

# **CHAPTER 11 - Sustainability and performance management**

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# CHAPTER 11 - Sustainability and performance management

## 11.8 Enabling the accountant's role in the strategic management process

**Active reading.** Note that some of the factors that enable the management accountant to become involved in the strategic management process are in the control of the accountant, but that a high degree of proactiveness can influence the organizational and practical aspects.

As IFAC (2016) suggested in its report on sustainable development and the contribution of the accounting profession, the skills of the accountant will be invaluable to an organization in achieving the sustainability goals. If sustainability is to be embedded within the strategy of every organization, the accountant also needs to be involved in the whole strategic management process. They must not be confined to the evaluation and control of strategy but allowed to contribute to the analysis, development, and implementation. Unfortunately, this is not always the case.

Several elements need to be present for the accountant to become involved in the strategic management process. These are shown in Figure 11.1 and can be grouped under the three headings of accountant-led factors, organizational-led factors, and practical factors.

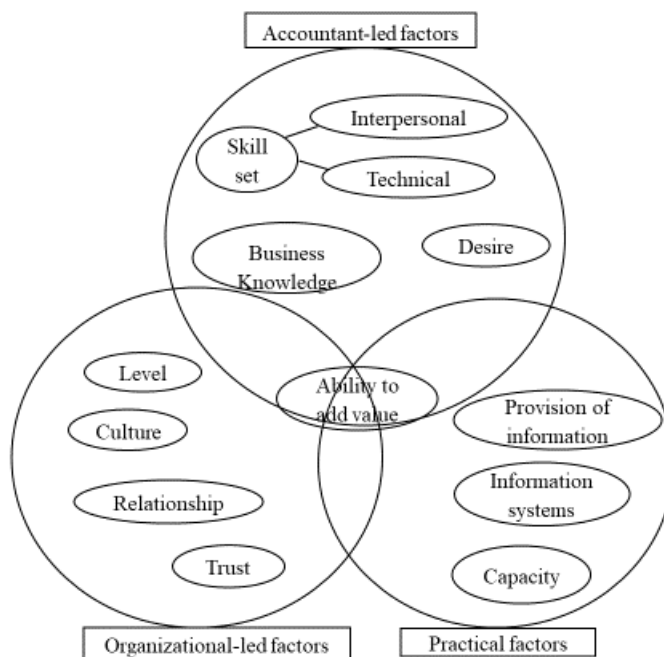


Figure 11.1 Factors determining the ability of accountants to be involved in the strategic management process (Pitcher, 2015).

The accountant-led factors include the skill set of the accountant. It is not just the technical skills that are required but, more importantly, the soft skills, such as communications, team working, ability to persuade and influence, and so on, that are needed. A good understanding of how a business works and a high degree of commercial acumen is desirable, as well as a desire to become involved in the process. It is often easy for the accountant working in industry or the commercial world to sit in the office in front of the computer screen producing spreadsheets, but the real value added is when the accountant is away from the desk working with managers.

The accountant-led factors lead into the organizational-led factors in that the structure and culture of the organization can assist the accountant in being able to build relationships with the business unit and functional managers. It is influenced by the level at which the accountant works within the organization and the level at which strategy is set, which is part of the culture. However, if the accountant can access managers and build a relationship, it requires trust. Trust is built up over a period. As the accountant begins to work more closely with managers, the managers start to trust the accountant's input and, therefore, actively seek out the help of the accountant. Thus, the accountant becomes more involved in the strategic management process.

A significant factor can be the practicalities, such as how much time the accountant has available to become involved. If the resources available to the accountant are such that most of the time is spent in gathering the information required for monitoring and reporting, there is often little time left to become involved in the strategic management process. It emphasizes the importance of ensuring that the accounting system is adequate for business needs. The easier it is to produce the numbers, the more time can be spent on analysis, interpretation, and determining the potential future implications.

In a study of management accounting in practice (Pitcher, 2015), a finance director said that he did not want his management accounting team to sit behind their desks in the office. "They should be out there in the business with the managers — that's when they are adding value." If the management accountant is to add value to the business, they need to understand how the business works. The toolbox available to the management accountant does not just contain the accounting techniques but also includes the strategy models and frameworks described in this learning resource. Armed with this array of tools, the management accountant is well placed to add significant value to the business. The management accountants should not be afraid to market their skills within the business. Managers are the customers of the management accountant and, once managers gain confidence in the abilities and advice received, the demand increases until the management accountant is part of the decision-making team.

There has been much written and talked about business partnering in which accountants work closely with the functional and business managers within the organization. Accounting firms and consultants actively promote the concept. Organizations have run internal programs titled "From Bookkeeping to Business Partnering" to develop better relationships with the business managers (Pitcher, 2015). However, these are doomed to fail unless the accountant possesses the business knowledge as well as accounting skills. McLellan (2014), in a study in the U.S., noted the gap between the theory of management accounting and practice. Other studies have also indicated that many practicing accountants tend to prefer and rely on the old tried and tested conventional techniques. Indeed, these can be effective in supporting the

strategic management process. It is important, however, that accounting bodies and education providers continue to develop the syllabus to ensure that the skill set is up to date and relevant to today's business environment.

The recognition that accountants can make a valuable contribution to the strategic management process is being encapsulated in the definitions of management accounting by the professional bodies. The Institute of Management Accountants (IMA, 2008:1) definition includes the following phrases: "partnering in management decision making," and "to assist management in the formulation and implementation of an organization's strategy." The CIMA definition on their website in 2019 ([www.cimaglobal.com](http://www.cimaglobal.com)) talks about providing information to generate and preserve value for organizations and using a range of information to lead and inform business strategy and drive sustainable success.

As demonstrated in this learning resource, the management accountant can contribute to every phase of the strategic management process. Armed with the techniques described and with the development of interpersonal skills, the management accountant will be able to provide influential insight, relevant information, and analysis that have an impact, while building trust in relationships with managers to ensure high caliber decision making to drive sustainable performance.