CHAPTER 1 - Management accounting and the strategic management framework

Contents

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1.7 The strategic management framework

Active reading. Note how logically the steps follow each other to produce a rational approach to strategic management. In practice, the process is more complex and flexible than is described here, but the logic is still the same.

This section provides an outline of a strategic management framework (Figure 1.2).

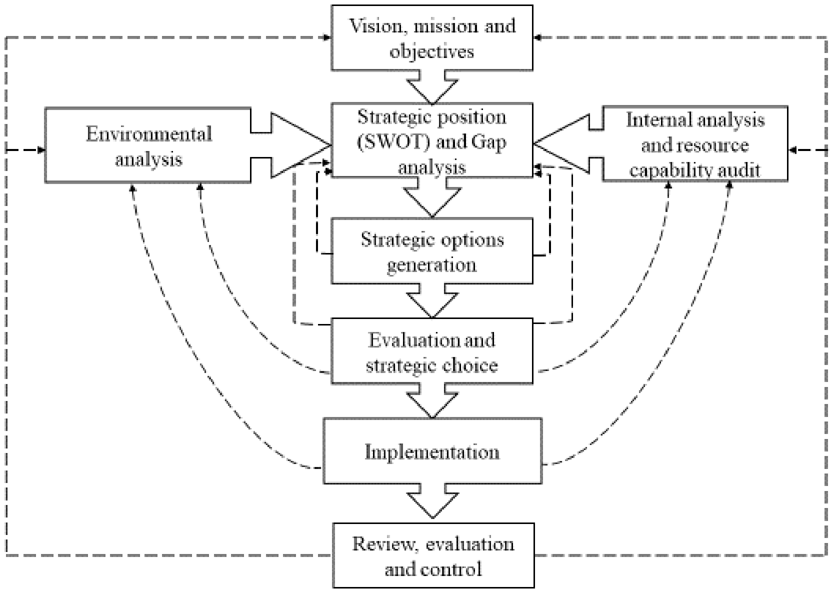

Figure 1.2 The strategic management framework

Academic and practitioner texts discuss various methods, processes, and frameworks for the development of strategic plans. The framework shown in Figure 1.2 is based on the concept of a rational approach to strategic planning and forms a structure for the subsequent chapters. The explanation here is, therefore, deliberately brief as each element is discussed in detail in Chapters 2 – 11.

The framework incorporates the critical phases of strategic management, highlighted in Figure 1.3.

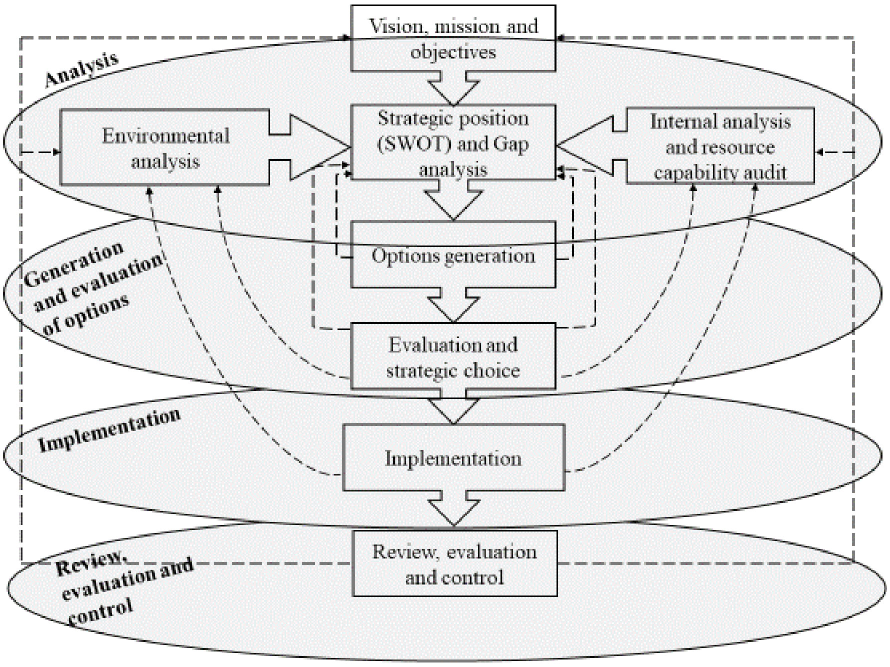

Figure 1.3 Critical phases of strategic management

The phases of strategic management encompass the external and internal analysis resulting in the strategic position (often set out as a SWOT analysis – strengths, weaknesses, opportunities, and threats); the generation and evaluation of strategic options and strategic choice; followed by implementation; and finally the review, evaluation, and control of the current strategy. The dotted lines illustrate the iterative nature of the process and the feedback loops.

