Index

80–20 rule, CPA 93

ABC see activity-based costing

ABM see activity-based management

absorption costing 87–8

accounting information

decision-making 15

nature of 2, 3f

performance measurement 14

in planning and control framework 2–3, 4f

strategic cost analysis 28

see also management accounting

information systems

accounting procedures, CPA 92–3

acquisitions, business failure 26, 268

activity analysis, target costing 131

activity definition, ABC 116

activity driver selection, ABC 116

activity-based costing (ABC) 8, 86

advantages 115

allocation of overheads 114

case study 117–30

cost pools 113

essential characteristic 112

extension into ABM 132

fundamental elements 113

operationalizing 115–17

organizational benefits 114

product profitability 88–9

research 10

service sector 114–15

tracking marketing costs 113

activity-based management (ABM) 132

bottleneck problems, case study 152–9

business process re-engineering 133–4

costs 132

drivers of 132f

innovation 139–41

operationalizing 144–5

quality 134–5

theory of constraints 136–7

case study 137–9

throughput accounting, case study 146–9

time 135–6

trade off, innovation and 141–4

adjustments

bias in heuristic methods 258

to accounting numbers 280–3

advance revenue, EVA adjustments 281

allocation, overhead costs 6

Altman model 266

Alumina PLC, post-audit investigation 77–85, 270

anchoring, bias in heuristic methods 258

appraisal costs 134–5

Ashby Furnishings, job shop scheduling 150, 151f, 152

asset reduction 26, 268

attitudes of employees

quality control 164

service quality 185

audit processes, accounting 183

Australia, not-for-profit organizations 252

authentication problems, internet 253

autocorrelation, time series data 261–2

availability, bias in heuristic methods 258

backlogs 75–6

balance of payments, monitoring 47

balanced portfolios 42

optimum strategy, case study 42–5

balanced scorecard 8, 60, 63, 87, 238–40

case study 240–9

research 12–13

banking sector, customer profitability 93

BCG portfolio matrix 40–5

behavioural decision theory, management choices 59

benchmarking

identifying best practice 18–19, 185

improvements in MACS 53–7

BET see ‘break even time’ measure

biased decisions, heuristic methods 258

Bolehall Manor Motors, balanced scorecard case study 240–9

Boston Consulting Group matrix see BCG portfolio matrix

bottlenecks

case study 152–9

focus on 136

theory of constraints 136–7

throughput accounting 145

Box-Jenkins procedure 261

BPR see business process re-engineering

Bradford Funerals, performance and internal controls 252

buffer stocks 163

business, Dunlop’s Ten Commandments 283–4

business change, globalization 8, 13

business development 134

business failure

causes of 25–6

definitions 265

financial modelling 24–5

models to identify takeover victims 27

recovery strategies 26, 267–8

symptoms 22–3

business maintenance 134

business process re-engineering 133–4, 143

buyer power 28

Cable Technology, risk analysis 271–5

Cambridge Business Conferences, strategic cost analysis 29–35
capable process systems 110
capacity, production or service process 136
capacity planning 28
case study research 9
cash cows 41
cash flow projections 270
cash-flow evaluation 268–9
Casual Fashions, risk analysis case study 275–8
casual relationships, critical success 62
causal methods 256
CEM see customer equity management
change
strategic management 58
see also business change; organizational change
change management, research 12
Chester Ltd, VAM case study 165–7
co-operation, implementation of TQM 178
commitment, implementation of TQM 178, 179
common cause variation 111
communication breakdown, internal
control failure 193
competences, strategic management 58
competition
between participants 28
major forms 37
strategic management 58
competitive advantage
factors facilitating 36–7
innovation 74
short-term 60
strategic assets 59
sustained 60
traditional sources 35–6
competitive weakness, business failure 26, 268
competitiveness
negative impact of BPR 133
research on impact of legislation 12
competitor analysis 37
competitors, strategies to thwart 27–8
completion time, job shop scheduling 149–50
complexity, management of strategic assets 59
comprehensibility, accounting information systems 174
computer models 258–9
concreteness, bias in heuristic methods 258
confidentiality issues, Internet 253
conflict
conglomerate diversification 38
congruence, accounting information systems 174
constraints, production or service process 136
consumer demand, operational strategy 28
context, strategic management 58
contingency framework, planning and control literature 194
continuous improvement, TQM 178, 181
corporate culture see organizational culture
corporate failure see business failure
corporate goals
Index

