



# **Business Complexities**

**Implications for Management  
Accountants**



# Presentation Outline

- Developments and Relevance Lost Concerns in management accounting
- Frameworks for management accounting change
- Newer developments in management accounting
- 21<sup>st</sup> Century Business Organisations
- Strategy and management accounting
- Challenges for tomorrow's managements accountants
- Management accounting as a profession
- Whether 'relevance lost' has been re-gained !



# Developments in Management Accounting Thoughts

- By 1925 virtually all MACS used until mid 1980s were fully developed
- Costing including standard costing, budgets, flexible budgets, including capital budget, variance analysis, transfer pricing, divisional performance, ROI and so on
- No incentive for new developments after 1925
- Focus on refining practices and procedures



# Relevance Lost Concerns

- ‘Today’s management accounting information, driven by the procedures and cycle of organisation’s financial reporting system, is too late too aggregated, and too distorted to be relevant for managers’ planning and control decisions’ (Johnson and Kaplan, 1987, p.1)
- Influential factors – rapid technological changes, global and domestic competition, rise of service sector, overhead costs, expansion in information processing, among others



# Newer Developments in MACS

- MACS aligned with strategy:
  - Just-in-time
  - TQM and short life cycles
  - ABM/ ABC
  - Cost management
  - Performance measurement
  - Managing throughput and bottleneck
  - Sustainability and MACS
  - Extended value chain
  - Network and alliances



# Frameworks for MACS in Practice

- Core values of accounting reside outside the boundaries of accounting and organisations
- Contingency framework:
  - Contingent variables influence MACS choice and design
  - Environment, structure, size, technology, culture and strategy
- Institutional framework:
  - MACS as rationalised myth
  - Legitimising tool



# 21<sup>st</sup> Century Business Organisations

- Increasing global competition and trade liberalisation
- Big data
- Digital and information technologies are rapidly transforming the business environment
- Rise of service sector
- Significant overhead costs



# 21Century Business Organisations

- Focus on strategic management accounting issues:

