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HOW MANAGEMENT ACCOUNTING TEAMS CAN EFFECTIVELY SUPPORT SUPERIOR PERFORMANCE MEASUREMENT PRACTICES

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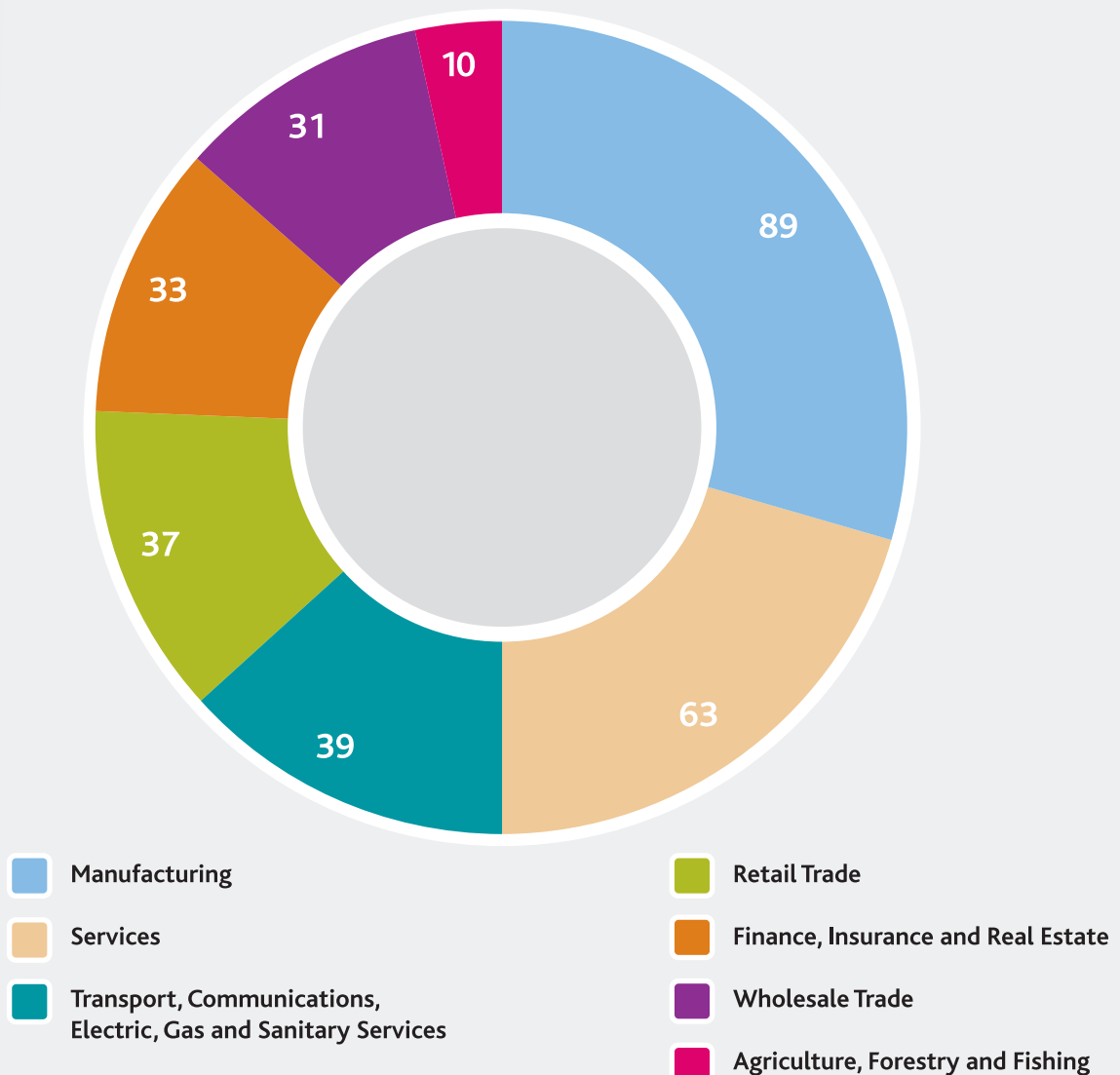
FOSTERING NEXT-GENERATION MANAGEMENT ACCOUNTANTS

Shifting market dynamics, converging business functions, keeping ahead of traditional adversaries and identifying new challenges are just among some of the many demands facing businesses today. To ensure these practices and reporting are done effectively, sophisticated performance measurement practices and systems have been implemented as organisations recognise that business growth draws on a number of resources, not just traditional financial reporting.

Performance measurement practices contribute towards the formulation and implementation of business strategies and the consequent achievement of competitive advantages. These processes include everything from factual and quantitative integrity of the information to communication on concerns affecting current and future progress. Here, the management accounting team identifies, measures and analyses performance issues requiring managerial attention, thereby enabling the business to be better managed.