decision-making (cont.)
customer requirements, TQM 173–5
data simplification 59
equation of flawed process 68, 69f
management accounting research 11
under uncertainty 59
see also strategic decisions
decline stage, product life cycle 40
defects, business failure 22
defender-cost leader-conservative 73–4
defensive capability, SWOT analysis 37
defered tax, EVA adjustments 282
delivery policy, CPA 92
Delphi methods 256, 257
demand matching 28
Deming, W. Edwards 169
demographic factors, SWOT analysis 49
depreciation charges, EVA adjustments 281
Derrick’s Ice-Cream, CPA case study 94–103
design changes, cost savings 131
diamond factors, innovation and competitive advantage 36–7
discriminant analysis 262–8
diversification 37–8
‘do nothing’ strategy 18
documentation, procedures and standards 183
dog companies 42, 43
drivers, of ABM 132
Drum-Buffer-Rope mechanism 137
Dunlop’s Ten Commandments 283–4
dynamic multidimensional performance model 62
economic factors, SWOT analysis 46–7
economic order quantity principles 163
economic risk indicators 46–7
economic theory, failure prediction 266
economic value added (EVA) 278–84
economies of scale, competitive advantage 35

economy, organizational performance 225
effectiveness, organizational performance 225
efficiency, organizational performance 225
electronic commerce strategies 253
employees
empowerment 206–7
case study 207–23
NFI measures 228f
performance measurement 61
quality concepts 170
see also attitudes of employees; total employee involvement
employment, not-for-profit sector 251–2
environmental analysis see social and environmental SWOT analysis
environmental prediction models 49
environmental pressure groups, awareness of 47
EVA see economic value added
evaluation 75–85
exchange rate changes, awareness of 46
expert groups, Delphi methods 257
exponential smoothing 260
external signs, business failure 22–3
extraordinary losses/gains, EVA adjustments 281
factor availability, competitive advantage 36, 37
failed acquisitions, business failure 26
failure
internal control 193
management accounting systems 224–5
see also business failure
failure costs 135
financial accounting symptoms, business failure 22
financial areas, key 23
financial control, business failure 25, 267
financial modelling 255–84
Delphi methods 257
discriminant analysis 262–8
distressed companies 24–5
forecasting methods 256–7
heuristic methods 257–8
probabilistic simulation 258–9
regression analysis 261–2
risk analysis 270–5
case study 275–8
risk measurement 268–70
time series analysis 259–61
value-based management 278–84
financial performance
five dimensions framework 61
SWOT analysis 21–37
see also shareholder value
financial policy weakness, business failure 26, 268
financial ratio models 2
financial reward, worker motivation 191–2
financial variables, determining 23
firm readiness analysis 73
‘first come, first served’ rule 150, 151f
five dimensions framework, financial performance 61
five-stage analytical process, problem-solving 17–19
flexibility, manufacturing company success 61
Ford, Henry 192
forecasting methods 256–84
foreign debt, monitoring 47
formal reports, customer surveys 175–6
fuzzy logic 271
gains, EVA adjustments 281
Gantt chart, job scheduling 150, 151f
globalization, business change 8, 13
‘goal achievement’ modelling 250
goal conflict, potential for 5
goal congruence
decision usefulness of information 5
human resources model 192
service quality 185
goals
performance measurement 61
see also corporate goals; motivation
goals; strategic goals
good ideas, judging 72
goodwill, EVA adjustments 282
government intervention, competitive advantage 35
government policy changes, SWOT analysis 46, 47
growth stage, product life cycle 39
Harvard Business Review 9
Harvey-Harris stores, employee empowerment 207–23
Harvey-Jones approach, problem-solving 17–19
health and safety legislation 48
heuristic methods
forecasting 256, 257–8
job shop scheduling 150–2
Index

