How management accountants can grow their influence to drive business performance

INTRODUCTION

Many management accountants are not yet being engaged to exercise their potential to improve decision-making and performance management. They continue to be hampered by operational activities, legacy systems and a lack of appetite to embrace new technologies.

Oracle, in partnership with the Chartered Institute of Management Accountants, sourced the views of more than 250 finance professionals through a survey entitled 'How can management accountants improve business performance?'.

Respondents, more than 40% of whom were from large organisations with a turnover of more than £750m per annum, revealed a strong desire for finance to grow its influence across the business, to drive performance and to help inform decision-making.

The survey revealed, however, that many feel they are bogged down with day-to-day tasks that could be automated or streamlined with the aid of technology; lack systems that can provide them with the data and information to inform decisions; and are hindered by a lack of desire to invest in new technologies, such as the cloud.

Nigel Youell, senior director, office of finance at Oracle, says: "We recognise that financial professionals are in the eye of a storm of change, with no ready-to-use road map. Today they are often expected to deliver more strategic input and become active participants in organisational forward-planning. Senior financial officers are increasingly asked to integrate or oversee other operational functions, drive change initiatives and innovate process – yet they also retain a mass of responsibilities based on their traditional accounting and compliance mandate. In this scenario simply having more information isn't enough – they need real insight, in order to develop more informed control and drive effective change."

Peter Simons, technical specialist, research and development at CIMA, adds: "More than two-thirds of the respondents to the survey classed themselves as being in senior management or senior professional roles – so that tells us that these issues are genuinely affecting the top of organisations.

"It is clear that the people at the top of organisations are telling us that there is a need for management accountants to have more influence; for finance to be more efficient, with better information and greater influence; and for finance to be better business partners.

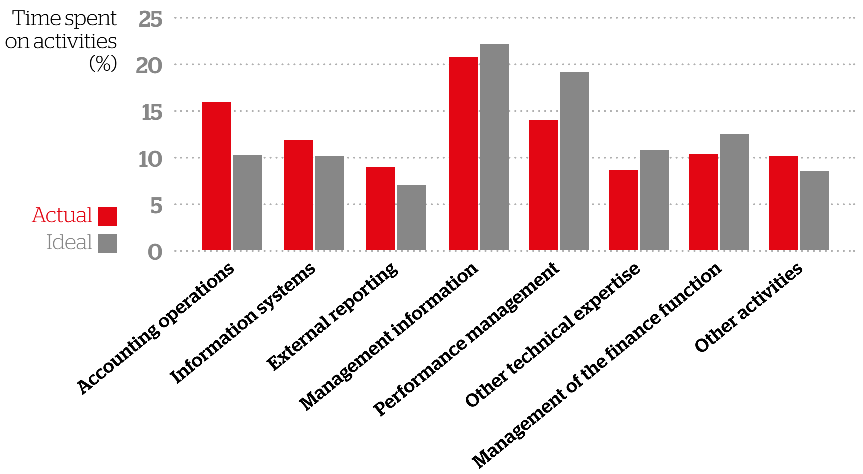
"Technology is an enabler for that – whether it is making processes more efficient to free up time to focus on other areas, or providing the tools to equip finance professionals with the information they need."

DRIVING PERFORMANCE

The demands of accounting operations, external reporting and information systems are hampering management accountants' ability to drive and manage performance across their organisations – despite believing they can add real value.

Respondents to the Oracle survey 'How can management accountants improve business performance?', carried out in partnership with CIMA, revealed they would prefer to be spending around 50% more time than they currently are driving performance management in their organisations. They also revealed that they are spending more time than they would like on accounting operations, information systems and external reporting.

Considering your own role and the activities that accountants might perform in a business, please indicate the actual percentage of your time that you spend in the following activities and the percentage of your time that you would ideally spend to be of more value to the business.



‘More than two-thirds of the respondents to the survey classed themselves as being in senior management or senior professional roles – so that tells us that these issues are genuinely affecting the top of organisations’

Simons says the fact that management accountants are being bogged down with operational activities - eroding their ability to drive performance - could have serious implications for businesses.

“Management accountants are at a real advantage because their work across divisions gives them the best overview of the business,” he says. “They also know the direction the CFO wants to go in - so these things combined make them ideally placed to drive performance.

“If they are being prevented from playing this crucial role, that could certainly be detrimental to the business.”

Simons suggests that finance professionals can increase their involvement in driving performance through their ability to set, implement and measure effective key performance indicators (KPIs). “They can get behind the numbers to really understand what drives performance - to ensure businesses manage the right things and set the right goals.

“Finance’s ability to provide transparency around performance metrics and to ensure everybody is working in the best interests of the shareholders, rather than their own immediate objectives, shouldn’t be underestimated.”

The survey also identified the main ‘obstacles’ that management accountants feel obstruct their potential to play a wider role in supporting their business.

