

# CGMA<sup>®</sup> TOOLS

## YOUR JOURNEY TO INTEGRATED THINKING

Joining the dots: Assessing your organisation's  
decision-making capabilities

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Two of the world's most prestigious accounting bodies, AICPA and CIMA, have formed a joint venture to establish the Chartered Global Management Accountant (CGMA®) designation to elevate and build recognition of the profession of management accounting. This international designation recognises the most talented and committed management accountants with the discipline and skill to drive strong business performance. CGMA® designation holders are either CPAs with qualifying management accounting experience or associate or fellow members of the Chartered Institute of Management Accountants.

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# DECISION-MAKING CHALLENGES IN TODAY'S ORGANISATIONS

High-quality decision making has never been more important—or more difficult. Fluctuating economic conditions, geopolitical risk, regulatory pressures and climate change all represent major obstacles and challenges for organisations.

In addition to these challenges, competition from agile and innovative rivals harnessing advances in technology is relentless in today's markets. In a parallel trend, while leaders may now have access to richer sources of data than ever, without the right tools and expertise this can leave them drowning in 'information overload'.

Our research *Joining the dots: Decision making for a new era* probed the key areas that need to be addressed to deliver more effective decision making, from the quality of management information, to the fitness of organisations' people and processes. In short,

organisations must improve their ability to think in an integrated way.

*Joining the dots* provides a roadmap for making such a shift, highlighting a clear connection between successful decision making and specific business practices.

This tool will help you identify the key areas that your organisation may need to address to deliver more effective decision making.

## EXTERNAL ENGAGEMENT AND INTERNAL CULTURE

Today's large multinationals are complex organisms. Each one is a construct of its own history and legacy. Overly bureaucratic processes and inefficiencies can hinder effective communication and fast, decisive action.

Our survey clearly establishes that bureaucracy remains a major challenge to organisational agility today. Nearly one-third (29%) say organisational silos and bureaucracy create coordination problems. This is the single biggest barrier that respondents face.

Our analysis also shows that many organisations appreciate the importance when setting strategy of assessing the needs of a wider group of external stakeholders. However, while 45% say this is highly important. Only 23% rate themselves as highly effective at doing so.

Our research also indicates that at least two further distinct factors are contributing to the difficulties that leaders are facing:

- More than a third (34%) of respondents say their company's incentive and bonus structures are hindering their ability to generate value for the short, medium and long term
- The same proportion (34%) report that they find it challenging to select the right combination of metrics to measure business performance over different time frames

"If you want to get to fast and agile, you need a sustained approach to change culture,... This is particularly so if you're building on 100 years of successful history. You want to retain 70% of the culture and change 30%."

Simon Henry FCMA, CGMA, CFO,  
Royal Dutch Shell

## Assessment 1: Is your organisation's culture supporting decision making?

QUESTION	YES	NO	NOTES
<b>Q1.</b> We have sufficient knowledge of the needs of external stakeholders in developing our strategy. If not, what are key risks?			
<b>Q2.</b> We have addressed bureaucracy and organisational silo issues that had created coordination problems with our decision making. If not, where do they still exist?			
<b>Q3.</b> Our organisational culture is conducive to swift, effective decision making. If not, what are critical issues?			
<b>Q4.</b> We have a comprehensive understanding of our business model and how it must adapt to remain competitive. If not, what are major challenges?			
<b>Q5.</b> Our incentive structures and performance metrics are properly aligned to measure the value of our people, technology and customers. If not, what are the main challenges?			
<b>Q6.</b> Our incentive structures and performance metrics are properly aligned to balance short, medium and long-term value creation. If not, what are the main challenges?			

If you answered no to one or more of the questions above, view the following resources to improve your organisation's decision-making process:

**Building world class businesses for the long term** – includes case studies, practical tools and best practice advice for managing the interplay between short and long-term thinking.

