

# University's business environment and strategic management accounting



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**ADVANCED MANAGEMENT ACCOUNTING****GROUP ASSIGNMENT**

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11 January 2019

Re: University's business environment and strategic management  
accounting

This report contains a discussion of the changing business environment and its impact on business operations of the University of Auckland based on the trends data gathered and presented by the New Zealand Productivity Commission. The University of Auckland's strategies will be critically evaluated and discuss how strategic management accounting could contribute to the achievement of the goals and objectives. Management accounting tools and techniques will be identified to support the operational and strategic management functions and how these tools and techniques would help manage costs and improve the financial performance of the university. This report is supported by a number of suitable articles, websites, relevant information from The University of Auckland's Annual Report and Strategic Plan.

Senior Management Accounting Team

**The changing business environment and its impact on business operations**

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Over the past two decades, the tertiary education sector had adapted to significant changes as the economy of New Zealand (NZ) has changed significantly. There is an increase in labour specialisation, development of service economy and a skills-based technological change which increased the number of students seeking for tertiary qualifications in an increasing range of fields (New Zealand Productivity Commission, 2017).

The sector operates in a dynamic environment, offering strategic challenges and opportunities for the key trends including changes in student and employer demand, demographic change, increasing tuition costs, ongoing technological change and increasing internationalism (New Zealand Productivity Commission, 2017).

#### Student and employer demand

The increasing number of tertiary educated NZers which also increases the overlap between higher and vocational education as specialisation and skills are rapidly increasing and are necessarily needed as NZ becomes a service economy (New Zealand Productivity Commission, 2017).

University of Auckland (UoA), being the country's largest public tertiary education provider, needs to adapt to the changes in course preferences, focus on student retention and enhance or eliminate courses that are on the decline such as Arts and Creative Arts and Education and Social Work (University of Auckland, 2017b).

#### Demographics

According to the past three census periods, NZ's population has become more diverse, older and more urbanised. It is predicted that the European population will continue to decline while Maori, Pasifika and Asian population will grow (New Zealand Productivity Commission, 2017).

Following the new government's policy of a year of free study increased the number of Maori, Pacific and other students from deprived backgrounds in 2017 (University of Auckland, 2017b). The challenge for UoA is to continue to influence young people aged 18 to 25 and encourage them to further study.

### Tuition costs

Funding tertiary education is complex and includes student support, tuition fees paid by students, and tuition subsidies. The total government expenditure for tertiary education in 2015/16 was \$4.05 billion, including education and research fundings, student allowances, administration costs, and lending under the student loan system (New Zealand Productivity Commission, 2017).

The year free education proposed by the government helped domestic students to pursue further studies. However, this limited universities to increase tuition fees which resulted in low-level income per student for UoA in 2017 (University of Auckland, 2017b).

### Technology

The wide use of technology over the past two decades have made existing human skills obsolete. Low-skilled to high-skilled roles have now been replaced by types of machinery and digital technologies have interfered with <https://assignbuster.com/university-business-environment-and-strategic-management-accounting/>

the products and services number of business sectors (New Zealand Productivity Commission, 2017).

While technology enhances education and student experience, UoA is challenged to provide hands-on experience at an international level which requires more facilities and higher building cost (University of Auckland, 2017b). UoA also has to make sure that they can compete with overseas tertiary and local vocational education providers to continue to strive in the market.

### Internationalism

The sector is concerned with the trade in tertiary education services, inbound international students, export of educational services and products and, the offshore course delivery by NZ providers as several overseas tertiary education providers tend to be faster and more pretentious in adjusting to changing demands and quality of education and research trends with the use of new technology (New Zealand Productivity Commission, 2017).

As aforementioned, UoA needs to focus on their teaching quality and cost of the study to be able to compete with overseas institutions. Another challenge for UoA is generating external research funding which is affected by the government's tertiary education expenditure (University of Auckland, 2017b).

### **University of Auckland strategies and strategic management accounting**

“ Strategic management accounting analysis information of a business and its market competitors to formulate and monitor strategies supporting the organisation's formulation by giving the managers with external, market-driven and customer focused information.” (Simmonds, 1981)

The UoA has created an independent strategic plan document along with its annual report, which articulates the University's vision and strategic direction for the period 2013-2020. and is used in the University's cycle of planning, delivery and accountability.

The 19 objectives contained within the Plan form the basis for annual planning and resource allocation and are based on 7 different strategies:

- Recruit and retain accomplished and well-supported staff
- Able students, successful graduates and alumni
- High-quality research that benefits society
- Treaty of Waitangi /Te Tiriti o Waitangi partnerships for mutual benefit
- Strong partnerships with key organisations and communities
- A sustainable university
- A public university of global standing

This report will only focus on strategies where strategic management will be applied.

Strategy One: Recruit and retain accomplished and well-supported staff

To recruit new accomplished staff, the university will need to search for people in the professional sector, shortly after the peak of their career, to become a lecturer or tutor at the university, by gaining staff who have learned and applied the practical skills and knowledge to grow their position in their career, students will greatly benefit as those skills can be taught and passed on to and for the future generation to use and build on after graduating and starting up in the workforce.

To retain accomplished and well-supported staff, the university must allow staff to be able to grow in their respective areas, this includes paying bonuses to those who have achieved exceptionally well in the past year.