Around 45% of respondents said they do not have enough opportunity to develop business understanding, while the same number said that the lack of a mandate from senior management or the board was an obstacle. Just over 32% of respondents said that the inability to access relevant customer or operational data stopped them from playing a wider role in the business, while 27% cited a lack of credibility in commercial matters among business managers.

Simons says it’s not unusual for business partnering to falter in the face of other distractions.

“Every successful story about business partnering begins with an insight,” he says. “One of the reasons why business partnering may be stalling in organisations is that it’s not easy to come up with insights.

“The key is for finance to come up with those - to drive the appetite for business partnering,” he adds. “There are a number of ways they can do that. The best way is to initiate conversations with others in the business. Management accountants are respected for their expertise in accounting matters. This gives them a seat at the table. They also have an analytical toolkit, so they have financial insights to contribute and bring a bit of professional objectivity. When management accountants show colleagues what the figures seem to be suggesting and have the courage to ask basic questions, they can develop insights about root causes or potential solutions in a collaborative way. The next step is to communicate those insights in a way that is understandable to the rest of the business so that action is taken. As a finance professional, you may recognise when decisions are motivated by short-termism or self-interest. You shouldn’t be shy of putting forward commercial arguments so that the shareholders’ money is invested where the returns are best over the long term.”

Simons adds that the key to achieving these things and to obtaining the freedom to focus on performance management lies very much with technology.

“Technology is the enabler here,” he says. “We need to release the capacity and that means using technology to take on, or improve, the efficiency of some of the things that management accountants tell us are absorbing their time.” ▸

PRACTICAL STEPS TO EFFECTIVE PERFORMANCE MANAGEMENT

Effective performance management helps to overcome uncertainty and volatility, increasing stakeholder expectations, growing IT complexity and inefficiencies in organisational processes. It must serve the entire organisation's needs, not just those of the financial leadership.

- **Understand the fundamentals: performance management links actions to the strategies they should support, monitors results against goals and applies analytics to boost understanding of what's actually happening.**

- **Recognise the changes: acceleration of business, explosion of data to analyse and utilise, a demand by stakeholders and regulators alike for greater transparency and the enormous appetite for technology enablement in a changing, increasingly millennial, workforce.**

- **Spot the opportunities: the shift to social, cloud and mobile, plus penetration of consumer technologies, can enable you to act faster to improve performance management, while big data technologies are transforming the potential of data to inform and drive decisions.**

- **Ask the right questions to set the right goals: where is there a need for greater performance visibility? What is the urgency and timing framework around key information gaps? Which individuals, teams or functions are involved in creating or resolving such gaps? Are the information and insight we already have being used to improve key processes? Do we develop strategic plans and objectives informed by solid analysis of past performance?**

- **Establish a small number of meaningful metrics to measure effectiveness: what high-level performance measures are required, and how do they relate to the business model and its goals? How can we compare these against past performance? Can we identify some predictive, as well as reactive, measures?**

- **Take action – but keep it small: create a template performance improvement plan focused on a priority area, with a small group of key stakeholders who will implement it and then monitor success before refining and rolling out principles to engage the wider organisation.**

MITIGATING RISK

For many respondents, risks such as regulatory change, compliance issues and data and cyber security continue to be top concerns.

Most businesses surveyed said that data security was a major concern to their business, despite the recent advances around cloud technologies and data security systems. More than a third of our respondents revealed that they are worried about cyber attacks.

Simons says data security concerns persist for many because they are reluctant to move to a cloud-based system – and that many firms need to overhaul decision-making around risk in general.

"I think that in the context of moving data into the cloud, the risk is overstated. When there have been security breaches, they have received some very sensational headlines and coverage – but the reality is that a cloud storage specialist should be far better placed to hold my data than I am, or indeed than a business will be.

"I believe that data security and cyber security are sometimes used as an excuse not to invest in a system or a solution," he adds. "There is a need for businesses to improve decision-making around risk management. That's about being rational, thinking widely about how you assess your threats and opportunities – and what your risks are.

