Using Managerial Accounting Principles to Increase Operating Efficiency

According to a global survey commissioned by the Chartered Institute of Management Accountants (CIMA) and the American Institute of Certified Public Accountants (AICPA), only thirty six percent of the respondents said “they can easily ensure consistent, quality decisions at all organizational levels” and a staggering eighty-nine percent said “a stronger partnership with finance in decision-making would help them better manage their organizations in the future.” CIMA Chief Executive Officer Charles Tilley, CGMA reported “We work with a range of organizations across the world and can see that decision-making is becoming more and more difficult as complex information flows so much faster. Too often, impulse substitutes for insight....We need a dramatic improvement in the way decisions are made at all levels (Global Management Accounting Principles Seek to Guide Better Benchmarking, Decision-making,” Journal of Accountancy).”

Global Management Accounting Principles

Global Management Accounting Principles are a combination of highly skilled people, “clear principles, well-managed performance and robust practices.” They create effective management accounting functions which yield efficient operations. Some of the critical questions underlying the principles are:

Does the process add value?

Is it necessary?

Can it be eliminated?

Can it be automated?

Who is using the output?

How often is the output used and for what purpose?

Are there routine “fire drills” created by a specific process? If so, how frequent do they occur and how are they initiated?

What roles and responsibilities does the process require? Are they clearly defined?

Discovering Opportunities for Improvement

The key is to challenge every step, every piece of paper, every input and output. A very powerful way to discover opportunities for improvement are as follows:

Conduct Process Walk-Throughs: Meet with all the people involved in the process to gain an understanding of how their work gets done.

Use Best Practices: Implement industry accounting best practices to improve accuracy, response time, data quality, employee performance and compliance with Federal, state and local laws.

Create Process Metrics: Develop and analyze “Key Performance Indicators (KPI)” to measure your productivity, efficiency and effectiveness against industry standards.

Reward Success: Have milestones along the way to acknowledge people who have performed well especially if their contributions have improved productivity. Although financial rewards are appreciated, recognition can sometimes be a more potent means of inspiring outstanding accomplishments.

Implementing Internal Controls

The most important practices that must be implemented right away are proper internal controls. In today’s fast moving global economy, security is more important now than ever. The best way to test your internal controls is to have them reviewed by an outside professional. Please see Pacific Crest Group’s “Outsourced Accounting Services” posting for more information on how to identify risks and weaknesses in your accounting systems.

Pacific Crest Group (PCG) provides professional services that keep your business focused on your critical objectives. We create custom made financial and Human Resource systems based on creative strategies that are always delivered with exemplary customer service. A PCG professional is happy to meet with you to discuss solutions for your unique requirements designed specifically to maximize all of your business opportunities.