 25 percent of their class because it takes more than grades. Employees constantly meet with clients, so an outgoing personality and highly developed speaking skills are essential for future success. There are many reports to write and much public relations work to do with clients, so written communication abilities are extremely important in the selection process.

Compensation. Public accounting offers superior earnings at every level. In addition to a higher than average starting salary, many firms offer employees several hundred dollars when they pass all parts of the CPA examination. Significant increases annually above the annual rate of inflation are not uncommon for partnership-track people.

With some firms, staff accountants can earn overtime, which increases the base salary on an annual basis by about 10 percent. At entry level, a master's degree increases the starting rate to about 10 to 20 percent above that





offered to bachelor's degree candidates. Small regional firms often pay 15 to 25 percent less than the large national firms located in major metropolitan areas, but these salaries are usually very competitive and attractive given the location of the firm.

Senior accountants usually earn 50 to 70 percent more than beginning accountants, while managers can earn two to three times more money than accountants. Although senior partners in most large firms earn six-figure salaries, many of them make substantial contributions to the firm's capital base.

Outlook. Entry into public accounting is almost always at the staff accountant level, and few people enter the field above the senior accountant level. If you do not start when you first complete your degree, later entry is very difficult unless you start your own firm.

Competition for entry into public accounting is competitive. There are many more qualified people trying to enter the profession than it can absorb. Location and school reputation play important roles in the selection process.

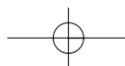
Less than 20 percent of those who start with a public firm remain for ten years. Attrition due to the attractiveness of other opportunities is high. More than half of the accountants who leave do so by the end of the third year, but nearly all of those who leave stay within the field of accounting.

Many individuals leave because of an extensive amount of traveling and the long hours, particularly during tax season. Many leave because they see that they do not have a chance for making partner with the firm, and others because the firm has encouraged them to look around for opportunities elsewhere. The tedious nature of auditing is another reason given for leaving an accounting firm.

Public accounting firms try to keep the more talented individuals and offer them as much opportunity as other organizations. Individuals on a partner track seldom leave.

Those who do leave do not always settle for a second-best firm. Some of the client firms with whom they have worked are happy to have them join their staffs. This often works out to be an attractive arrangement for both the public accounting firm and the hiring employer.

As more and more employers adopt promote-from-within practices, the opportunity for the "recycled" CPA to join major firms in other than entry-level





The Internal Consultant

The traditional concern of the internal auditor has been financial auditing, which translates into the inside staff that checks up on managers and staff to ensure that funds are not stolen or misallocated. Since the chief auditor often reports directly to an outside Board of Directors member who chairs the Audit Committee, the top management may also have reason to be wary of internal auditors.

Auditors may be viewed as a “necessary evil.” They often have to tell top management that their baby is ugly. In recent years, the auditor’s activities have broadened to include reviews of nonfinancial programs due to the independence of these well-respected staff members. An internal unbiased opinion is often difficult to obtain in large organizations.

The data in a computer have become an important tool used by auditors. Through examination of financial and nonfinancial data stored in computers, it is often easy to ascertain many improprieties. Once an area is identified, a more thorough investigation can be given.

The work of the internal auditor (now the internal “consultant” in leading-edge firms) takes staff into nearly every department within the firm. From this vantage point, people get showcased throughout the organization. Top management often identifies new talent from this pool and hires from this important cadre of talented individuals as special opportunities arise. Often this results in a super monitoring relationship that continues for several years.

Consulting gives you a very broad perspective on the organization by permitting you to see many operations and feel the true underlying culture of the organization from several perspectives. After several years, you might find yourself heading such diverse areas as corporate finance, accounting control, acquisitions planning, corporate accounting, data processing, purchasing, or personnel.

The field welcomes majors from a variety of academic disciplines, but most organizations like to see four or five accounting courses supplemented with one to three courses in finance.

For some people, the major drawback is the amount of travel that is often required. It is common for assignments to last from one week to three months in locations outside the base station of the internal consultant. For some individuals with family commitments and responsibilities, this may not be desirable. For other individuals whose desire is to travel and experience many parts of the world, this is truly a special opportunity. A side benefit is that auditors often can live on an expense account and basically save much of their base salary.

