

INNOVATION OUTLOOK

FRAMING THE GLOBAL
MANAGEMENT ACCOUNTING
AGENDA 2012/13

CGMAs driving critical decisions
for business success

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 the profession of management accounting. The designation recognises the most talented and committed management accountants with the discipline and skill to drive strong business performance.

This paper highlights key areas of focus for CGMAs over the coming year as they strive to make an effective contribution to long-term business success.

BACKGROUND AND CONTEXT

Organisations across the world face unprecedented challenges. The paradigms that have guided business and government have been disrupted by a dizzying pace of change brought about by globalisation, innovation and the continuing fallout from the global financial crisis.

As Douglas Flint, Chairman of HSBC has pointed out, “I don’t think we’ve ever been in a period, in our lifetimes at least, where things have been more uncertain”, *Rebooting business: valuing the human dimension*, CGMA, 2012.

These challenges have a significant impact on the role of the management accountant. This paper frames the debate by highlighting the key areas of focus for business and how management accountants can support their organisations effectively.

The first priority for organisations is to focus on long-term **sustainable success**, based on a robust and resilient business model. This applies just as much to public services and not-for-profit organisations, both of which also strive to serve the end-user and allocate scarce resources effectively.

Driving this forward will be an emphasis on new ways of working and collaboration between executives and stakeholders both within and external to organisations – in other words, **connecting the dots**.

What this needs is effective oversight and quality decision making by both the board and management. This recognises high-quality management information combined with the very best insightful analysis that enables organisations to devise innovative, robust ways of delivering success over the long term. This is where management accountants have such a crucial role to play. Their distinctive skills and experience, and in particular their multi-disciplinary approach, is how management accountants contribute value to organisations in such a fundamental way.

Management accountants are trusted to guide critical business decisions and drive strong performance. They combine financial expertise and business acumen to achieve sustainable success. They understand how the different parts of the business need to come together, so helping to ground decisions in operational and financial reality. Management accountants also monitor how each part of the business attains its goals and how that contributes to the performance of the business as a whole. In this way, they help guide the organisation to implement the decisions of the board successfully and to ensure

that the board has a clear line of sight. These are all essential attributes that CEOs and other senior business leaders have told us that they need to meet the challenges ahead. Indeed, it is no surprise to discover many of the best management accountants leading organisations themselves.

FOUNDATIONS OF MANAGEMENT ACCOUNTING

In keeping with the objective of the joint venture to establish the CGMA designation to elevate the profession of management accounting, we have created a systematic approach to demonstrate how management accountants can make this unique contribution.

The bedrock of this approach is an in-depth statement of **the foundations of management accounting**, summarised in the publication: *How management accounting drives sustainable success*. This demonstrates the roles, skills, behaviour and influence demonstrated by the management accountant to deliver what the organisation needs. In essence, the management accountant links the board objectives and the business, enabling the right decisions to be made, be appropriately funded and correctly implemented throughout the organisation both in the short and long term.

We are building on this work through an integrated **Management Accounting Coordination Framework Programme**. This will integrate a number of projects, including the development of the syllabus and CPD, tools to support the effectiveness of management accounting and research into the future of the finance function. The programme is market-driven to ensure ongoing relevance so that management accountants can always be at the cutting edge of techniques, tools, issues and solutions that are most important to organisations.

HOW MANAGEMENT ACCOUNTING ADDRESSES CURRENT BUSINESS CHALLENGES

On top of this core foundational programme, we are focusing on six overarching themes in the coming year as shown in the calendar below. Together, the themes address all of the most critical challenges facing the world's organisations and are based on extensive feedback combined with our own analysis of prevailing market conditions.

	THEME	TOPICS
2012	Doing the right thing	<ul style="list-style-type: none"> • Applied ethics • Corporate social responsibility • Behaviours • Leadership
	Developing the skills and talent to succeed	<ul style="list-style-type: none"> • CFO priorities • Future of management accounting • Valuing talent - cost of losing and retaining talent • Tomorrow's finance talent and competencies
	Making it happen	<ul style="list-style-type: none"> • Contemporary performance management
2013	Risk versus innovation	<ul style="list-style-type: none"> • Strategy, risk and opportunity management
	Resilient business models	<ul style="list-style-type: none"> • What they are and how to develop them
	Turning data into insights and action	<ul style="list-style-type: none"> • Managing mega data • Cloud computing, IT • The internet of things

For each theme, our objective will be to develop and promote new thinking with particular emphasis on the unique perspective of the management accountant in addressing some of the key challenges facing business.

These themes are all core to long-term sustainable success. They have particular relevance at a time of economic turmoil and increasing environmental stress in a world where the system is being stretched to breaking point. Creative destruction, always a feature of market economies, has begun to exact a heavy toll. At the same time, the realisation is gaining hold that short-termism is ultimately unsustainable both in commercial and wider societal terms.

The first imperative is for companies to base all their decisions and actions on quality information with a view to serving not just the needs of a narrow group of stakeholders, but the needs of the community and the environment as a whole – **doing the right thing**. This is a fundamental foundation of long-term sustainability. Decisions must also be based on sound ethical principles.

In supporting this, our recent research of business leaders clearly demonstrated the importance of having the right skills and talent in supporting business success. We saw above how management accountants support business success, but of course, nobody needs much reminding of how business is constantly evolving. A key focus of this theme is therefore to understand these changing needs of business so that management accountants are **developing the skills and talent to succeed**. It is also crucial for organisations to understand and measure the value of their human capital so that they can harness its power effectively.

Most business leaders will tell you that it's one thing planning the strategy and deciding what to do, but the real skill lies in **making it happen**. A key element of this is effective performance management to ensure that performance indicators and incentives reinforce the right behaviours towards achievement of the desired outcomes.

A key conclusion from the global financial crisis was that boards had fallen short in their ability to oversee strategy and risk effectively. The current environment leaves very little room for manoeuvre or error in this regard, but that does not mean that companies should resort to a 'bunker mentality' and play safe. Constant

reinvention and the seizing of opportunities are key to long-term survivability so organisations need to steer a course between **risk versus innovation**.

A further important component is a **resilient business model**. This is a new term that seems to have entered the business lexicon in recent years, possibly as a consequence of the volatile, uncertain and complex conditions that now prevail, which can render traditional product and service offerings and delivery channels obsolete very abruptly. It's clear that no organisation's business model can stand still. So it's essential for organisations to have a real grasp of how they make money – or deliver value – to ensure that their business model is actually delivering the right results now and into the future.

To support this, organisations need to have the right sort of information to help them make decisions on all aspects of their business. They need to understand their customers, drive operational efficiency and have a clear understanding of all the external factors that impact upon their business, including social, environmental, technological, competitive and political issues. But there is little point in churning out data if you can't make much sense of it. So the priority has to be **turning data into insights and action**. This also involves a thorough understanding of the potential implications of developments such as mega data, cloud computing and the so-called 'internet of things'.

Our six themes, building on the foundations of management accounting, will help all organisations steer a course towards long-term sustainable success. Through delivering a platform of outputs including reports, tools, events and webcasts, we will be providing CGMAs with the resources they need to add value and develop their careers, whatever their role in the organisation.

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May 2012

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