Vision, mission, and objectives

The mission is the rationale behind the business. It sets out the long-term aims and purpose of the organization as well as indicating the purpose, strategies, behavior standards, and values (Campbell and Yeung, 1991). Organizations often develop a vision alongside the mission. The vision is usually broader and shorter than the mission statement and is often intended as a point of inspiration for employees to drive the business forward. It is common for organizations to promote their vision, mission, and values that underpin these statements on their websites. Many organizations now publicize a brief outline of their strategy and their long-term strategic objectives. These are provided in broad terms as they are for external consumption but would be much more specific when communicated internally to employees. Chapter 2 explores the link between the vision, mission, objectives, and the management accounting system.

Environmental analysis

The environmental analysis is the subject of Chapter 3 and provides a means for identifying external factors that could affect an organization's ability to achieve its objectives. A strategic tool known as PESTEL (political, economic, sociocultural, technological, environmental, and legal) provides a framework for analyzing changes in the general business environment. The focus of the analysis is on how the changes will impact the industry and hence the organization. Models such as Porter's five forces (Porter, 1979) can aid the analysis at an industry level to identify the forces that will impact on the profitability and attractiveness of the industry, now and in the future. Understanding the concept of the business ecosystem and the process of competitor analysis are also key areas in this stage of the process. Strategically the environmental review helps to identify the opportunities and threats to the organization that is evident or could emerge from the business environment.

Internal analysis and resource capability audit

The internal analysis and resource capability audit, as the label suggests, analyzes the organization's resource capability to achieve its objectives, given that environmental factors will impact on this ability. Chapter 4 discusses the various models that are useful in a resource audit. These fit within a simple framework known as the Nine Ms: manpower (human resources), money, markets, machinery, materials, makeup, methods, management, and management information. These headings merely point towards broad areas requiring more detailed analysis to help identify the strengths and weaknesses of the organization.

Strategic position (SWOT) and Gap analysis

Establishing the strategic position pulls together the issues identified during the environmental analysis and internal appraisal and is the subject of Chapter 5. The environmental review is the source of opportunities and threats, while the internal assessment is the source of strengths and weaknesses. However, during the environmental analysis, it is not known whether a change creates an opportunity or a threat—any changes in the environment need assessing with regard to the resource capability. If the organization has the resources to deal with the change, it may present an opportunity. If not, it may be a threat. Hence, the strategic position (SWOT) provides the framework for bringing together the external and internal analysis.

It is also worth noting that changes in the environment can provide an opportunity for some organizations while creating a threat for others, depending on the organization's ability to deal with the change. There is a connection here to competitor analysis as strengths and weaknesses in resource capability are relative to competitors and a potential source of competitive advantage. The completion of the SWOT analysis helps the management to formulate strategies that build on the strengths, address the weaknesses, grasp the opportunities, and minimize or avoid the threats, and that is consistent with the mission and objectives.

As part of the strategic position, an analysis is undertaken that ascertains the gap between an organization's stated objectives and the level of performance that will be achieved based on the current strategy, given the changes in the environment and its current resource position. If there is a gap, it requires the formulation and evaluation of strategic options to close the gap.

Strategic options generation

The strategic options generation considers three elements: competitive strategy, the direction of growth, and the method of growth. Deciding a competitive strategy will be one of the first decisions an organization makes. The strategy needs continually reassessing as to its appropriateness, given any identified changes in the environment. Competitive strategy based on cost leadership and differentiation, as defined by Porter (1985), are discussed in Chapter 6. Options to generate growth include market penetration, product and market development, and diversification, as identified by Ansoff (1965) in the product and market growth matrix. Chapter 7 considers the Ansoff options, together with the methods of achieving organic, sometimes referred to as internal growth, and inorganic growth options, such as acquisition, merger, and joint development.

Evaluation and strategic choice

The various strategic options available to organizations need evaluating with respect to the resource capabilities and the ability to close any gap between the stated objectives and the forecast performance based on the existing strategy. A framework such as suitability, acceptability, feasibility, and risk provides a means to evaluate various strategic options, which would also include a financial evaluation. Suitability asks whether the strategy builds on the strengths, addresses the weaknesses, grasps the opportunities, and avoids or minimizes the threats. Acceptability checks to see whether the proposal meets the approval of interested stakeholders. Feasibility reviews the practical aspects as well as financial evaluation, and risk assesses whether the proposed strategy is within the risk appetite of the organization. Chapter 8 explores this SAFeR framework in more detail.

Strategic implementation

Once the various strategic options have been evaluated and chosen, the next step is implementation. The strategy needs crystallizing into operational budgets, targets, plans, and so on. These then form the mechanisms to communicate the strategy to the various stakeholders. Changes in strategy could also mean implementing changes to management information systems, including the management accounting techniques used to support strategy. Chapter 9 discusses the management accounting support during implementation.