For more information about this opportunity, visit the website of The Institute of Internal Auditors, Altamonte Springs, FL 32715-1119, www.iaa.com.

positions might be declining. Getting two to three years of work experience in public accounting before joining an industrial firm may not be the wave of the future; yet, a better opportunity to learn and a better chance for advancement is hard to find.

For further information, you should visit the website of the American Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, NY 10036, www.aicpa.org.

AICPA

aicpa.org

American Institute of Certified Public Accountants. With more than 330,000 members, the AICPA is the premier national professional association for CPAs in the United States. This site offers the latest news and





information, as well as conference information, job listings, and an on-line resume posting and referral service.

Internal Auditor

The internal auditor is the industrial and government employer's counterpart of the public accountant. Auditors are internal *consultants*. It is their job to advise the appropriate parties regarding financial plans. Internal auditors go into every operation of a company or a government agency.

Duties. In addition to checking to see that all money is accounted for, auditors investigate the ways in which the money is being used. Auditors check the inventory valuation and investigate how well it is being secured and whether it is too small or too large in light of the organization's objectives. They conduct project analyses to determine whether there are appropriate numbers of workers on various jobs.

The consultant gets into tax matters, sales, purchasing, production, advertising, and any other area where particular projects need to be investigated. The auditor's role is not to direct, but to describe conditions and performance to management.

Nearly all organizations have an internal auditing function. The internal auditor is a full-fledged member of the management team. The rapid expansion of the field has come about through the growth in the number and size of public and private enterprises. Chief auditors sometimes report to the Board of Director's Audit Committee to guarantee independence.

As organizations grow, management is more and more removed from the physical running of things; therefore, there is a need for the checking and balancing provided by an internal auditing department.

Internal auditors take broad views of the company's policies and activities. Their work takes them into many departments. Internal consultants examine and appraise policies, plans, procedures, and records of various departments. They do not exercise direct authority over persons nor install procedures, prepare records, or engage in any other activities; what they do is audit inventory, payroll, and accounts receivable.

Internal auditors often travel from factory to factory, agency to agency, and branch to branch. The job requires the ability to concentrate on many details without losing sight of the broader perspective. It requires tact and maturity to probe for potential problems in a department while gaining the respect and confidence of people in the function being audited.

Requirements. The auditor is a generalist who usually reports to top management directly.

Many organizations require a degree in accounting and course work that develops strong abilities in human relations, public speaking, and report writing. Auditors must have a "detective" type of awareness while probing for suggestions and ideas to improve the system being studied.

Many organizations consider the auditing function a training ground for managers in the finance, accounting, and administration areas. Employees frequently rotate people in and out of the function in order to give them an overview of the entire organization.

The consultant assists management in learning how well controls, policies, and procedures are working and to suggest solutions where there are deficiencies.



Management Information System (MIS)

Although the management information system (MIS) reports into the finance function in most organizations, this field cuts across nearly all organizational and functional lines. The larger the organization, the greater is its need for diverse and complex information systems. Effective cross-functionally integrated systems can control the operations of hundred of departments and make the work of thousands of people more meaningful.

MIS Positions

- Chief MIS Officer
- Data Processing Manager
- Assistant Manager
- Database Manager
- Project Team Leader
- System Analyst Manager
- Lead Systems Analyst
- Applications Manager
- Lead Programmer
- Systems Analyst
- Programmer
- Consultant

Figure 6.4

Enterprise-wide systems are growing rapidly. They are fostered by technology-driven firms like SAP, Oracle, Peoplesoft, IBM, Intel, HP, etc. This rapid growth is likely to continue for years as enterprise-wide controls, in a global economy, become more essential.

Systems professionals develop, design, program, and implement computer and manual system networks that control many different operations in finance, production, engineering, marketing, and research. Systems may be installed in materials control, production planning, assembly operations, personnel planning, labor analysis, sales reporting, sales forecasting, cost accounting, financial analysis, payroll, and general accounting.