To monitor this, supervisors should complete checks by observing lectures and classroom tutorials. The supervisor will be looking for student engagement and how the staff member teaches the class. Additionally, if not already, staff members should fill out personal assessment forms to be evaluated and compared to the employee assessment of that by their supervisor. Ultimately this system will weed out staff members who are not performing to the high standards needed to produce top students.

Strategy Two: Able students, successful graduates and alumni

The most significant impact University have on society results from the enhanced capabilities of its graduates, UoA wants to attract students with high academic potential and support, encourage them to progress to a higher research degree, along with a high quality learning environment that maximise the student's opportunity, transforming them into successful and

influential graduates and alumni who will become a positive force in the world of the future (University of Auckland, 2017a).

In a strategic management perspective, University of Auckland should make the best use of the public fund for its programme, perhaps by dropping programme that is not popular and doesn't connect to a higher research degree, and focus more on expanding international exchange programme to differentiate and create a competitive advantage when compared to other universities. Supervisors of the university will need constant engagement with its student and alumni with information such as course completion rate, qualification completion, student satisfaction and engagement surveys, and graduate destination surveys.

### Strategy Three: High-quality research that benefits society

It is necessary to ensure that all faculties are involved in a full range of high-quality research of all disciplines to enable the recognition of the excellent research that supports the recruitment and retention of high-quality staff and students and which also enhances New Zealand's international reputations and networks. The dissemination of high-quality research with the greatest impact and value help improve the governance, industries and communities in New Zealand and of other countries (University of Auckland, 2017a).

Implementing performance measures across all disciplinary faculties would help achieve this strategy and improve the quality of research. It is crucial for the faculties to evaluate attributes such as research quality and productivity of their academic staff when employed or promoted. Executing professional development activities and reward systems enhance the quality

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and quantity of research performance and support. Additionally, continuous review of trends with national and global significance improves the university's capability in addressing and responding to them and its relationship to key industry partners.

#### Strategy Four: A sustainable university

To reach ultimate sustainability, the university should look into achieving an environmental award and specialise in minimising waste. This can be achieved by changing all the lightbulbs in the buildings to LEDs, where ordinary lightbulbs use a filament which generates heat to produce light, alternatively, LED lightbulbs generate light through a "cold process" which in turn uses significantly less energy and power ("LED Lighting", 2019). Additionally, LED lightbulbs last far longer (about 10 years) than regular lightbulbs, making for lower maintenance costs in the future.

Another step to becoming a sustainable university is to cut down on plastic waste, this can be from the plastic bags lining rubbish bins to eliminating all plastic straws from campus grounds. An attempt to use less plastic would not only greatly benefit the environment but also allow peace of mind for staff and students attending the university, knowing that they are part of an institution who cares enough to act upon regular discussion. Therefore, this can relate back to strategy one, and attract more eligible and high-performing staff.

#### **Strategic Management Accounting Tools and Techniques**

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### Strategy One: Recruit and retain accomplished and well support staff

The quality of staff is important for educational institutions as this affects the quality of education, environment and educational culture. Business Process Re-engineering (BPR) focuses on the analysis and design of business processes within an organisation. BPR would help UoA to fundamentally rethink how they carry out their operations in order to dramatically improve student services. This could include reducing unnecessary expenses and appropriating the use of resources by allocating the working hours and collocations of faculty and staff. This would increase the interaction between students and staff and would improve the quality of education.

Additionally, human resource strategic management can improve business resource allocation flexibility, academic education innovation and the competitive advantage of education capabilities. The impact of human resource management on efficiency is mainly reflected in motivating employees' work efficiency. It can enhance the consistency of goals by rewarding employees and increase the motivation of employees to complete academic research. For example, develop performance indicators for employee quality, and awards for employee promotion and rewards for employees with outstanding contributions.

### Strategy Two: Able students, successful graduates & alumni

Attracting excellent local and international students is the main purpose of this strategy, the University of Auckland provides opportunities and support student progress in high academic. Utilising customer relationship

management (CRM) system enables the collection and analysis of student  
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data and enhances the relationship between university and student.

CRM also enables UoA to have better understanding and communication with excellent current and past students. UoA can improve and provide a more suitable programme for their future studies, and build a stronger connection through communication.

Furthermore, Business Process Re-engineering (BPR) could support UoA to analyse and design their business processes. This would help improve and develop effective performance in services, student relationship and reduce costs by eliminating unpopular programmes.

### Strategy Three: High-quality research that benefits society

This strategy aims to assure the quality of the research from all faculties that benefits UoA and the public. Implementation of quality management, performance measures and reward systems ensure the effectiveness and efficiency of the faculties. To manage the quality of the research, the supervisor of the university can apply quality management and performance measures to control research costs. Budget planning helps the managers to estimate the costs of the research, to set a target cost of high-quality research achievement and carry out cost variance analysis for better cost control.

Creating a reward system would increase motivation across all faculties which then improves the quality of research. Reward system motivates staff and student achieving high-quality research directly and meet their job satisfaction. The managers can provide rewards such as cash, scholarship or

living support for high-quality staff and students that enable to increase their motivation.

#### Strategy Four: Sustainable university and management

Since many business sectors are engaged in the concept of sustainable development, this also has become a concern for education providers. Sustainable management is beyond the short-term focus on quarterly profits and focuses on long-term gains and development by incorporating business environmental and social costs into management decisions. UoA needs to have the capacity to incorporate strategies for both sustainability and efficiency into their operations to achieve value maximisation in a more inclusive way. To reduce the costs on the resource consumption, UoA also needs to widely implement 'reduce, reuse and recycle' in their facilities.

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