Review, evaluation, and control

Review, evaluation, and control is the area where models such as the balanced scorecard are useful. The balanced scorecard, and similar frameworks, provides a means to review performance using a range of appropriate performance indicators that include nonfinancial as well as financial measures. Ultimately the review is considering how well the organization is meeting its objectives, which establishes the feedback loop to the start of the process. Part of the reason for any variation from the plan could be a change in the environment or resource capability, which illustrates the iterative nature of the strategic management process. Chapter 10 discusses performance management, including the balanced scorecard.

Traditional management accounting focuses attention on the review, evaluation, and control aspects of long-range and strategic planning and evaluation of various strategic options. The strategic management process is more iterative and dynamic, and management accounting needs to support the whole strategic management process, especially in the analysis phase, and in assessing the impact of environmental changes on the business. Indeed, the choice of strategy and implementation will impact the business environment, particularly the competitive environment. In cases where innovations and new technologies are involved, if most organizations in a sector adopt similar strategies over time, it can change the way the industry operates. For example, the first bank to adopt online banking, or the first retailer to embrace online shopping changed the way the industry works. Part of strategic choice is about assessing what this impact might be and proactively influencing the environment for competitive advantage.

1.8 Who sets the strategy?

Active reading. Note that strategic management affects all levels of employees. It is also relevant to all types of organizations, including not-for-profit.

There is a debate in the academic literature concerning who sets the strategy and who enacts strategy. There is a view that middle and lower-level managers determine strategy rather than being the sole preserve of the senior managers. The *strategy as practice* school of thought drew attention to the activities and discourse of strategy formulation and enactment (Whittington, 1996). Proponents of *strategy as practice* use the term *strategizing* to promote the idea that strategy is something that people do, rather than describing a published plan or strategic intent set by senior managers. It is therefore worth remembering that it is people, rather than organizations, that formulate and implement a strategy. However, with that in mind, the term organization is used throughout this learning resource when discussing strategy as the management accounting techniques considered can be used by people working at different levels within an organization and may also be of interest to not-for-profit organizations. Another essential aspect to note is that the process depends on the organization and its organizational context; that is, it is not necessarily a case of one-size-fits-all. In today's business environment, organizations need to be flexible and adaptable, which also extends to their strategic management process.

1.9 Levels of strategy

Active reading. Note how the strategy extends to all levels and all functions within an organization.

There are principally three levels of strategy within an organization. These relate to the notion of Anthony's hierarchy, referred to in Figure 1.1, section 1.3 - What is management accounting? The characteristics of information required at each level will differ; therefore, the management accounting system needs to be able to satisfy the needs of the users at each level of corporate, business, and operational strategies.

Corporate strategy is concerned with the overall purpose and scope of the organization. It is often most associated with a divisionalized organization that has several strategic business units. The strategy is concerned with how to manage the overall business to create value for the stakeholders. The objective is to ensure that each business unit contributes to the best of its ability to the whole organization. In some instances, it is deciding how best to manage a portfolio of businesses, involving the allocation of investments and resources between business units. It is concerned with strategies such as growth, stability, and consolidation of its current position, recovery, reduction, or survival of the corporate whole.

Business strategy is concerned with how a strategic business unit competes in a market. It is about the management of products and markets dealt with by one strategic business unit. Under this definition, many small to medium-sized enterprises (SMEs) might only be concerned with a business strategy.

At the lower end of the spectrum is the operational or functional strategy. To achieve the business strategy, an organization will need functional strategies, such as a marketing strategy, production or operations strategy, a human resources strategy, information systems strategy, and a financial strategy. These strategies, illustrated in Figure 1.4, should support each other in a way that is consistent with and helps to achieve the business strategy, and in turn, the corporate strategy.

In a large organization with several business units, these functional strategies may well extend across the whole corporate organization. In this way, there may be a corporate human resources strategy that governs the formulation of the HR strategy in each business unit.

It was suggested by Lindblom as long ago as 1959 that what organizations do in practice is to adopt an incremental approach in which they accept the first outcome that satisfies the strategic objectives (Lindblom, 1959). Quinn (1978) used the term logical incrementalism, suggesting that organizations determine a broad direction with the detail emerging later. Incrementalism in practice suggests that organizations make small changes to their existing strategy. It is unlikely that managers in small and medium-sized enterprises will have the resources and time to evaluate every strategic option available to them. Hence, it is logical that they will make decisions based on a limited evaluation of alternatives.