Management information systems personnel, whether at the analyst level or the manager level, work on the leading edge of change and improvements in management.

Duties. MIS analysts plan, schedule, and coordinate the activities that are necessary for developing the systems, procedures, and processes that manipulate the data used to solve organizational problems.

Analysts collect and analyze data in order to formulate efficient patterns of information flow from sources to computer, to analyst, to manager, and to other end product areas. Although computers are not always used, most applications lend themselves to computer processing.

The MIS analyst defines the computer process necessary for changing raw data into useful information and then plans the distribution and use of the resulting information. The analyst develops process flowcharts and diagrams in a detailed format for the computer programmer.

The MIS analyst may work as part of a team or alone. In smaller installations, the positions of the system analyst and computer programmer are frequently combined, while other employers prefer to keep the job functions as separate activities. In any case, there must be a close working relationship between the systems analyst and the computer programmer.

Requirements. A college degree with courses in business, accounting, programming, statistics, computer science mathematics, and/or other hard sciences is usually required unless the person has prior experience in data

processing. Some employers do not require any specific academic major, but computer science majors receive high preference.

An advanced degree is not normally required after one becomes employed because most firms offer in-depth training in consulting, programming, systems design, data base organization, communications, training process control, and management.

Because of the need to interact frequently with persons outside of the data processing function, good communication skills are necessary. Some firms give tests designed to evaluate numerical ability and the logical thought patterns necessary in the daily work setting. The most common test is a programmer aptitude test.

Advancement. The growth of the information systems area has been phenomenal in the past decade, and the future also looks promising. Many new jobs should open up, which will provide upward mobility for current systems analysts. The levels of responsibility in the field range from trainee to analyst to senior to chief and then into supervision, management, and executive responsibilities.

Because of the cross-functional exposure, some people move into other areas of the organization and then advance in very different career paths. Others prefer to remain in the programming and systems function indefinitely as experts on a given system and work with new generations of equipment and supporting systems.

The compensation for the systems experts is normally very attractive.

Programmer

The programmer takes the work of the systems analyst and prepares specific instructions for the computer. The programmer prepares a detailed plan for solution of a data problem. This plan is a series of logical steps of computer instructions called a program, which makes the computer perform the desired operations.



Duties. Computer instructions received by the programmer are in English, whereas the computer can only accept its machine language. Machine language is a set of procedures expressed in the number system basic to the computer. Programming languages are more definitive languages than the English language and thus bridge the gap between English and machine language.

Programming may require only a few hours for a simple data manipulation program or weeks and months for complex systems programs. A program may consist of as few as twenty instructions or encompass hundreds of pages of instructions.



Large programs are usually broken down into sections of basic procedural steps. Flow diagrams give an overview of complex programs that enable different programmers at different times to access and understand the original programmer's logic and subsequent construction pattern.

Advancement. There are several levels of responsibility to which a programmer may aspire. The chief programmer plans, schedules, and directs all operations of a given section of programming. For example, one small section may be assigned to work only on sales reports, or a large section (which may have several units within it) may be assigned to the entire marketing organization. Because of the various sizes of units, even chief programmers may have different levels of responsibilities.

A lead programmer is usually an assistant to the chief programmer and as such supervises several other programmers in an assigned section. There are business, scientific, and system programmers whose responsibilities vary by the size and complexity of the projects assigned to them.

Many programmers move into systems work later in their careers and advance up into management responsibilities. Many move into management consulting roles.

Many employers make the programming section the first assignment for anyone coming into information systems management because programming is the basic building block upon which all systems are constructed. Having spent some time in programming greatly increases the credibility and acceptance of MIS managers by their subordinates, especially after they progress into management responsibilities.

Financial Institution

Financial institutions offer individuals the opportunity to move into the finance function without getting as heavily involved in accounting as would be necessary if he or she were to seek employment in the accounting function of a manufacturing firm.

Many larger financial institutions prefer to "grow their own" management talent and, as a result, it is very difficult to move into a position of authority there without rising through internal management steps.

