Accounting in an era of competitive intensity and the age of creative intensification: The case for Strategic Collaborative Accounting (SCA)

A presentation at the Northumbria Research Conference 2011
by
Dr Israel Nonyerem Davidson
“Corporate management accounting systems are inadequate for today’s environment” - rapid technological change, vigorous domestic and global competition and enormously expanding information expanding capabilities.
“the new millennium will be a period of either great disciplinary gains or loss, depending on the ways in which researchers, educators, and practitioners react to the challenge of the years 2000 and beyond”

(Chua and Baxter, 1999:p62).
Research Plan

Stages 1 & 2
- Define Research Aims & Objectives
- Extant Literature Review

Stage 3
- Challenges Of the 2020+
- Limitations: M/Accting in the 2020+

Stage 4
- Determinants of Management Accounting Relevance in 2020+

Stage 5
- MA Relevance Gained or Lost?

Research Method
Thank you

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Research Aim / Objectives

Maintenance of management accounting relevance in an era of competitive intensity and creative intensification.

(The Year 2020 & Beyond)
Research Objectives

RO1 Identify the major characteristics of the business environment of the 2020+

RO2 Identify the limitations of MA in 2020+

RO3 Identify the key management accounting challenges of the 2020+

RO4 Develop a new management accounting architecture to address issue of relevance in 2020+
# Research Methodology

Secondary research – A desk research

## Research Publication Areas

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Literature Reviews/Findings
Management Accounting Challenges

MA - Relevance issues today:
- Technical inadequacy in capturing and reporting major attributes of modern manufacturing processes e.g. Flexibility, quality, customer satisfaction, etc.
- Strict financial focus which can lead to a myopic business outlook.
- Failure to generate information that can stimulate problem solving, creative thinking and dialogue.
- Innovative tools – adoption issues in practice.

(Kaplan, 1983; Bromwich & Bhimani, 1989; Johnson & Kaplan, 1991; Mackintosh, 1994; Bjurklo, 2008)
Literature Reviews/Findings

Business Environment (2020+)

- Intense global competition e.g. Japanese multiple layers of competitive advantage.
- Age of creative intensification: Rapid shift from economy based on manufacturing and commodities to innovation economy that places great value on information, services, support, and distribution.
- Premium placed on knowledge workers (Gold-colour), a new class of affluent, educated and mobile people who view themselves as free agents in a seller’s market.
- Collaborative value-innovation mind-set: Many products will be designed, assembled, and distributed via temporary alliances formed on-demand from a global pool of assets.
- New manufacturing technologies, processes & products and move to product plus service commercial models (SERVICISATION).

(Johnson, 1983; Kaplan, 1983; Atkinson & Brown, 2001; Danneels, 2002; Anderson & McAdam, 2004)
Determinants of MA Relevant in 2020+

- Redefinition of the scope of MA to reflect a breath of important skills including leadership, continuous learning, and business partnering.
- Rules of measuring intangible assets – important for competition in knowledge-based organisations of 2020+ e.g. Human, structural, and customer capital.
- Information Processing Technology – 2020, a world of automated transactions and self-service anywhere + knowledge domains interlinked and supported with advanced communication, collaboration, and knowledge sharing tools.
- Complex stakeholder interests and relationship including dynamic alliances and open innovations will create a need for measuring and managing “Trust” in collaborative organisations.
- Performance measurement; particularly as functions will be outsourced to independent, temporary, mobile employees and contractors (New benchmarking standards).

(Brewer, 2008; Grossman, 2000; Chua & Baxter, 2000; Voelpe et al. 2006; Bernstein, 2010; Zak & Knack, 2001; Price Waterhouse Coopers, 2007)
Determinants of MA Relevant in 2020+

- Environmental Accounting – systems for tracking and estimating environmental pollution cost and environmental remediation liabilities.
- The need to track and report on a real-time basis on every aspect of an organisation’s operations, markets, customers, competitors, production technologies, and human resources.
- Non-finance specialists (Gold workers) in the organisations of the 2020s assume a much more direct responsibility for, and interest in, the financial and non-financial outcomes of their departmental or business unit performance.

(Stanko et al. 2006; AICPA, 2004; Little, 2000; de Beer & Friend, 2006; Johansson et al 2010; Roberts, 2010)
Workforce in 2020
Source: Institute of Employment Research

- Knowledge Associated: 52%
- Manual, Admin & Unskilled: 33%
- Cares & Sales: 15%
Japanese Multiple Layers of Competitive Advantage

- Automated process technology
- Product quality
- Scale efficiency
- Accelerated rates of new product development
- Lead time advantages
- Shortened product life cycles
- Deskilling of competitors through alliances and outsourcing
- Creation of global brands

(Dent, 1996)
Strategic Collaborative Accounting Architecture
(Strategic Business Partnering, Dialogue & Reporting Processes)
Knowledge Domains, Data Warehousing & Processing