high cost structure, business failure 25, 267
historic information, limited usefulness of 3
historical development, management accounting 7–9
home market, competitive advantage 36
horizontal integration 37–8
human factors, data accuracy and manipulation 76
human relations movement 192–3
human resources movement 12, 192
hypothesis testing, problem-solving 18, 19
hypothetical observations 258
ideas
generation of 70
judging good 72
reactions of those generating 71–2
screening systems 71–2
sourcing outside the organization 71
implementation, target costing 131
implementing solutions stage, problem-solving 18, 19
improvement techniques 144
‘in control’, process systems 110
inability/inflexibility, internal control failure 193
inadequate financial control, business failure 25, 267
industrial revolution 7
industry leaders, common qualities 70
industry leadership, BCG portfolio matrix 40–5
information
performance measurement 61
product costs 87
sources, management accounting 14
see also accounting information; public information
innovation 139–41
activity-based management trade-off 141–4
factors facilitating 36–7
innovation culture, developing an 68–74
input, NFI measures 227
intangible assets
customer equity 105
organizational performance 107
integration, bias in heuristic methods 258
integration issues, Internet 253
integrity see lack of integrity
intensity of rivalry 28
interdependent events 111–12, 136
interest rate changes, awareness of 46
internal control see strategic internal control
Internet, challenges for management accounting 253
introduction stage, product life cycle 38–9
inventions, emergence of 70
inventories, value-added management 163
inventory holding, CPA 93
investment decisions
appraisal of quality of 76
evaluation 270
post-audit case study 77–85
Italian shoe industry, competitive advantage 36
Japanese goods, reputation of 168
job cards 75
job queuing 150
job shop scheduling (JSS) 149–52
just-in-time (JIT) 144, 162–3, 164
labour, accounting for 226
labour costs, competitive advantage 35
lack of integrity, internal control failure 193
lack of marketing effort, business failure 25–6, 267
leadership
role 20
service quality 185
see also industry leadership
leases, EVA adjustments 282
legal factors, SWOT analysis 48
licences, issuing of new 48
Lincoln Furniture, ABM case study 152–9
linear discriminant analysis 262–8
logistic regression 263–4
losses, EVA adjustments 281
lost opportunities, balancing against
misallocated resources 72
low labour costs, competitive advantage 35
lowest price tenders, abandonment 163
machine idle time 150
macroeconomic factors, competitive advantage 35
maintenance function, measurement issue 75
management accounting creativity in 64
deficiencies in 1–6
function
dimensions of 182
process for reviewing 171f
historical development 7–9
information sources 14
quality see total quality management
research 9–13
strategy alternatives 64–85
see also strategic management accounting
management accounting control systems (MACS)
corporate strategy 194–5
goals 190
innovation and inappropriateness of 139
internal control elements of 191
failures 193
technological innovation, changes necessitated by 193
see also strategic internal control
management accounting information systems
balanced scorecard see balanced scorecard challenges of technological innovation 253–4
comprehensibility 174
congruence 174
improvements from benchmarking 53–7
NFIs see non-financial indicators
not-for-profit sector, measurement challenges 250–2
relevance 14, 173
timeliness 174–5
see also accounting information
management activity, by role 20
management fraud, business failure 22
management issues, management accounting research 11–12
management policies, competitive advantage 35
managers, and TQM
overcoming organizational inertia 179
surveying expectations of accounting function 172
Index