[www.cgma.org/worldclassbusiness](http://www.cgma.org/worldclassbusiness)

**Aligning strategy, planning and risk at MassMutual** – shows how to align strategy, planning and risk processes for improved governance and performance.

[www.cgma.org/massmutual](http://www.cgma.org/massmutual)

## PEOPLE AND PROCESSES: BUILDING TRUST AND COLLABORATION

When we use the words “trust” and “transparency”, we automatically assume the major cause for concern is about a breakdown in relationships between organisations and wider society.

Yet our survey reveals that senior leaders also have real concerns about internal levels of trust and collaboration. Trust is often lacking even between managers and employees in the same business.

In the context of decision making, internal trust is key. Having trust means that people will share information and insight and provides the basis for different groups to meet shared judgements. These are essential attributes for making robust decisions that do not back-fire to cause excessive risk and damage.

There will be times when solving these problems requires a balancing act. For example, many organisations believe that smaller groups of stakeholders are important to accelerating the decision-making process. However, that may conflict with the principle that good decision making also requires the input of wide-ranging employee and external-stakeholder groups. In practice, this will require transparent and simple sign-off procedures so that final decisions are not delayed.

We assemble multifunctional groups intermingled with different capabilities—it takes a very high-performing team with a mixture of talents to achieve a strategic objective.

Patrick Conway, Chief Knowledge Officer,  
US Army Training and Doctrine Command

## Assessment 2: Are the levels of trust within the organisation supporting decision making?

QUESTION	YES	NO	NOTES
<b>Q1.</b> The level of trust between executives responsible for different areas contributes to collaborative decision making. If not, why not?			
<b>Q2.</b> We have a sufficient level of trust between our leaders and employees for effective collaboration. If no, why and where do we need improvement?			
<b>Q3.</b> We generally have all of the relevant people involved in key decisions. If not, who should be included? And what are the barriers that are making this difficult?			
<b>Q4.</b> We include diverse perspectives in our decision-making process. If not, who do we need to include and how?			
<b>Q5.</b> Our leadership is open to challenges. If not, what are the critical issues?			
<b>Q6.</b> We are effective at learning from past outcomes. If not, what are the priority areas?			

If you answered no to one or more of the questions above, view the following resources to improve your organisation's decision-making process:

**New ways of working – Managing the open workforce** – explores the emergence of the open workforce and outlines steps organisations can take to deliver on their strategic goals.

[www.cgma.org/ready](http://www.cgma.org/ready)

**Finance business partnering – The conversations that count** – based on interviews and roundtables with senior executives, shows how partnering improves business performance and decision making.

[www.cgma.org/partnering](http://www.cgma.org/partnering)



# BUSINESS DRIVERS, BIG DATA, AND INSIGHT FOR DECISION MAKING

Senior decision-makers have more information than ever before at their disposal as they contemplate the future direction of their organisations.

The potential of big data—the greater volume, velocity and variety of information available—is significant and growing all the time. Sophisticated analytics tools can allow organisations to turn raw and often unstructured information into strategic insight, driving competitive advantage and managing risk.

Equally, however, the proliferation of data carries the risk of information overload. Decision-makers at those organisations that fail to prioritise and process the data they receive—extracting what is relevant and making it meaningful by adding context and practical insight—will not hear clear signals from their data. They will only hear noise.

## DEFINING METRICS IN A NEW WORLD OF INTANGIBLE ASSETS

The challenge for senior leaders is not just about aligning incentive structures more closely with long-term strategy. Many are also struggling to find the appropriate metrics to gauge performance in a world where value can no longer be measured simply by traditional accounting measures. For many organisations, the value of intangible assets—such as reputation, brand and intellectual property—are increasingly important. Recent research from Brand Finance, covering more than 58,000 companies quoted in more than 120 countries and 120 stock exchanges, found that their total Enterprise Value was \$71 trillion as at the end of 2014. Of this value, \$33.5 trillion represented Net Tangible Assets (NTA), while \$11 trillion was ascribed to intangible assets and \$26.5 trillion to 'undisclosed value'.