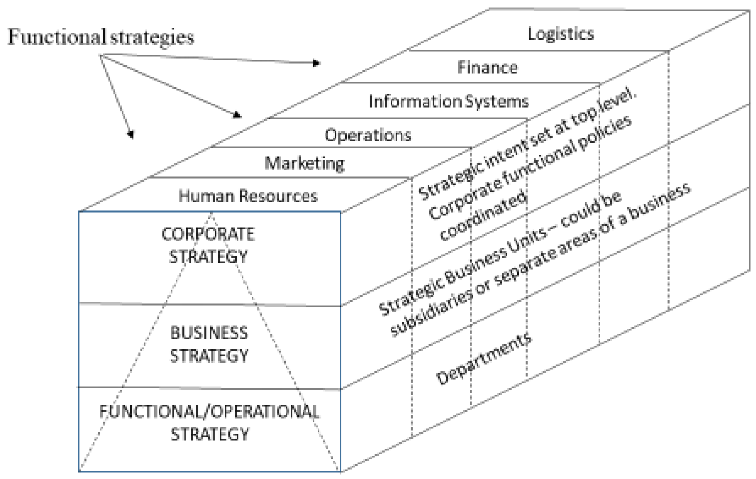

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Figure 1.4 Levels of strategy and functional strategies within an organization

Mintzberg and Waters (1985) identified the concept of emergent strategies illustrated in Figure 1.5.

Organizations articulate a planned and deliberate strategy that could either be realized or unrealized. However, even though the intended strategy was not successful, targets such as sales or profits could still be met. This example indicates that the management team should not focus solely on the outcome in terms of performance targets but need to understand why performance targets have been met or missed. For example, in the case of a sales and profits target being achieved, analyzing the data could reveal a different story. An analysis may show that the mix of products is different from that of the plan, the category of customers buying various products differs from that expected, and the primary geographic location of sales is a surprise. This example is somewhat extreme; however, on further analysis, it appears that the actual strategy is not the reason for achieving the headline targets. It could be that a potential market of international sales is emerging to a different customer demographic, and this needs to be, in Mintzberg's terms, *crafted* into the future strategy of the organization.

Emergent strategies can emerge based on a pattern of ad hoc decisions taken in response to a given situation, perhaps a competitor action or environmental factor, that when looked at in retrospect, emerges as a potential strategy. They can also develop based on what operational employees are doing. Perhaps the plan is to spend heavily on marketing a particular type of product. Sales staff, however, identify that demand for other products is higher and push those at a local level, meeting sales targets, but not by the mix of sales initially planned. Management teams have a natural inclination to examine the reasons for not achieving a strategic objective. It is just as important to analyze the reasons as to why they have been met.

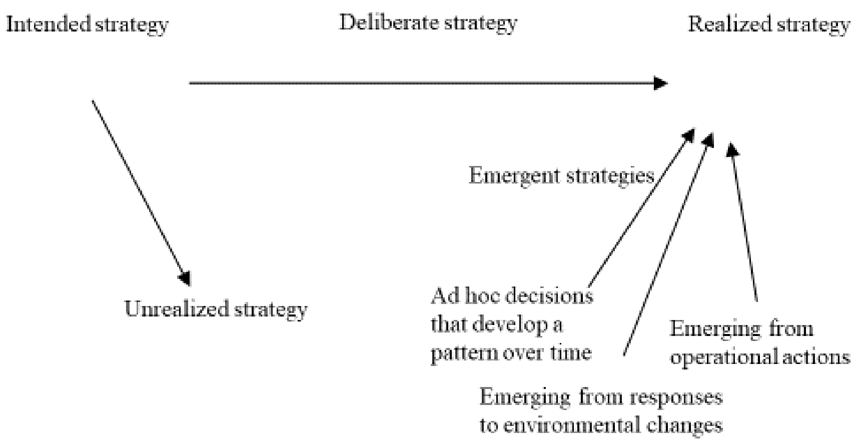

Figure 1.5 Emergent strategies

1.10 Inside-out and outside-in view of strategy

Active reading. Note the different views between strategy as positioning or strategy based on core competence, and the source of competitive advantage from the strategic analysis undertaken of the environment and resource capability as part of the SWOT.

The strategic management framework presented in Figure 1.2, shown in section 1.7, implies that the start point for strategy formulation is the vision, mission, and objectives. In other words, if you want to start a business, you begin with establishing the vision, mission, and objectives, then develop the strategy to achieve them. This may be true in an ideal world, but often the strategy can be triggered by external or internal factors. The idea for a new business opportunity may begin with identifying a trend or gap in the market by conducting an environmental analysis. The strategy can, therefore, stem from the business environment and the organization's competitive strategy developed to position certain products in specific markets. Alternatively, determining an internal strength that provides a competitive advantage could be the trigger. So, the strategy can exploit an existing distinctive competence held by the organization.

The schools of thought that relate to developing a strategy for competitive advantage fall within two broad areas. The strategy as position school of thought suggests that strategy is about positioning the organization in the market, for example, as a value for money offering or a high-quality offering (Andrews, 1980; Porter, 1980, 1985; Day, 1994). The resource-based or competence-based view suggests that competitive advantage comes from basing the strategy around the key strengths, resources, distinctive competencies, and strategic capabilities of the organization (Barney, 1991; Grant, 1991).