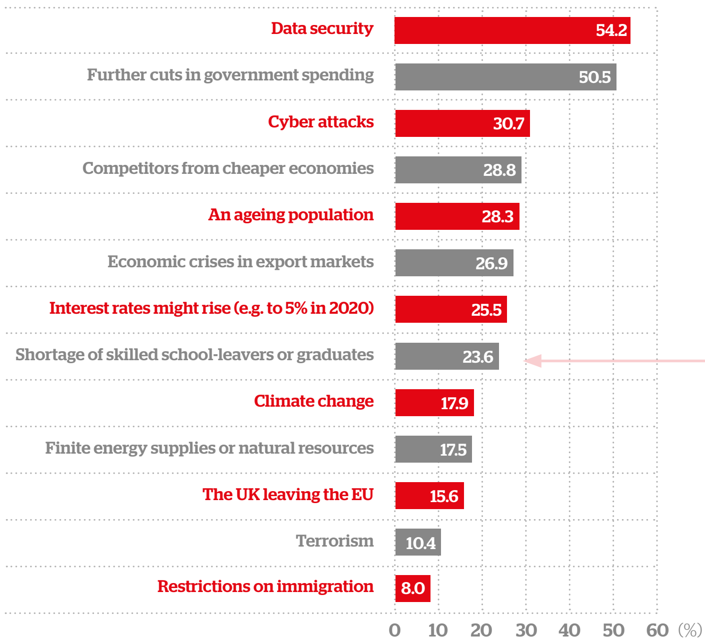
"The first step is to try to identify your risks. The second step is to assess them in some way. Traditionally, the typical way that has been done has been through trying to calculate the probability of something happening and the scale of the impact – and then insuring the things that are likely to happen and are likely to hit the business hard. That has always helped you understand your appetite for risk. Businesses need to get better at putting a value on that so it is a quantitative risk.

"Financial people are naturally a bit conservative and risk-averse, which probably comes from the fact their data is so precious and that historically they have owned a lot of the really valuable IP. If they can take a more objective view of risk and data security, and hand some of those things over to third parties and/or technology – then they will have more opportunity to focus on the areas where they can add real value to the business."

Simons adds that the key to making informed decisions around these issues also lies with good accounting principles.

"At CIMA, we have been working to create the Global Management Accounting Principles, which are all about doing the right things and gathering relevant information to ensure you come to the best decisions," he says. "Only by doing that, by checking there is benefit to the shareholders in a culture where things can be considered carefully and where it's considered appropriate to take actions based on those things, can businesses make informed decisions."

Which of the following topical issues are of concern to your business? (Multiple selections of issues apply here, with ranking in accordance to issues chosen the most by respondents.)



The survey also revealed many employers view a shortage of skilled school-leavers and graduates as a problem – with nearly a quarter citing the issue as a concern to their business.

Simons says this could potentially have an impact on productivity for businesses – leading them to further turn to technology that drives efficiency in their operations.

Other concerns for businesses included the impact of economic crises in export markets and the threat they pose to overseas activities – cited as a concern by 26.9% of respondents. The threat of rises in interest rates was cited by 25.5%.

HOW TECHNOLOGY CAN HELP MITIGATE RISK AND IMPROVE PRODUCTIVITY

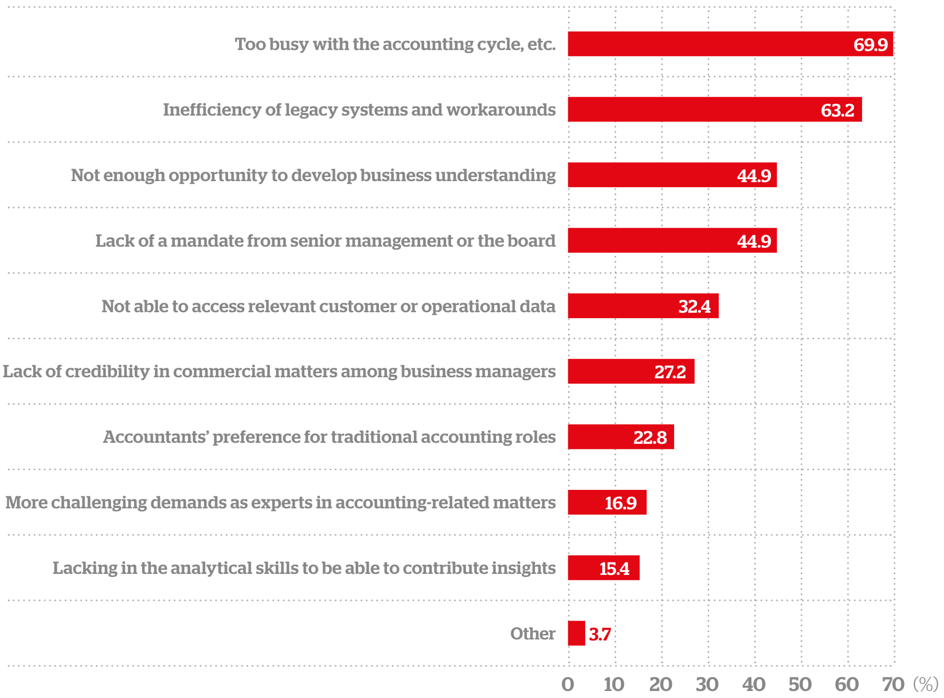
Effectively managing and mitigating risk is only possible with solid, systematic processes that make risk visible and provide the insight, time and tools with which to make decisions. Technology now plays an enormous role in this for every company.

