

and motivation for the future improvement of the organization. Improvement requires a culture that evaluates information clearly and comprehensively, learns from both its successes and failures, and enables and encourages greater learning opportunities. The IMA Management Accounting Competency Framework clearly places leadership in the center of management accounting competency (see Figure 6).⁵

Strategy evaluation is both a leadership activity and a component of the strategy process. Care must be taken to establish measures and metrics that will gather the information and reinforce actions in alignment with strategy. Performance management policies and practices from the board of directors to first-level employees must encourage strategic thinking and actions that look beyond the immediate situation. Finally, continuous improvement and learning must be built into the strategic planning process and the culture of the organization.

Measures and Metrics

Today there is nearly an infinite array of metrics for businesses. The PA Framework advocates the use of measures and metrics that promote long-term profitability. This can be a challenging path in a world full of short-term financial reporting-based metrics and a growing inventory of societal and sustainability metrics. All of these metrics are important, but organizations must balance the appropriate metrics in order to be profitable in the long term and accomplish a wider range of goals.

Management accountants have a critical role balancing short-term, external financial results and cash flow considerations against actions necessary for long-term sustainable profitability and value creation. This balancing is challenged by executive and board performance incentives that are overweighted toward short-term externally oriented financial results. These types of performance incentives

can turn executives into “game players” who manage the company for the short-term “test” of success and high current stock price in capital markets rather than “stewards” who manage for long-term sustainable value creation—both financial and societal.

Performance Management

Performance management policies and practices can be a huge roadblock or a great facilitator for strategy evaluation. The PA Framework recognizes the vastness of the topic and simply encourages organizations to consider how their performance management policies and practices impact tactical

FIGURE 6: IMA MANAGEMENT ACCOUNTING COMPETENCY FRAMEWORK



⁵ IMA Management Accounting Competency Framework, IMA, 2019, www.imanet.org/career-resources/management-accounting-competencies.



analysis, strategy evaluation, risk taking, learning, employee behavior, and the adaptation and development of new, successful strategies.

It is often financial metrics and compensation that have the most direct impact on performance management, and management accountants are in a critical position to provide advice and expertise on those practices.

Continuous Improvement

Developing a culture of continuous improvement seems like an obvious and valuable objective to pursue, but efforts to create such a culture often fail. Damaging or destroying a culture of continuous improvement is far easier than building

one. Creating a culture of trust and performance is a delicate balance. Ideas like accountability are challenged by encouraging risk and accepting failure as a learning experience.

Management accountants can provide the information and insights to support continuous improvement and a learning culture by achieving a broad understanding of their organization's business and processes, the financial and nonfinancial data and information, and the timing of the information about key business drivers and results. It is important that information be put in a process and business perspective so that initial or short-term results are not misused or taken out of context. •

SUMMARY

The skills and knowledge of management accounting are ideally suited to support increased profitability across the organization. The only real barrier is the willingness and ability to partner and engage.

The PA Framework defines many discrete areas of engagement and makes suggestions for how to engage to add value. Naturally, each organization

will have to adapt the discussion provided to its business and circumstances. View this as a creative activity! Explore new opportunities to better engage management accounting resources. It will improve the organization's business, advance the accounting profession, and make management accounting more valuable as a resource for achieving business success. •



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