Source: Global Intangible Financial Tracker 2015, April 2015, Brand Finance in partnership with CIMA

### Assessment 3: Is the data collected within the organisation supporting decision making?

QUESTION	YES	NO	NOTES
<b>Q1.</b> We are effective at delivering timely and effective information to our decision-makers. If not, what are the priority areas to improve?			
<b>Q2.</b> We provide both financial and non-financial data from internal and external sources. If not, what are the main challenges?			
<b>Q3.</b> Our management information contains the right amount of forward-looking and predictive data. If not, what are the priority areas to address?			
<b>Q4.</b> We assess the management information we need based on linking our key value drivers to our business model. If not, what are the main challenges?			
<b>Q5.</b> We regularly review our management information based on the changing environment in which we operate. If not, what are the priority areas to address?			
<b>Q6.</b> Our organisation is effective at exploiting data analytics and applying new data sources and tools. If not, what are the main challenges and how do we improve?			

If you answered no to one or more of the questions above, view the following resources to improve your organisation's decision-making process:

**From insight to impact – Unlocking opportunities in big data** – identifies how businesses are using data-driven decision making to have commercial impact.

[www.cgma.org/bigdata](http://www.cgma.org/bigdata)

**How to turn data into decisions** – this primer provides an overview of how CGMA professionals can add value to the decision-making process in their organisation.

[www.cgma.org/datadecisions](http://www.cgma.org/datadecisions)

# GLOBAL MANAGEMENT ACCOUNTING PRINCIPLES: BEST PRACTICE FOR INTEGRATED THINKING

While many are struggling to make headway in their decision-making capability, we found a distinct group of organisations – 25% of our sample – at the other end of the spectrum.

These companies are using high-calibre decision making to drive performance and bottom-line results, as well as making their organisation an attractive and stimulating environment for talented people.

We call these organisations 'Integrated Thinkers' and they are characterised by strong implementation of the Global Management Accounting Principles® that provide a foundation for effective decision making and the creation of value in large organisations.

These principles are:

#### Influence

Communication provides insight that is influential

#### Relevance

Information is relevant

#### Analysis

Impact on value is analysed

#### Trust

Stewardship builds trust

To find out more, see [www.maprinciples.com](http://www.maprinciples.com) where you can find out about the self-assessment tool that is being developed to help organisations find out how well their finance functions perform against the Global Management Accounting Principles.

## INTEGRATED THINKING

Integrated thinking is the active consideration by an organisation of the relationships between its various operating and functional units and the resources and relationships that the organisation uses or affects. Integrated thinking leads to more joined-up decision making and actions that consider the creation of value over the short, medium and long term.

Embedding integrated thinking into an organisation's activities enables joined-up information to flow more naturally into management reporting, analysis and decision making. It also leads to better integration of the information systems that support internal and external reporting and communication, including preparation of the integrated report.

Visit [www.maprinciples.com](http://www.maprinciples.com)

GLOBAL MANAGEMENT ACCOUNTING PRINCIPLES<sup>®</sup>

INFLUENCE

RELEVANCE

VALUE

TRUST

ANALYSIS

# DRIVING INTEGRATED THINKING AND DECISION MAKING

## CHECKLIST

To improve their decision-making processes organisations will need to make hard changes to processes and tools, but also changes to behaviours, culture, and leadership styles:

Build greater trust between leaders and employees to improve the sharing of information and to ensure fresh perspectives are heard in supporting decision making.

Balance both financial and non-financial information to capture a broader understanding of all the key value drivers, moving away from a solely traditional view of value in a business environment where that no longer makes sense.

Share relevant data that has insight layered onto it, to ensure that leaders can extract meaning from data and apply it in the right context.

Drive greater collaboration to make sure that the people with the right knowledge and experience from different business units and functions are involved in making decisions.

