

Workshop week 3_2

What is strategic management accounting?

Prof. M. Contrafatto

OUTLINE

- **BRAINSTORMING: what does SMA mean?** (10 min)
- **DISCUSS THE PAPER?** (40 min)
- **PRESENTATION BY STUDENTS** (30 min)
- **CONCLUSIONS: SO WHAT?** (20 min)

BRAINSTORMING



What does SMA mean?

Simmonds (1981, 1982) used the term to mean “the accounting information that would assist strategic decision-makers”.

Management Accounting

Business Strategy

Tricker (1989) compares the relationship btw business strategy and management accounting to the relationship btw military strategy and military intelligence

READ AND DISCUSS LORD'S PAPER

- **PROVIDE A BRIEF SYNTHESIS OF PAPER**
- **IDENTIFY KEY ISSUES**
- **DISCUSS THE QUESTION** “so what is SMA- a prerequisite for survival in a global economy, another job to pad out the diminishing role of the accountant, or the emperor’s new clothes?”
- **PREPARE A SLIDE WITH A DRAFT OUTLINE OF AN ANSWER**

PRESENTATION

CONCLUSIONS (1)

- The article is good paper for an overview of the main literature up to the time publication. Among several strands of literature Lord identifies:
 - a) SMA as an extension of traditional MA's internal focus to include external information about competitors. What are our competitors doing?
 - b) relationship btw the strategic position chosen by a firm and the expected emphasis on MA. Accounting for strategic position?
 - c) Gaining competitive advantage
 - d) Can be actually strategy be planned?

CONCLUSIONS (2)

- Lord's main thesis is that SMA techniques were/are already in place in organizations, though not labelled as such. These techniques were part of operational management and did not require the input of designated management accountants.
- She summarizes main themes regarding SMA:
 - a) collection and analysis of competitor data;
 - b) exploitation of cost reduction opportunities;
 - c) matching of accounting emphasis with strategic position.

CONCLUSIONS (3)

- Lord describes the strategic management accounting techniques in place in the company at the time of her study:
 - a) competitor data:
 - i) sales representatives collected competitor data;
 - ii) competitors' costs estimated from own cost data;
 - iii) use of publicly available data.
 - b) cost reduction via value chain linkages:
 - i) use of peugeot agency to access cheaper components;
 - ii) good supplier relationships;
 - iii) good logistics management;
 - v) mutually beneficial labour contracts;
 - vi) use of TQM;
 - vii) use of cheaper air routes;
 - viii) etc.

CONCLUSIONS (4)

Lord states that the strategy management literature suggests that a company adopting a differentiation strategy should have a focus on marketing costs rather than internal production costs. However, Cyclemakers did use standard production costs for comparison with competitors but did not analyze marketing costs. The management accountant did operate a budget system but with no detailed variance analysis. She notes that the company's management accounting emphasis did not correspond with that predicted by strategic management literature. So what? Do management accounting researchers document, describe, analyze existing practice or develop new methods that are then adopted by practitioners?

CONCLUSIONS

- Lord concludes with some problems/issues of SMA:
 - use of both hard and soft data as if it were true;
 - questionable comparability and analysing competitor data
 - cost for collecting and analysing competitor data;
 - etc.