The positioning approach suggests that organizations set strategy, taking into account stakeholders, competitors, market needs, and the business environment. This approach requires an external focus and attention paid to competitive position, market share, and products. The organization first identifies the opportunities from the environment and then develops the appropriate competencies and resources it needs to compete effectively.

The resource-based view suggests that many environments today are too complex and dynamic to undertake the continuous environmental analysis that would be required, and the opportunities and threats would be similar for all organizations in the industry. Therefore, sustaining a competitive advantage is challenging. Barney (1991) suggests that competitive advantage and any core competence of an organization lies mainly in the application of its strategic resources that are distinct to the organization, difficult to copy, and non-substitutable. The resource-based view is, therefore, more about developing a competitive advantage by focusing on the possession of unique resources and capabilities of the organization. In terms of the strategic management framework outlined in this chapter, positioning focuses on the environmental analysis, whereas the resource-based approach focuses on the internal review. In practice, both can be effective.

These viewpoints cross into functional strategies, and marketers refer to an outside-in and inside-out approach to developing an organization's strategy (Day and Moorman, 2010). Principally the outside-in approach focuses on identifying customer needs and customer experience and developing a strategy to ensure that the organization satisfies these better than the competition. The inside-out approach focuses on the inner strengths and capabilities of the organization. Steve Jobs, for example, did not ask the customer what they wanted when he was at the helm of Apple but relied on innovative skills and creativity to develop a product that would have market appeal. Part of the key to Apple's success is its ability to be creative. So, taking an internal view of sustaining a competitive advantage appears to work. There is, however, a danger of an inside-out approach in that focusing on the development of strategic competencies may mean that the organization takes its eye off the customer needs. The activity of analyzing the strategic position, however, brings the external and internal analysis together, allowing consideration of both market position and resource capability in the pursuit of a competitive edge.

1.11 Supporting the strategic management process

Active reading. Note the range of accounting techniques that can be employed for management accounting to support all aspects of strategic management. Also, note that many of the models, accounting techniques, and practices discussed are useful under more than one heading. Using techniques in different combinations can provide powerful insight into how the business can be improved.

Each chapter in this learning resource discusses the strategy models and frameworks and the management accounting techniques and tools, highlighting how management accounting can contribute to the strategic management process. This section provides a brief overview of how management accountants can contribute to the whole process and indicates where in the learning resource a more detailed treatment of each technique occurs. Although a detailed discussion may appear within a specific section, it does not preclude its use and benefit to other areas of the process. For example, many of the techniques discussed under internal analysis are also relevant to competitor analysis.

Vision, mission, and objectives

The mission and objectives, discussed in chapter 2, need articulating and crystallizing in quantifiable terms so that they can be measured. The performance measures could be financial or nonfinancial. Many of the information systems that organizations have at their disposal can capture nonfinancial as well as financial data. Accountants can incorporate both aspects into management reports designed to evaluate the success of the current strategy. The reporting should not, however, focus solely on the explanation of past performance but on the impact of known events on future performance. For example, suppose an organization in the travel industry focuses on certain parts of the world where political unrest has affected sales for the first half of the year. The reporting should not only highlight the reason for the past performance being worse than expected but report the expected outcome for the full year considering the known changes in the business environment.

This form of analysis and extrapolation can lead to the early identification of a strategic gap, discussed in section 5.4, and, more importantly, the size of the potential gap. Scenario planning, discussed in section 3.15, can also provide insight into possible strategic options, and the management accountant can contribute their knowledge and skills to the construction and playing out of various scenarios.

Environmental analysis

The accountant can contribute to an environmental analysis by evaluating the potential financial impact of changes in the business environment as well as the more obvious monitoring of information of a financial nature, such as exchange rates, interest rates, and so on. It will always be the best estimate of the potential impact, often based on incomplete information. Assessing the impact can, however, help in determining the priorities of which environmental changes require more immediate attention and which are put on a watch list.

Organizations cannot respond to every change in the environment, and close monitoring of the resource capability, particularly financial resources, discussed in sections 4.11 and appendix B – section B.7, can be an essential part of the early warning system. Competitor analysis, discussed in section 3.11, is also a necessary aspect of environmental review. The accountant can contribute to an analysis of the competitors' financial position as well as working with other functional colleagues, such as research and development, production, logistics specialists, and marketing teams, to ascertain as accurately as possible the cost structure of significant competitors.