Functions in Financial Institutions

- Mutual funding analysis
- Major project finance
- Energy lending
- Installment lending
- Cash management
- Domestic private banking
- Corporate lending
- Correspondent banking
- Trade financing
- Asset-based lending
- Credit analysis
- Factoring
- International private banking
- Insurance planning
- Construction lending
- Residential real estate
- Commercial real estate lending
- Trust
- Investment management
- Branch banking
- Money market trading
- Information systems
- International credit

Figure 6.5

Many smaller financial institutions do not have elaborate management training programs, so they look to the larger organizations to provide candidates for management positions if talent is not available internally.

Financial institutions include banks, credit unions, loan companies, savings and loan associations, insurance firms, stock brokerage firms, investment banking firms, investment advisory firms, and commercial and residential real estate businesses.

Titles. Titles vary depending upon the type of financial institution, but the actual duties are often quite similar. Some of the titles include branch manager, lending officer, credit analyst, mortgage loan officer, appraiser, operations manager, trust administrator, and vice president of any number of various departments.

All financial organizations employ supervisors, data processing personnel, managers, accountants, auditors, and collection managers, and most offer management training programs.

Abstract of Duties. If you decide to join a financial institution, you will most likely be involved in the following types of activities.

Evaluate credit . . . invest funds . . . provide financial advice . . . make decisions on installment, commercial, or real estate loans . . . appraise property . . . conduct marketing studies . . . evaluate risks . . . plan investment programs . . . coordinate work flow . . . evaluate and design paper processing systems.

Manage people at all levels . . . sell services . . . carry out public relations activities . . . devise advertising strategy . . . conduct economic

research . . . forecast economy . . . draw up contracts . . . service contracts . . . design forms . . . evaluate claims . . . process paperwork.

Buy and sell stocks and bonds for clients . . . analyze securities . . . provide customer contact and service . . . prepare periodic reports . . . maintain records . . . handle customer inquiries and complaints . . . develop budgets . . . implement cost control procedures . . . recruit and train personnel.

Requirements. A bachelor's degree in some phase of business administration is preferred, but institutions often hire candidates without business backgrounds especially if they have taken some accounting and/or finance courses.



Some money center banks primarily recruit MBA degree-holders for commercial lending, investment banking, and technical functions.

The paper flow is tremendous, so outstanding report writing skills are required. For jobs involving public contact, a pleasing appearance and good speaking characteristics are essential.

Many organizations require strong computer skills.

Career Path. Many financial institutions set aside several positions as professional entry-level positions. Training programs tend to rotate new salaried employees into a variety of different areas. A structured and planned on-the-job training program with key personnel identified as top trainers is common.

Some employers offer regular seminars with take-home assignments, but most simply encourage matriculation at local colleges and pay their employees' tuition for job-related courses.

The typical career path is:

1. Trainee
2. Assistant/Analyst
3. Department/Branch Manager
4. Junior Officer
5. Officer
6. Officer of a Major Division

Experienced personnel usually can move into the institution at appropriate levels of responsibilities. Officer ranks often carry vice president titles.

Earnings. Money center banks tend to be salary leaders. Most of them are located in large metropolitan areas. The large insurance firms and regional banks start employees at competitive salaries. Other smaller financial institutions tend to offer starting salaries slightly below the average but often provide excellent benefits and working conditions, less pressure, and greater job security.

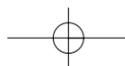
Financial institutions have some of the best benefit packages. Salaries of officers with large banks are on the level of those paid by manufacturing firms. Salaries in smaller organizations often top out in the \$70,000 to \$100,000 range.

As the United States moves toward more credit card use and a "check-less" society evolves, more and more opportunities will emerge in this field. Financial institutions may add to their professional staffs while overall white-collar employment may drop.

Financial institutions are service-oriented and are highly competitive. This brings about pressure to develop new services for the public, and thus it is necessary to hire people to manage the functions.

Credit Manager

A credit manager has final authority in decisions to accept or reject credit requests after analysis of pertinent facts. The analyses may be conducted by the manager, assistants, or analysts, and they are based upon a prescribed set of analytical procedures.





