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# 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*



# Johnson & Kaplan (1987)

(Relevant Lost: The Rise & Fall of Management Accounting)

“Corporate management accounting systems are inadequate for today’s environment” -*rapid technological change, vigorous domestic and global competition and enormously expanding information expanding capabilities.*

(Chua and Baxter, 1999:p62).

“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”

# 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?

**SCA**

**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	PUBLICATION PERIODS					TOTAL
	Up to 1980	1981-1990	1991-2001	2002-2007	2008-2011	
Management Accounting	1	13	65	30	6	115
Environmental Accounting			1	2		3
Performance Measurement	1	4	16	5		26
Strategic Planning	1		18	8	1	28
Information / Manufacturing Technology			5	4	4	13
Organisation Learning		1	9		4	14
Human Resource Management			1	3	1	5
Role Theory	1					1
Intellectual Capital			5	1		6
Theory of Business Trust				1		1
<b>Total number of consulted works</b>	<b>4</b>	<b>18</b>	<b>120</b>	<b>54</b>	<b>16</b>	<b>212</b>

# 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 )

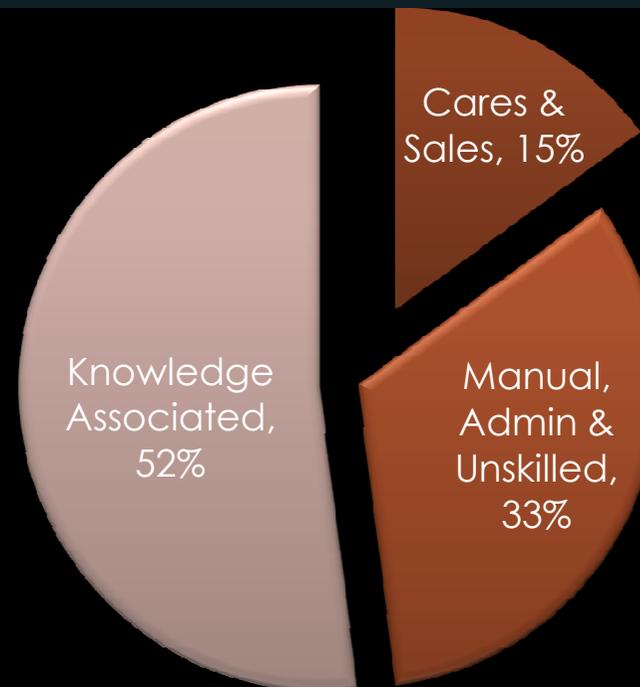
# Determinants of MA Relevant in 2020+

- 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



# Japanese Multiple Layers of Competitive Advantage

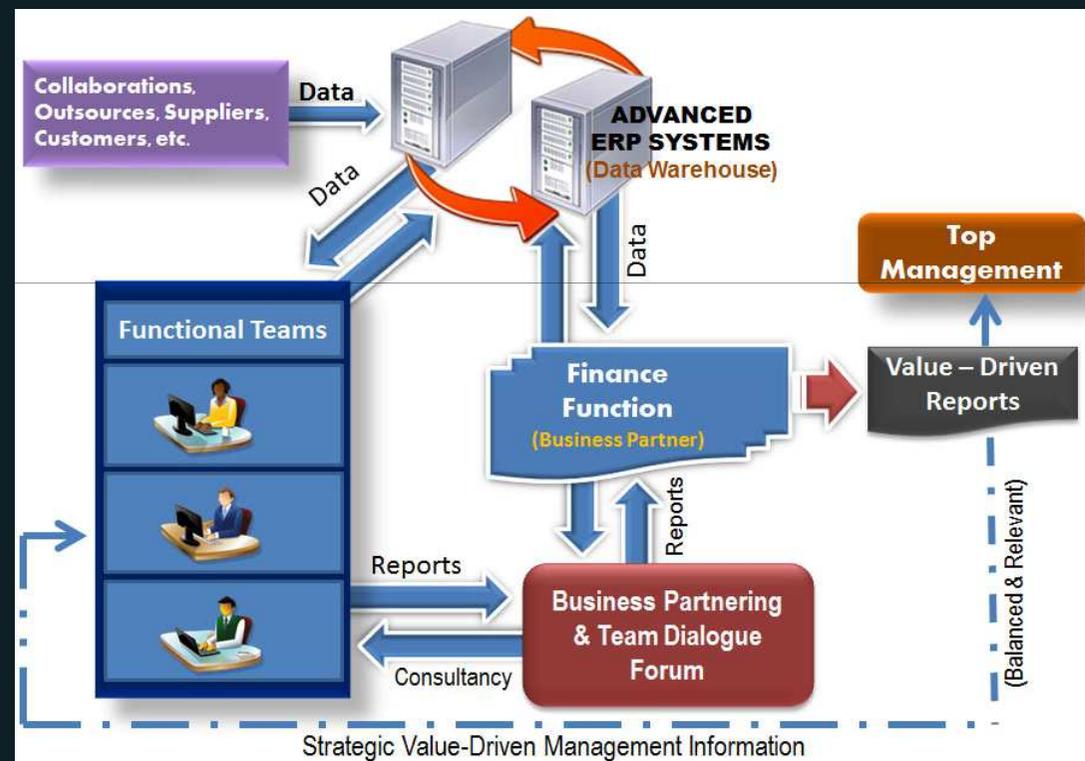
- Automated process technology
- Product quality
- Scale efficiency
- Accelerated rates of new product development
- Lead time advantages
- Shortened product life cycles
- Deskillling of competitors through alliances and outsourcing
- Creation of global brands



(Dent, 1996)

# Strategic Collaborative Accounting Architecture

(Strategic Business Partnering, Dialogue & Reporting Processes)



# Knowledge Domains, Data Warehousing & Processing

