



Foundation for Applied Research CALL FOR PROPOSALS

The IMA's Foundation for Applied Research (FAR) is currently seeking research proposals in the following areas:

**Applications of Customer Lifetime Value (CLV) Measures
Corporate Social Responsibility (CSR)
Business Intelligence (BI)**

Research proposals should follow the guidelines contained in the FAR Research Grant Program brochure (available at www.imanet.org/FAR). Proposals should not exceed 5 pages (excluding c.v.) and should:

1. Include evidence of demonstrated excellence by the researcher in an area targeted in this Call for Proposals. This includes, but is not limited to awards, publications in refereed journals, books, presentations and panels, etc.
2. Address the entire range of methods that apply to CLV, CSR, or BI; describe the measures used for analysis and decision support and the conditions and/or objectives for when they may apply; and compare and contrast the various available methodologies.

Research Proposals should be sent to the attention of Dr. Raef Lawson, CMA, CPA, Director of Research & Professor-in-Residence at research@imanet.org.

Application of Customer Lifetime Value (CLV) Measures

Peter F. Drucker said, "The purpose of business is to create and keep a customer." While almost everybody agrees that customers are the most important factor in business, organizations still have difficulties in measuring customer profitability and managing customers as assets. CLV, which focuses on long-term returns from individual customers, makes it clear that customer relationships are assets that can and should be managed. Use of CLV can help optimize shareholder wealth by focusing analysis on long-term cash flows rather than short-term profits.

An organization should consider CLV and return on customer concepts as the core drivers of maximizing shareholder wealth creation. Customer value management is a bottom-up calculation that measures *potential*, rather than just reporting existing levels of retrospective customer profitability history. This prospective view presumes that differentiated services and service levels aimed at customer micro-segments are the independent variables, and that shareholder wealth creation, as a result, is the dependent variable.

Customer lifetime value (CLV) involves the use of discounted cash flow (DCF) methods. It can be considered an element of a capital budgeting problem. Typically, business-to-consumer (B2C) companies utilize this methodology to inductively predict consumer demand behavior as individual potential customers pass through life-cycles (e.g., teenagers to young adults).

However, there is no standard method (or practice) to apply CLV metrics for sales and marketing to take action based on CLV information. *The IMA is seeking research about the entire range of methods that apply CLV measures for strategic analysis and decision support, the conditions and/or objectives for when they may apply and how methods are similar yet different.*

There is a shift in emphasis in the support of the chief marketing officer (CMO) by the chief financial officer (CFO). As part of this shift, the CFO must help sales and marketing better determine which types of customers and future prospects to retain, grow, acquire or win-back – and conversely which types not to. Equally important, for these customers and prospects there is the question, “How much should be spent on the various micro-segments to retain, grow, acquire, and win-back these customers?”

Segmentation, predictability, churn, offers, deals, risk and uncertainty must eventually be understood in the language of money. The application of CLV will enable managers to enhance their businesses by focusing on and analyzing the factors important for their organizations’ long-term profitability.

Corporate Social Responsibility

The Foundation for Applied Research is interested in supporting research in the area of management accounting’s involvement with sustainability reporting. Sustainability reporting (triple-bottom line, corporate social responsibility) is reporting by any organization (profit and nonprofit) of economic, environmental, and social performance indicators. Organizations produce these reports to satisfy stakeholders’ demand for increased scrutiny of their performance other than that reported in financial statements. Many organizations publish these voluntary reports along with their financial statements on their websites. Aside from informing external users of their environmental, economic, and social performance, organizations can use this information to better manage their operations. Management accountants are likely to be involved in the creation and use of sustainability reports. This call for papers is to foster an investigation into the current internal uses of sustainability reports of a variety of organizations. Proposals could

include assessments of systems to generate these reports and the information generated. This research could involve case studies of particular organizations over multiple periods or surveys of multiple organizations.

Business Intelligence

The concept of Business Intelligence (BI) has gained much importance to management accountants in recent times. Originating from, and initially developed in, the domains of computer science, information systems, marketing and allied fields, the concept is now highly relevant to management accountants, who are faced with greater and more pressing needs to better understand their organization's business processes, environment, competition, markets, and performance.

The concept of BI arises from the notion that there is a wealth of insights to be gleaned from data in transactional processing systems. Admittedly, challenges can quickly rise from the needs to gather, organize, standardize, and analyze the appropriate data from various systems in order to obtain these insights. The value of BI quickly becomes apparent, however, whether it is used to identify new market/profit opportunities, measure and manage business performance, or run simulations. These value-add activities are now part of the "new" and expanded management accountant's toolkit in driving business performance inside organizations. Management accountants do not need to be information technology / information systems experts *per se*, but they do need to understand enough to provide user specifications to deliver value to their business partners and know enough about the capability of BI/data mining as part of their decision-support toolkit.

The relevance of BI for management accounting practice is high and remains under-explored, notwithstanding the fact that historical information (about past transactions) continues to be a central premise. The importance of BI to management accountants may be better appreciated in the contexts of improved strategic understanding of the business, its environment, competition, markets, and performance. All this is driven by a generally more expansive view of accounting information that goes beyond financial information. The facilitative role of new methods and technologies are of particular interest and value. For example, data mining, a subset of BI, has been used in practice to identify sales leads, ferret out financial fraud and other applications relevant to the decision-support and planning roles of the management accountant.

This special FAR call for papers invites submissions of proposals in the area of BI. Proposals that extend our current understanding of the topic into new, substantive, and innovative directions are particularly welcomed. The underlying objective is to make management accountants more relevant and effective as business partners to help an organization achieve its strategic goals.