Cost management

Quality management

Sustainability has become a key issue

Performance management

Inter-firm collaborations

Role of trust and opening up books

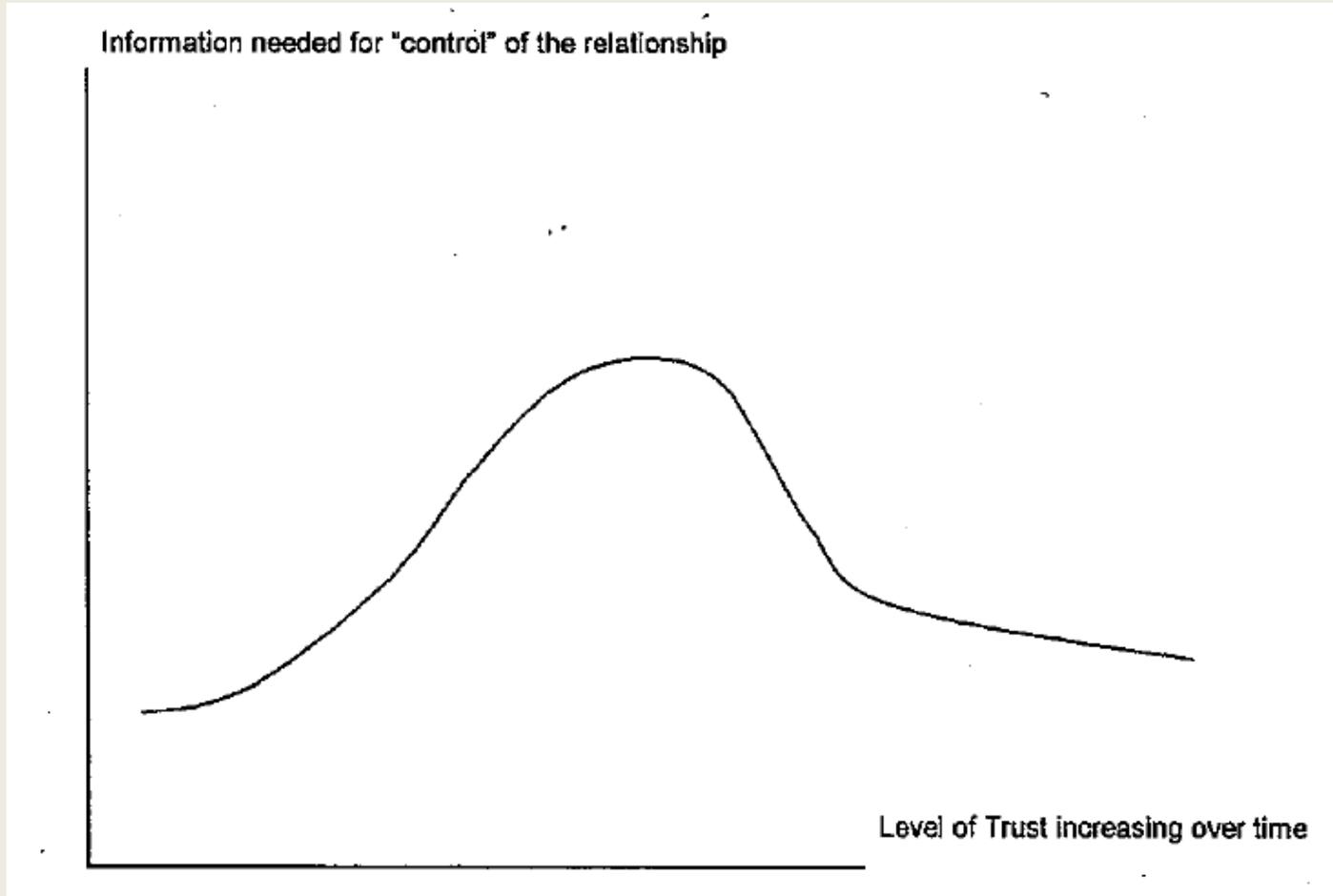


# MACS in Inter-Organisational Setting

- Minimise transaction cost
- Access to resources
- Handle complexities jointly
- Shared risks
- Sharing co-development of products, technologies and services
- Trust – a fundamental building block



# Trust and Information Needs





# Technological Challenges

- Choosing the right technology
- Many to choose from !
- Many stories of failed implementations
- Integrating applications, new and old systems
- Securing company data
- Cybercriminal activities, business data in wrong hands
- Cloud based applications – the way forward



# Threat to Management Accountants

- Need to go beyond compliance
- Keeping pace with IT
- More sophisticated costing and cost management techniques
- Need for new competencies
- Data analysis tools to collate, manage and analyse data
- Role of non-financial information
- Capture by non-accountants



# Soft Skills of Management Accountants

- Effective communication skills
- Listening skills
- Knowledge of the wider value chain
- Leadership skills
- Customer focus
- Team player and ability to work independently
- Time management



# **Demands on Tomorrow's Management Accountants**

- Beyond traditional responsibilities
- Familiarity with Big Data
- Integrate and analyse data from various sources
- Soft skills will remain critical, cannot be replaced by technology
- Greater collaboration and teamwork



# Management Accounting as a Profession

- Professional management accounting bodies  
CGMA, CIMA, IMA, ICWA among others
- Certification as management accountants
- Rigorous exam, education and experience requirements
- Adds value, enhances credibility and status
- Stringent code of ethical conduct



# Recent Job Ads For Management Accountants

- Strategic planning, forecasting, budgeting and cash flow analysis
- Evaluating options and opportunities
- New business development initiatives
- Developing costing and pricing models
- KPI development and variance analysis
- CIMA/CPA/CA/ICWA qualified and membership
- Strong communication and leadership skills
- Motivated team player



# Has 'Relevance Lost' Been Regained ?

- Complex and unpredictable business environment
- Rapid change in technology
- Big data, sense making and sense giving can be problematic
- No one best way !
- Every solution will be a seed to the next problem
- MACS as an enablement as well as a constraint
- Provide for continuity of organisational life
- Management accountants' wide and varied skills
- Part of a broader multi-disciplinary team
- Theory - practice gap, a non-issue (in my view)



# Sense Making and Sense Giving