Today big data is changing how risk can be managed and it offers finance professionals a huge opportunity, not only to actively improve performance management and productivity, but also to sharpen forecasting and planning. Finance could deliver data insights to the business that help it differentiate from the competition and drive growth. Based on a global CGMA survey it was discovered that over 90% agreed that finance has a critical role to play in helping their organisation benefit from data[1]. With their data-orientation and quantitative skills, finance professionals have an opportunity to become more engaged in quantifying and qualifying new data sources and their value. Whether it is collecting social analytics and sentiment analysis to forecast revenue, using sensors to manage buildings, capital equipment, lower maintenance costs, improve quality or streamline processes based on new data insights, the possibilities are endless.

Technology also delivers the agility of which companies once could only dream. Today's organisations must "plan at the speed of business", which means a constant need to reforecast and replan. Instead of traditional annual planning cycles, they need driver-based rolling forecasts; financial professionals will increasingly need relevant operational metrics at their fingertips to quickly calculate and allocate financial values. Usage is growing in organisations of tools that enable this kind of speed of operation and high productivity. They are just part of the landscape of technology change that looks set to transform finance office productivity.

[1] http://www.cgma.org/Resources/Reports/DownloadableDocuments/From_insight_to_impact-unlocking_the_opportunities_in_big_data.pdf

Which, if any, of the following obstacles limit management accountants' potential to play a wider role in supporting your business? Please select all that apply.



OVERCOMING LEGACY

The desire among financial professionals to have greater influence over the direction of their organisations is being further hampered by efforts to overcome or work around legacy systems.

A staggering 63.2% of respondents to the survey said that the inefficiency of legacy systems and workarounds are limiting their potential to play a wider role in supporting their business.

More than 40% of respondents are from large organisations – those with more than £750m annual turnover – and Simons says that legacy systems are a bigger challenge for them.

"This is certainly one of those areas where the size of your organisation makes a difference," he says. "If you're a small to mid-sized business, or even a bank branch dealing with customers' accounts, it's a relatively straightforward activity to overhaul your systems. If you're a major organisation with global operations, or the size of the NHS, for example, pulling systems together will require many different people's buy-in, more time and more effort.

"Overall, there is a danger, however, of false economies," he adds. "The survey makes it quite clear that there is a focus on saving costs now to invest in the future – and finance has a role to play by saying that, while money is tight, investing now will help us save more money in the future and achieve our goals more quickly."

Simons adds that technological developments, such as cloud

BENEFITS OF CLOUD TECHNOLOGY/ OVERCOMING LEGACY SYSTEMS

Cloud computing has been with us for years and is still growing. IDC Research predicts spending on public cloud to surpass $127bn by 2018. In a recent Oracle survey[2] of enterprise performance management, it emerged that companies are looking beyond cutting costs and driving efficiency. Instead, respondents commented how cloud allows them to focus on their core business and growth - to "stop running infrastructure and focus on what makes us money". In a similar way, perception around the potential for mobile is moving on from the simple convenience of "anytime, anywhere" working and access to information, towards its potential to drive growth.

For businesses still seeking to gain the first benefits from cloud this may seem frustrating, because their first order of business is to manage the transition to cloud in the first place. They want the benefits of cloud. In the data centre they can expect lower costs, as well as lower environmental impact. The business can gain IT agility, could reduce its time to market or unlock innovation. Business application costs can plummet, while employees are enormously empowered to work more collaboratively and remotely.

Moving to cloud can seem daunting as businesses must overcome challenges such as how to move legacy data to cloud, integrate multiple SaaS apps with different standards, ensure timely movement of data between cloud and on-premise systems and ensure data quality and ease of management at the same time.

However, these are exactly the challenges that the Oracle Complete Cloud can resolve. Its advanced data integration and management technologies are designed to work seamlessly with all its other offerings, including those tuned for the needs of finance such as Enterprise Performance Reporting Cloud, Accounting Hub Reporting Cloud and Financials Cloud.

technologies, have reduced the risks - and therefore the barriers - around change.

"Cloud technologies can be a great opportunity to reduce your investment costs and the risks are diminished because you are buying proven technology," he says.

"At CIMA, we used to host an annual innovation awards. Every year, some businesses would put forward how they had managed to introduce clever workarounds so that the ERP system they had would work 'better' for them. I could never understand that. Why would you buy a system from technology experts, which has been designed in a specific way, and then look for ways to change that or work around it? Businesses must get much better at adapting to the systems they are buying, rather than the other way around.

"Many businesses are put off by that challenge when it comes to cloud," Simons adds. "But they should embrace it and use it to lead them into being a more efficient and more streamlined business." ▸

[2] www.oracle.com/us/solutions/ent-performance-bi/business-intelligence/epm-top-trends-for-2015-2441101.pdf

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ABOUT CGMA

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