

Management practices traditional vs modern innovative



In last many years, few management accounting innovations has been developed. Managers have to make decision on a daily basis as well make decisions regarding the future and how to survive and grow in an energetic market place with ever growing uncertain circumstances. Traditional or modern management accounting system give relevant information to all levels of management, financial and other information to make decisions about planning, control of operations and identifying opportunities to add value.

The modern management accounting practice are typically different from that of traditional management accounting as they enable managers to make sound decisions to minimize cost as well in the same time add value to the products and services by improving the quality of products, which is required by the customers, and reduce waste. In addition, the modern management accounting systems allow the organisation as whole to develop the innovative capacity of the organisation and flexibility so that it can continually change and improve performance financially as well in its non financial areas of performance.

Traditional vs. Modern Innovative

Traditional will focus on cost control and, in particular, what is recognized as ‘variance analysis’ and which involves evaluating forecast outcomes with real outcomes – for example for costs such as materials and labour. The types of activity, therefore, that management accountants have traditionally involved themselves with include:

- Cost analysis

- Cost control
- Budget preparation
- Budgetary control processes
- Cost/benefit analysis
- Investment appraisal.

More modern, 'innovative' approaches include initiatives such as:

- Business process re-engineering: This is about rethinking and re-designing business processes as a means of reducing costs and improving delivery
- Zero-based budgeting: re-thinking budgets in a way that engage justifying and prioritising all items of expenditure
- Activity-based management: looking at what actually causes costs to be incurred, and being better able to forecast and control costs
- Life cycle costing: considering a product's costs over its entire life cycle (rather than just, for example, the initial building costs)
- Total quality management: the process of continuous quality improvement
- 'beyond budgeting': a challenge to traditional budgeting techniques via the use of more flexible and wide ranging processes

- Balanced scorecards: the use of key performance indicators within four different perspectives – financial, customer, internal business process and learning/growth.

Non financial performance measurement approached gained momentum as a result of dissatisfaction with the traditional techniques such as balance sheets and income statement, as technology increasing and increasing global competition, companies able to recognize better their fault and might to improve their existing capabilities and create new ones – the most successful of these being Economic Value Added (EVA).

Initially Return on Investment (ROI) was used to enhancement the intuition and insight of managers. It was used to send down the goal for division managers to meet from corporate office. Since managers reward and endorsement prospects depended on the ability to meet targets, these core managers has a strong incentive to adjust their information accordingly.

Some businesses have built accounting teaching modules for their managers that help them recognize the detailed information they get. Management accountants have a vital responsibility in preparing and distributing training materials. Nowadays multifaceted managerial surroundings technical functions, particularly accounting, need to become more than suppliers of information. They must turn into a kind of an educating where managers can obtain training. So far in numerous organizations, accountants are too hectic to turn out to be instructors and internal reward systems likely depress such performances.

As the range of management accounting messages enlarge to contain non-financial presentation indicators, management accountants get an additional challenge. Many managers have complexities visualizing the cause and result relationships that connect cost drivers to financial returns. Yet this is the key information needed to manage value, and education is regularly required to help managers recognize improved the reason and result relations that cause shareholder value.

Increasing functional area means that managers are ever more detached from shareholder values. Many managers are powerfully devoted to the association without being dedicated to the financial aim that drives it. Management accountants have a responsibility to take part in instilling financial control and assigning financial values to non-financial managers. One technique is to need operating managers (rather than accountants) to systematically organize and present the financial study of their industry unit.

At the similar occasion that the management accounting role must pay great amount of attention to the efficiency of its inner infrastructure processes, other demands are occurring. There is rising pressure to decrease on the whole cost of the finance function as a fraction of revenues. There are gradually more time consuming demands for more comprehensive external reporting. While these final goals are vital and must be achieved, setting the precedence there only boost the risk that internal accounting communications will be unsuccessful to get their objectives and that management accounting system modify will be further postponed.

Conclusion

As discussed above, the modern management accounting relevant to modern organizational management issues as well rectify and reform the traditional management accounting practices to make decisions and specialized decisions based on relevant financial and non-financial information depending on the nature of activities, size, external circumstances and market conditions, customer profiles, organizational human resource issues, structural issues.

Even the modern management accounting is not additional but can be entirely different. As well, some are more appropriate to various organizations and some are not, given the internal management practices, size of organizations, top management support, human resource practices. Organizational structural issues, employee motivational factors, centralization decentralization issues. In other words, before considering implementing modern management accounting practices the management must have a feasibility study considering the above issues and evaluate the cost and benefit of the systems in financial and non-financial terms. Otherwise the benefits are applied without through evaluation and commitment by top management, therefore the benefits of these practices will not be realized fully. If carefully considered based on enough facts and not on emotions, then the modern management accounting with other strategies will certainly helpful for management to make sound decisions and therefore contribute to the success of the organization than the traditional management accounting practices.