A recent study entitled “How Management Accounting Teams Can Effectively Support Superior Performance Measurement Practices” done at the University of Technology Sydney showed that the characteristics of the management accounting team who practised high performance measures related positively towards achieving competitive advantage in business. Using data collected from 302 Chief Financial Officers (CFOs) of medium and large Australian businesses, the study focused on how management accounting teams were able to contribute to these processes, and whether those contributions can be considered as competitively advantageous in themselves.

RESPONSES BY INDUSTRY



NURTURE COLLABORATIVE CFOs

CFO roles are continuously evolving – from solely focused on numbers and financial reporting to corporate strategy. In the relentless pursuit to optimise performance, CFOs and their management accountant teams must now play an integral role in developing and delivering company strategies to create value.

Based on the study, one of the most sought after leadership styles is that of a collaborative CFO, one that constantly seeks dialogue, a negotiator and also, a problem-solver. Interestingly, the study also showed that while there was an abundance of CFOs with strong technical skills and domineering leadership styles, identifying collaborative CFOs was much harder as many did not have the necessary industry experience and competitive insights.

Moving forward, businesses need CFOs to wear many hats – visionary, strategist and strong leadership skills. With the knack to identify and capitalise on opportunities, they have to engage at strategic levels within the organisation, using their financial acumen and insights to drive value, increase business growth and performance. To build on these capabilities, those seeking collaborative CFO leadership skills are encouraged to undergo an effective mentoring process to deepen their involvement in business operations and enhance interpersonal skills. In addition to this, CFOs must maintain a strong relationship with the management team, assisting them in the analysis, formulation, monitoring and evaluation of strategies to steer the company towards a higher performance trajectory.

DRIVE IMPROVEMENTS THROUGH BUSINESS PARTNERSHIPS

For the management accounting team to really understand the organisation's strategic direction, it is important that they move away from routine book keeper functions to business partner roles. This in itself will allow them to become more integrated with the overall business, balancing statutory concerns with operational needs to achieve high quality performance outcomes.

As this largely centres on fostering cross-departmental relationships, the research indicated that management accounting business partnering resourcing will take time to develop as it requires a supportive business culture. Cultivating these skills involves identifying talented employees with good communication and leadership skills, equipping them with the right tools to widen their expertise. Tasked at translating analytical business insights into its impact on the organisation, they are also providing valuable content to the reporting and planning process. By encouraging them to take part or even lead cross-functional team-work situations, it delivers a platform that allows smooth flow of information, boosts trust and productive working relationships to drive improvements, anticipate changes and create business value.

INVEST IN BUSINESS KNOWLEDGE

For organisations to remain competitive and in a position to take advantage of business conditions, having the right information at the right time is crucial. As such, aside from strong technical skills, the management accounting team must be armed with strong business knowledge, a firm grasp on what is at stake within the business and operational goals as this will allow them to offer meaningful insights, both from a financial and non-financial perspective, on growth execution.

Like in all other industries, business knowledge may take time to accumulate. To broaden their experience, the study highlighted useful avenues such as a sustained and focused knowledge-expansion programme as well as knowledge-sharing amongst team members. For example, team members could assist their colleagues from other departments understand complex financial data and bring new innovations to the market, thus promoting deeper operational involvement and integrated thinking across departments. To push this agenda forward, formal experience accumulation programmes may be organised through staff work-planning meetings, as well as encourage them to attend certain meetings where they may absorb the issues and dynamics that are in play.

AGILE AND ADAPTABLE SYSTEMS

In most organisations, making decisions based on “gut” feel may not necessarily be sufficient. To avoid the risks of making decisions based on inadequate information, organisations use business intelligent (BI) systems to achieve maximum benefits. BI systems essentially use organisation-wide information available effectively to improve evidence-based decision making, bringing greater clarity and early identification of emerging trends.

The study showed that sophisticated BI systems were weakened by the collaborative CFO and business partnering behaviours demonstrated by management accounting teams. The BI systems used in both performance planning and performance reporting had low correlation in the spreadsheet platform while the opposite effect was seen when a sophisticated system was used to integrate data architecture.

Essentially, while BI systems have brought major improvements to performance management planning and reporting, it must be agile enough to adapt to changes, be it organisational, market or even regulatory, with intuitive interfaces that allow for rapid access to information. With its enhanced configuration and coordinated spreadsheet systems, the involvement of certain BI specialists will also be needed. Hence, it is important to recognise that though these BI systems could be very complex based on business needs and hence costly, the rewards and benefits derived can be really significant with correct implementation.

IT'S NOT BUSINESS AS USUAL

The business environment today have become more fluid, complex and demanding. In short, it's not business as usual. It's not just about sustaining business, but building a thriving business. To cater to these changes while at the same time add value, performance measurement practices have emerged as the new normal in bolstering competitive advantage. In turning insight into impact, it has become apparent for the management accounting teams to move beyond number crunching roles to leadership roles that require innovative thinking, creativity and confidence, supported by sophisticated performance management practices. Herein lies the invaluable and undeniable value they bring to any business. Those who understand these new requirements will play a pivotal role in applying the power of data and spreadsheets to help the management team make better strategic decisions for the organisation.

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