



# Strategic Management Accounting

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Strategic management accounting  
innovations

Ax, C. & Bjørnenak, T. (2007). *Management accounting innovations: origin and diffusion*. in Hopper, T., Northcott, D. & Scapens, R. *Issues in Management accounting*, pp.357-376. London: Prentice Hall.

# **Session 5. Strategic management accounting innovations**

- I. Issues and definitions
- II. Examples of strategic management  
accounting innovations

# **I. Issues and definitions**

1. Definitions
2. Diffusion of SMA innovations

# 1. Definitions (1/2)

- **Management Accounting Innovation:**
  - Technical dimension: a new tool
  - Conceptual dimension: a new idea
  - Practical dimension: a new way of using an existing tool or applying an existing idea

# 1. Definitions (2/2)

- **Strategic Management Accounting Innovation:**
  - A new way of translating strategy into numbers and processes
  - An tool / practice/ idea closer to strategy
  - A tool / practice / idea suitable for a peculiar strategy (organisation)

## 2. Diffusion of innovations (1/5)

- Management accounting innovations should fill a gap or improve existing tools. Three dimensions are crucial in their successful diffusion so as them to pervade organisations.
  - Promises
  - Practicality
  - Promoters and supports
  - A four-step voyage to diffusion

## 2. Diffusion of innovations (2/5)

- **Promise:**
  - A promise is the announced usefulness of a management accounting innovation. A promise exposes the value added by an innovation.
  - Why is it worth implementing it?

## 2. Diffusion of innovations (3/5)

- **Practicality:**
  - A management accounting innovation should be technically applicable. Organisational users should be able to use it easily.
  - For whom should the innovation be useful?
  - What training would they need?



## 2. Diffusion of innovations (4/5)

- **Promoters and supports:**
  - An innovation can be diffused only if it is supported by influential actors *within* and *without* the organisation.
  - Ideally, a charismatic leader should insufflate the idea and then enrol middle management, these latter enrolling their workmates and ultimately grassroots people.
  - Who are the significant actors *within* and *without* the organisation?

## 2. Diffusion of innovations (5/5)

- **Success to the diffusion of strategic management accounting innovations**
  - Problematization
  - Interestment
  - Mobilisation
  - Enrolment

## **II. Examples of SMA innovations**

1. Budgets
2. Six Sigma
3. Activity-Based Costing / Management
4. The Balanced Scorecard
5. Beyond Budgeting

# 1. Budgets

- **In the 20s and 30s**

- **Promises:**

- Coping with the turbulences of the environment
    - Emancipating managers

- **Practicality:**

- Profit planning, annual meeting, etc.

- **Promoters:**

- Employer unions, think tanks, engineers

## 2. Six Sigma (1/2)

The Six Sigma <b>DMAIC</b> Framework	
Stage	Goals
<b>D</b> efine	<ul style="list-style-type: none"><li>● Establish the scope and purpose of the project.</li><li>● Diagram the flow of the current process.</li><li>● Establish the customer's requirements for the process.</li></ul>
<b>M</b> easure	<ul style="list-style-type: none"><li>● Gather baseline performance data related to the existing process.</li><li>● Narrow the scope of the project to the most important problems.</li></ul>
<b>A</b> nalyze	<ul style="list-style-type: none"><li>● Identify the root cause(s) of the problems identified in the Measure stage.</li></ul>
<b>I</b> mprove	<ul style="list-style-type: none"><li>● Develop, evaluate, and implement solutions to the problems.</li></ul>
<b>C</b> ontrol	<ul style="list-style-type: none"><li>● Ensure that problems remain fixed.</li><li>● Seek to improve the new methods over time.</li></ul>

## 2. Six Sigma (2/2)

- **Promises:**
  - Enabling continuous improvement
- **Practicalities:**
  - See slide before.
  - A logic to develop
- **Supporters:**
  - Cam-I
  - Large diffusion, nobody knows they do *Six Sigma*.

# 3. Activity-Based Costing

- **Promises:**
  - Providing more accurate information than traditional costing systems.
  - Delineating strategy at the operational level.
- **Practicalities:**
  - Identifying what activities are caused by a product/customer and then costs consumed (production and period costs).
  - See prior units.
- **Supports and promoters:**
  - Cam-I.
  - Top management and management accountants.

# 4. The Balanced Scorecard

- **Promises:**
  - Measuring global performance
  - Reconciling non-financial performance with financial concerns
- **Practicalities:**
  - Four dimensions (customer/processes/learning & growth/finance)
  - Key Success Factors/KPI/Objectives/actions to be undertaken
- **Supports and promoters:**
  - The Kaplan Foundation, Harvard University
  - Top management, management accountants and grassroots people
  - However, many failures in implementing a balanced scorecard (not in French organisations, as they have other PMS)



# 5. Beyond Budgeting

- **Promises:**
  - Coping with the turbulences of the environment
  - Emancipating managers
  - An alternative to budgets
- **Practicalities:**
  - Abandonment of budgets
  - Very ambiguous
- **Supports and promoters:**
  - *The Beyond Budgeting RoundTable*
  - *Svenska Handelsbanken, Ikea, Goldman Sachs, Ernst & Young, etc.*

*Nobody knows what Beyond Budgeting means and is! Nobody knows how to apply it. It is rarely taught and practiced.*