Internal analysis, resource capability audit and strategic position

Contributions to the internal analysis and strategic position (SWOT), discussed in section 5.3, include the identification of financial strengths and weaknesses and the determination of any profits gap. More importantly, indicating how big the gap could become if no action is taken based on the balance of elements within the SWOT, for example, the incidence of significant weaknesses and threats. Other areas where the accountant can provide substantial input include analysis of supplier performance (section 4.10) and customer profitability analysis (section 4.7), the profitability of the product life cycle (section 4.4), and the mix and balance of product portfolios (section 4.5). Accountants can also contribute to benchmarking exercises to identify improvements to the effectiveness of business operations and processes (section 10.9), and assistance in the analysis of the value creation system (section 4.9).

Options generation, evaluation, and strategic choice

The accountant can contribute to the financial and strategic evaluation of strategic options, discussed in sections 8.3, 8.4, and 8.5. For example, by evaluating the long-term viability of competitive strategies, such as cost leadership (section 6.3.1), and by monitoring the current profit margins and forecasting future profit margins. In markets where the price is the main focus of competition, watching the profit margin is an essential activity. Enhancing and maintaining a cost advantage via strategic cost management and activity-based management (section 6.6) is a crucial area where the accountant can provide specific expertise. The development of lean manufacturing and lean accounting (section 6.7) has emerged to support cost-efficient and responsive manufacturing strategies. Accountants are also able to contribute to the maintenance of a differentiation strategy (section 6.3.2) by undertaking competitor analysis (section 3.11) and using the value creation system (section 4.9) to identify areas where value can be added to the product or service.

Analyzing the relative profitability of different market segments can help to identify possibilities for organizations to pursue a focus strategy (section 6.3.3), which could be either a cost-focus or differentiation-focus. Assisting in the evaluation of product development (section 7.4.4) via techniques such as target costing (section 7.8), life cycle costing (section 7.9), quality costing (section 6.8), and pricing strategies (section 6.4) provides opportunities for accountants to contribute to strategy development. Similarly, assisting in market development strategies (sections 7.4.5 and 7.5) by evaluating the potential profitability of entering new markets or exploiting new marketing channels can provide the management team with valuable information on which to base strategic decisions.

A more obvious area where the accountant can contribute to the choice of strategic option is in the financial evaluation via investment appraisal techniques, such as net present value (section 8.5) and real options (section 8.6). The investment appraisal techniques and financial analysis are also useful during the evaluation of the various methods for implementing the chosen strategy, such as evaluating potential mergers and acquisitions, and the possibilities for joint development (section 7.10). All options involve the assessment of risk and developing appropriate risk management strategies (section 8.7) has become more significant since the financial crisis of 2008 and 2009.

Strategic implementation

Crystallizing strategic plans into operational budgets, discussed in section 9.3, is part of the implementation process, but also ensuring that the information systems can provide the information required to monitor and evaluate new strategies. All too often, organizations fall victim to the reliance on legacy systems that are not capable of providing the necessary information to manage the business as it grows and develops. It is also essential for the accountant to support management by employing appropriate accounting techniques. For example, the techniques to aid sustaining a cost leadership strategy are different from those that will support one of differentiation. It is equally important to ensure that the use of appropriate reporting formats (section 9.6) helps the organization understand the underlying causes of good or bad performance and thus take appropriate action.

The preparation of budgets viewed as a traditional accounting practice has received some criticism in recent years, and a movement known as beyond budgeting (section 9.4) is growing in popularity. Beyond budgeting encompasses a system of setting stretch targets that strives towards continuous improvement. Implementing such a system involves changing the way the organization operates and often a change of culture. Indeed, adopting new strategic models, such as the concept of the business ecosystem (section 3.13), or accounting techniques, such as lean accounting (section 6.7), involves educating managers in understanding the insight that the analysis and evaluation provides. Management accountants can assist in facilitating change (section 9.5) not just for changes in accounting systems, or adopting new accounting techniques, but for a change in strategy that may result in a shift of focus to the management information required.

Review, evaluation, and control

Implementation feeds into the review, evaluation, and control of the current strategy that closes the loop to the mission and objectives. The accountant of twenty years ago would have focused mainly on reporting on actual performance versus plan. Today's accountant, however, would be involved in reporting on the effectiveness and continued viability into the future of the current strategy using integrated performance measurement and highlighting any potential emergent strategies and the need for a strategic response to any potential profits gap.

The concept of multidimensional performance management (section 10.3) and reporting on critical success factors (section 10.3.2) are important here, as is reporting on divisional or business unit performance (section 10.6). To ensure the reported performance of divisions and business units accurately reflects the value-added and motivates employees, the accountant can set appropriate transfer prices of goods and services provided between divisions (section 10.8). Economic value added (section 10.7) seeks to provide a performance management system that aids the management of an organization to enhance shareholder value and can also be used to evaluate divisional performance by understanding where value is added or lost. Techniques such as benchmarking (section 10.9) aid performance enhancement and the accountant can assist in both the process of benchmarking and the subsequent monitoring of any improvements implemented.