Put the right incentive structures in place to encourage decision-makers to take choices that will create value for the short, medium, and long term.

Place greater emphasis on engagement with external stakeholders to develop a broader perspective on stakeholder value, helping to ensure the organisation's strategy is sustainable for the long term in today's fast-changing world.

Work harder to learn from the outcomes of previous decisions, adjusting review processes and performance metrics to drive better results in the future.

Create greater transparency into how and why decisions are being made

Help to develop a deep understanding of the organisation's business model and align all employees with the wider strategy so they can work towards a common goal, and facilitate enhanced relationships across the organisation.

## FURTHER RESOURCES

### REBOOTING BUSINESS – VALUING THE HUMAN DIMENSION

The ground-breaking report explores the challenges faced by organisations against the backdrop of a rapid pace of change brought about by globalisation, innovation, and the fallout from the global financial crisis.

[www.cgma.org/rebootingbusiness](http://www.cgma.org/rebootingbusiness)

### FINANCE BUSINESS PARTNERING – THE CONVERSATIONS THAT COUNT

Finance business partnering makes an important contribution to improving decision making and ensuring the sustainable success of business. This report shows the kinds of decisions management accountants support and how they contribute to these decisions.

[www.cgma.org/businesspartnering](http://www.cgma.org/businesspartnering)

### INTEGRATED THINKING

This brief highlights the benefits of integrated reporting. It shows that effective integrated reporting requires integrated thinking and decision making based on information that is broader, more interconnected, and more forward-looking than traditional financial information.

[www.cgma.org/integratedthinking](http://www.cgma.org/integratedthinking)

### FROM INSIGHT TO IMPACT – UNLOCKING OPPORTUNITIES IN BIG DATA

This report investigates how leading finance professionals are using data to drive commercial impact. It highlights the top five business areas that could benefit from better data quality and analysis.

[www.cgma.org/bigdata](http://www.cgma.org/bigdata)

### GLOBAL MANAGEMENT ACCOUNTING PRINCIPLES

Learn how to implement the best framework for integrated thinking and decision making in your organisation.

[www.mapinciples.com](http://www.mapinciples.com)

### ESSENTIAL TOOLS FOR MANAGEMENT ACCOUNTANTS

This report contains information on 20 leading tools, including the balanced scorecard, value-chain analysis, and enterprise risk management.

[www.cgma.org/essentialtools](http://www.cgma.org/essentialtools)

### KPIs – SIX CATEGORIES OF KEY PERFORMANCE INDICATORS

When selecting and developing KPIs, it is important to define the priorities and limit to those factors that are important to successfully achieving organisational goals. This checklist recommends a series of factors to consider when developing a performance indicator model.

[www.cgma.org/kpis](http://www.cgma.org/kpis)

### SCENARIO PLANNING – PROVIDING INSIGHT FOR IMPACT

A management tool to allow organisations to evaluate the efficacy of strategies and plans under a range of possible future environments. It is also a valuable addition to a risk management toolkit, addressing the potential impact of alternative scenarios on an organisation's risk profile.

[www.cgma.org/scenario](http://www.cgma.org/scenario)

### CGMA COST TRANSFORMATION MODEL

A practical planning and control framework, with supporting tools, designed to help businesses achieve and maintain cost competitiveness.

[www.cgma.org/cost](http://www.cgma.org/cost)

## USEFUL FURTHER READING

### THE INTERNATIONAL INTEGRATED REPORTING FRAMEWORK (IIRC, 2013)

The purpose of the <IR> Framework is to establish Guiding Principles and Content Elements to govern the overall concept of an integrated report. It is underpinned by the IIRC's vision of a world in which integrated thinking is embedded within mainstream business practice, facilitated by <IR> as the corporate reporting norm.

[www.theiirc.org](http://www.theiirc.org)

Download the CGMA report on decision making in the new era:

[www.cgma.org/joiningthedots](http://www.cgma.org/joiningthedots)

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April 2016

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