Consumer credit is granted to the end product (or service) user, usually a private individual. Commercial credit is extended from one organization to another organization, often through an intermediary such as a bank or commercial lending company.

There are credit departments (independent units that are usually organized as part of the accounting function) in every large private organization and in many government departments.

Duties. The credit department personnel analyze detailed financial reports submitted by the applicant, conduct personal interviews with applicants, and review credit agency reports about past payment history.

Analysts check with banks and other lending firms where the firm or individual has deposits or previously was granted credit. Where detailed financial statements are not available, the credit analyst relies upon personal interviews, credit bureaus, and banks who can provide information.

High-ranking credit managers in large corporations are responsible for formulating broad credit policies and implementing procedures to ensure compliance with sound principles of business. They establish uniform financial standards and determine the degree of risk the firm is willing to accept.

Credit managers establish office procedures, supervise analysts and office workers, and assign broad limits of credit responsibility to subordinates.

Requirements. Most firms request a college degree, but a major in accounting is not normally specified if the person has taken two to four courses in the accounting and finance fields. Hires above the entry level usually have prior experience in a related field such as accounting, finance, lending, supervision, or data processing.

Credit department applicants must be able to analyze detailed financial information and draw inferences from it because it is necessary to maintain good customer relations, a pleasant personality is essential for credit department employees. The ability to write accurately and concisely is also important.

Career Path. About half of credit managers work in wholesale and retail trade with the other half working for banks, loan firms, and large manufacturing organizations. Inexperienced entrants into the profession usually start as analysts whose work is directed by a manager for three to nine months.

Some of the larger firms offer elaborate classroom instruction, seminars, and rotational training programs.

There are various levels of responsibility within the credit organizations in terms of dollar responsibility and number of people supervised. The option to move into other financial and marketing responsibilities opens avenues of upward progression for people in the credit function.

The credit function is an essential activity in most organizations that sell products, services, or ideas.

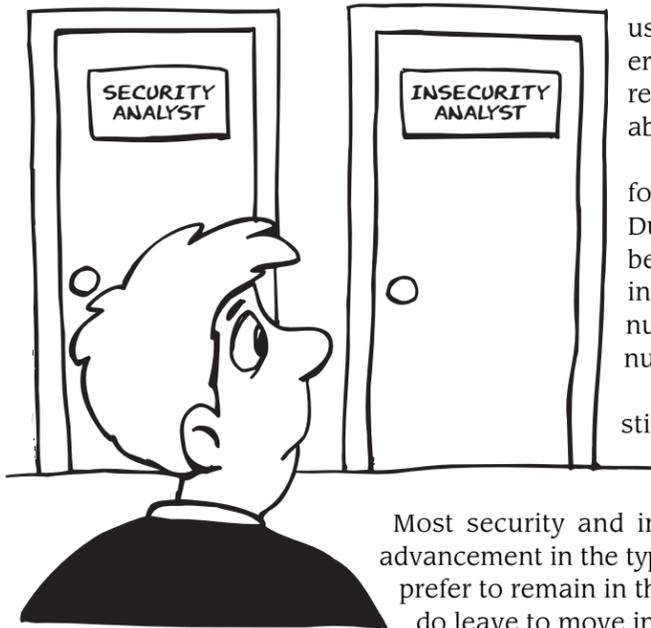


Security Analyst

The security analyst is a researcher involved with portfolio management and the analysis of bonds, stocks, and other forms of investments. The largest employers of security analysts are the large brokerage houses, often located in New York.

A few security analysts, however, do work for investment bankers, insurance companies, and the trust departments of some banks, especially banks in San Francisco, Chicago, and New York.

A security analyst is often assigned one type of industry to research through reading reports and interviewing corporate leaders. They prepare reports that are similar to those found in the *Value Line Investment Survey* and *Standard and Poor's Investment Service*.



Most of the financial reports are for internal use or for clients' needs and are not for the general public's knowledge. These positions normally require a high degree of technical expertise and an ability to write well.