Performance management can be an emotive topic, particularly at an individual level, and understanding the behavioral aspect of performance management (section 10.10) is key to establishing the right measures to encourage the desired behavior.

An aspect of strategy and organizational performance that is highly relevant in today's business environment is the issue of sustainability, discussed in Chapter 11. It is becoming popular for organizations to publish corporate social responsibility reports that report on the implementation of environmental, social, and governance practices to demonstrate their commitment to sustainability. Management accounting has much to offer here, as many of the techniques discussed in this learning resource lend themselves to the inclusion of sustainability as a consideration.

Frameworks, models, and techniques

The diagram shown in Figure 1.6 provides a summary of how the strategy models and accounting techniques can be viewed within the strategic management framework. The models are not fixed, and there is no intension, or desire, to constrain techniques within specific boxes. Several models and techniques are useful within different phases of the process. For example, many of the models and techniques used to assess an organization's resource capabilities can be used to determine the capabilities of the competitors, albeit with the added difficulty of access to accurate information.

Other examples include stakeholder analysis, which is relevant to the objective-setting process, as well as the evaluation of strategic options that are acceptable to the stakeholders, and performance management to monitor the achievement of objectives. Benchmarking can be used to support competitive strategies but is also part of performance management. It is important, therefore, that the reader does not assume that the technique is restricted to the box in which it is depicted. Indeed, it will be noted in the discussion of the techniques that they are very seldom used in isolation but provide a toolbox of complementary tools that can support the strategic management process.

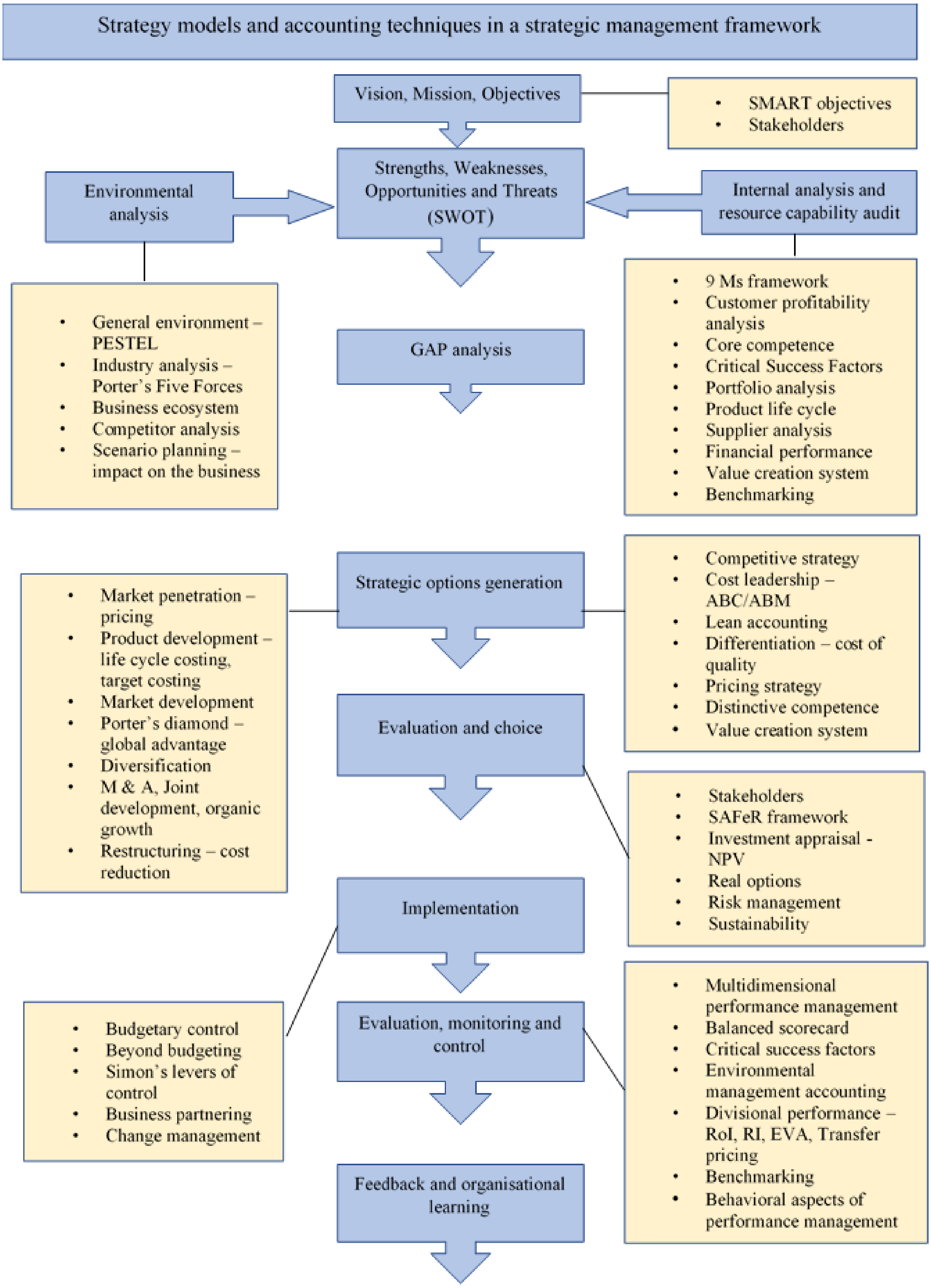

Figure 1.6 Strategy models and accounting techniques in the strategic management framework