The average analyst has been in the profession for many years and earns a substantial salary. During recent years there was a significant number of mergers and failures in the brokerage and investment business that sharply reduced the number of people in the profession as well as the number of openings for new employees.

Although the situation has improved, there is still much competition for each new investment analyst position from both experienced and inexperienced applicants.

Most security and investment analysts do not aspire to upward advancement in the typical manner of many other professionals. They prefer to remain in their profession doing analytical work, but some do leave to move into bank lending and security sales positions or to manage departments of analysts.

In addition to the security and investment analyst titles, other titles used for these positions include portfolio manager, director of research, trust administrator, account manager, and broker. Typical promotions are from junior analyst to senior to consultant.

Sources of employment include investment counseling firms, mutual funds organizations, foundations, insurance companies, banks, brokerage houses, and special research firms. More than half of all analysts live and work in New York City, but other large metropolitan areas and money centers have employment opportunities in this field as well.

All employers require a significant commitment to the profession in terms of education and work experience. Work experience is usually gained first in tangential fields or through significant personal investment and research before entering this field. Most new entrants are over 25 years old and hold MBA degrees from prestigious business schools.



Financial Planner

Financial planners advise other individuals on financial matters. They earn income by charging a flat fee to their clients or they earn a commission on the sale of financial products and services that they recommend as part of a comprehensive financial plan. The largest contingent earn income by charging both a fee to clients and earning a commission from products.

Planners prepare a detailed financial plan for their clients to execute in short- and long-term time horizons. The advice involves personal budgeting, saving, and investment strategies. The plan often gives recommendations on tax planning, estate design, wills, stock portfolios, partnership arrangements, life insurance, and real estate holdings.

Because the clients who purchase these services demand experience and seasoned maturity, this is not a common job for young individuals coming right out of college.

The *International Association for Financial Planning* estimates that a very high percentage of their members are independent practitioners or partners in small firms. Individuals are certified (CFP) by the Institute for Certified Financial Planners in Denver. This is an excellent way to eventually hang up a shingle and start your own business.

A common career path is for you to start by finding employment in public accounting, banking, life insurance, customer financial firms, or securities brokerage firms. These industries frequently hire entry-level talent and offer extensive training in both sales and financial products.

Many financial planners originally began their careers as staff auditors, tax accountants, bank lenders, branch managers, insurance salespeople, mutual fund consultants, real estate agents, financial account executives, etc. The large firms in these industries provided the training needed, and their name lends credibility if you later become an independent practitioner in your community.

The majority of financial planners are in the 30 to 50 age range and earn above-average incomes. A major ingredient though is that you are a recognized professional whose future income is directly tied to ability. It is like running a small business of your own

Security Sales and Trading

A security salesperson is one who buys or sells stocks, bonds, or shares of mutual funds for an investor. Security salespeople are often called customer brokers, registered representatives, or account executives.

Every salesperson must be registered as a representative of a brokerage firm according to the regulations of the security exchange where the firm transacts business. Before beginning salespeople can qualify for a registered representative position, they must pass the Security and Exchange Commission's general security examination.

Most employers do not require specialized training in a given academic major; however, courses in finance and investment subjects are usually helpful in securing employment. The same traits found in other types of sales personnel are required for this career field as well, but these traits must be coupled with a sound financial background to add credibility to the sales presentation.

Security sales personnel can advance into management positions, such as branch manager, mutual fund manager, etc., but most of them prefer to remain in sales. The reason for this lack of interest in advancing into management





relates to the higher earnings potential in sales and the sheer excitement of the business. Most work with high net worth individuals.

Most successful security salespeople enjoy their work and earn substantial commissions. Their earnings are restricted only by their ability to increase the number and size of the accounts they serve.

A beginner usually starts by servicing accounts of individual investors and eventually may handle very large accounts such as those of institutional investors. Some experienced salespeople advance to positions as branch office managers who supervise the work of other salespeople while executing buy and sell orders for their own clients. A few salespeople eventually become partners in their firms.

Trainees are usually paid salaries until they meet licensing registration requirements and for a short time thereafter. Starting salaries in the field are competitive with those being offered to other recent college graduates.

Once a salesperson has completed the training, earnings are usually in the form of commissions from sales of securities. The size of commissions depends on the policies of the firm and the type of security bought and sold. Consequently, earnings fluctuate. Full-time security salespeople usually earn over \$100,000 annually, and many earn much more.

The employment market for security salespeople has been very cyclical. When not weak it can be on a roller-coaster hiring boom. A large number of brokerage houses regularly close or merge. Consequently, experienced security salespeople find themselves changing employers occasionally but there is little negative impact on their earnings.

Insurance

Insurance companies assume millions of dollars in risk each year by transferring liability for loss from their policyholders to themselves. Like individual policyholders, all types of organizations purchase insurance to cover the potential chance that a disaster may strike and bankrupt the organization.

Whether for personal or organizational protection, the insurance business is a major part of the financial planning program and, therefore, the industry needs many types of experts in this area. Conversely, organizations must employ experts in the finance and administration functions to evaluate their needs for protection. Organizations refer to this as risk management.

Careers abound in the insurance industry in many types of jobs, but learning some things about three types of employment (underwriters, sales, and claims) permits one to gain an understanding of the industry and how risk management careers may be found in all types of organizations.

Underwriters. Underwriters appraise and select risks their company will insure. This career is distinctly different from that of insurance agents. Underwriters analyze information in insurance applications, reports from loss control consultants, medical reports, and actuarial studies that describe the probability of insured loss. Routine applications may be handled by computers, but underwriters must also use considerable personal judgment in making decisions on risk.

Underwriters outline the terms of contracts, including the premium amounts.





Underwriters assume great responsibility, because their company may lose business to competition if they appraise risks too conservatively, and their company will have to pay too many future claims if their decisions are too liberal.

They correspond with policyholders and agents regarding information requests and cancellations and occasionally accompany salespeople on appointments with prospective customers.

Most underwriters specialize in one of four major categories of insurance:

- Life
- Property Damage
- Personal Liability
- Health

Life underwriters may specialize in group or individual policies. The property and liability underwriter may specialize in a type of insurance such as fire, automobile, marine, etc.

Claims Representatives. Fast and fair settlement of claims is essential to an insurance company if it is to meet its commitments to policyholders and protect its own financial well-being. *Claims representatives investigate claims, negotiate settlements with policyholders, and authorize payments.*

When a casualty company (in contrast to a life insurance company) receives a claim request, the claim adjuster determines the amount of the loss and whether the policy covers it. Adjusters use reports, physical evidence, and testimony of witnesses in investigating a claim. When their company is liable, they negotiate and settle the claim.

In life insurance companies, it is the claim examiner who checks claim applications for completeness and accuracy, interviews medical specialists, verifies information, and calculates benefit payments.

Insurance Agents. *Agents sell policies that protect individuals and businesses against future losses and financial pressures. They help clients plan financial protection, advise them on investment strategies, and help them obtain settlements.*

Agents may sell and service life, casualty, or health policies, or a combination of those policies.

An agent may be either an insurance company employee or an independent agent who represents several companies. The latter is called a broker, but agents and brokers do the same things. Agents spend most of their time discussing policies with prospective and existing clients who may be organization executives or individuals buying personal protection.

Beginning agents are usually paid a competitive base salary for a reasonable period of time. After that time, earnings are based on commissions, and productive agents can earn substantial commissions in a very short period of time. Few fields offer such a high level of earnings potential in such a short period of time.





Administration. Insurance firms manage thousands of policies and millions of dollars in assets, so they need many home office employees. The employees may specialize in customer relations, service, computer processing, accounting, investments, or actuarial science. The insurance industry has many of the same types of positions found in any large firm.

Insurance plays a large and important role in any organization. Experts are needed in the insurance industry and also in the organizations that must interface with the industry.

Because of the nature of most positions in this field, most employers require college degrees, but few specify particular major fields of study. Most insurance firms have training programs to teach new employees the duties and responsibilities of various assignments.