To provide support to the strategic management process, the accountant needs to understand how the process works and the various dynamics that impact on the implementation and effectiveness of a chosen strategy. Likewise, managers need to be able to understand the potential impact that the different strategic options available could have on the financial performance of the organization. Part of proper strategic management, however, is spotting potential issues before they become big problems. Many organizations have gone out of business because they ignored the warning signs emanating from the monitoring of their current performance relative to competitors, as well as not identifying, or worse, ignoring the changes in the business environment.

1.12 The role of accounting data and information within strategy

Active reading. Accountants are often referred to as bean counters, that is, just dealing with the numbers. Note, however, how this can be used positively within the strategic management process.

While there is debate regarding the management level at which the organization's strategy is formulated (Balogun and Johnson, 2007; Hendry et al., 2010), there is evidence that middle managers and accountants become involved in the work of strategy formulation, implementation and evaluation (Dutton et al., 2001; Chenhall, 2003; Ahrens and Chapman, 2007). Not least, accounting information is inherent in the strategic management process. Boland (1993) suggests that accountants write reports based on an interpretative reading of an organizational situation, inevitably based on the accounting data, which are read by managers and others. In this way - via analysis, manipulation, and interpretation - accounting data could be used to inform, persuade, and impress others (Langley, 2007). Indeed Robson (1992) argues that it is the properties of numbers that make them influential in that they have mobility, stability, and combinability.

The skills of accountants enable them to use these properties to support strategic decision making (Oliver, 1991; Coad, 1996). Formal analysis has also been shown to enhance legitimacy with numbers taking on the roles of controlling, legitimatizing, and sense-making (Denis et al., 2006; Whittle and Mueller, 2010). Accounting data or numbers have been used to rationalize decisions after the event (Burchell et al., 1980), but conversely, as suggested by Simons (1992), can be seen to trigger organizational learning by stimulating new, and often unanticipated, strategies to emerge. There is little doubt that accounting data is used in the strategic management process. Management accountants can use this information in collaboration with others to make sense of organizational situations (Tillmann and Goddard, 2008).

Management accounting, however, is more than just numbers. If accountants do not understand and participate in the strategic management process, how can they provide appropriate information to managers? The Chartered Institute of Management Accountants (2009) highlighted the augmented skill set of the T-shaped accountant (Figure 1.7), which suggested that accountants need more than just the finance and accounting skills. They should also have a combination of skills which, on the one side, are about business understanding and strategic awareness and on the other, being able to influence people and even provide leadership.

It is applying their technical knowledge and strategic awareness, together with the development of strong interpersonal skills that enable accountants to make a significant contribution to the strategic management process and hence to an organization's success.

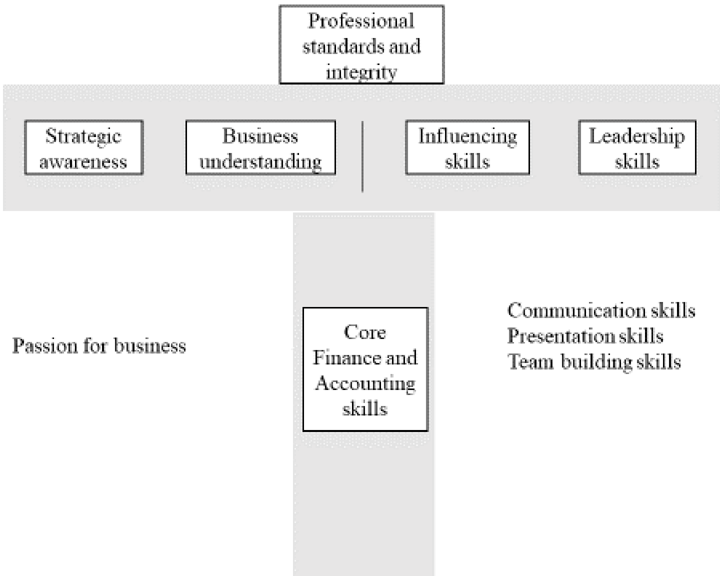

Figure 1.7 The T-shaped accountant (source: CIMA, 2009)