manufacturing companies

critical success factors 61–2
design changes and cost savings 131
manufacturing environments
changes in 8
cost of quality 170
total quality management in 169
market SWOT analysis 37–45
market-based assets, shareholder value 106–7
marketing effort, business failure 25–6, 267
markets
NFI measures 228f
successful innovation 73
see also home market; niche marketing
mathematical relationships, cost behaviour 109
maturity stage, product life cycle 39
Mediterranean restaurant example, ABC 88f
Mercian Dry Cleaners, TEI case study 186–90
misallocated resources, balancing against lost opportunities 72
mistakes
business failure 22
learning from 70
models
to identify takeover victims 27
see also failure modelling; financial modelling
Monte Carlo methods 258, 271
motivation, managerial approaches 191–3
motivation goals, features contributing to 191
multi-voting technique, operationalizing TQM 170–2, 173
multicollinearity, cross-section data 262
multivariate models 266
newcomers, threat of entry by 28, 37
NFIs see non-financial indicators
niche marketing 27, 28
nominal group technique 65–8
non-accounting disciplines, recognition of importance 8
non-financial indicators (NFIs)
accounting information systems 174, 224–8
case study 229–37
corporate goals 15–17
innovation 139–40
matrix of 227–8
non-financial measures
of cost 133f
of innovation 140f
of quality 135f
of time 136f
non-financial sources, information 14
non-value-adding activities 15, 16f
not-for-profit sector, measurement challenges 250–2
objectives
internal control failure 193
performance measurements 19–20
offensive predictability, SWOT analysis 37
operation smoothing 28
operational strategy, consumer demand 28
ordinary least-squares (OLS) method 261–2
organizational change
business process re-engineering 133–4
research 10–11
organizational conflict, management of strategic assets 59
organizational control, innovation 74
organizational culture
implementation of TQM 178
internal control failure 193
organizational innovation 144
organizational performance 107
profitability 70
strategic management 58
organizational performance
intangible assets 107
three Es 161, 225
organizational strategies see corporate strategies
organizational structure, research 11
Orion Signalling, TOC case study 137–9
outcomes, consistency with strategic goals 19
output quality, measuring 225
over-optimism, business failure 22
overhead costs
allocated to activity-based cost pools 113
allocation to product costs 6, 88
cost accounting systems 3
patents, issuing of new 48
people
organizational success 62
quality improvement 179–80
perceived risk of purchase, reducing 39
performance goals, features contributing to 191
performance measurement
alternatives 60–3
benchmarking 53–7
customer relations management 106–7
deficiencies in 1–6
information sources 14
not-for-profit sector 250–3
objectives 19–20
resource-based view of the firm 57–60
situation audit see SWOT
strategic management accounting 15–19
see also balanced scorecard; financial modelling; non-financial measures
performance prism 62–3
policy and procedures 183
political conflict, SWOT analyses 48
political factors, SWOT analysis 47–8
poor management, business failure 25, 267
population changes, SWOT analyses 49
positive motivation, management control devices 195
post-audit investigations 76–7, 270
case study 77–85
post-implementation reviews 76
PRAISE system 176–8, 179, 183
predictive ability, failure prediction models 265–6
predictive process models 108–9
preparation, quality improvement 180
prevention costs 134
price inflation, risk analysis 271–5
pricing decisions, ABC case study 117–30
probabilistic simulation 256, 258–9
problem-solving
five stage analytical process 17–19
requirements for 68
problems, quality improvement 180
procedures, writing 183
process industry, benchmarking field study 54–7
process mapping 134
process models, predictive 108–9
process performance, measuring 16f
process specification, operationalizing ABC 116
processes
performance measurement 61
strategic goals
allocation of overheads 6
feedback loop 19
non-financial indicators 15–17
see also corporate goals
strategic internal control 190–5
case study 195–206
see also management accounting control systems
strategic management
RBV approach 60
seven Cs 58–9
strategic management accounting 15–19
framework for 36f
see also activity-based costing; balanced scorecard; target costing; theory of constraints; total quality management; value-added management
sub-optimal bias 59
subcontracting 28
subsidiaries, market analysis of 40–5
substitute products, threat of 28
success dimensions framework 62
supplier relationships 163
supply chain management
BPR 134
research 12
support industries, competitive advantage 36
sustained competitive advantage 60
SWOT analysis 20–1
financial performance 21–37
market 37–45
social and environmental 45–53

Tableau de bord 60–1
Taffler (Z-score) model 24, 266
takeover victims, models to identify 27
target costing 19–20, 86, 130–1
Taylor, F.W. 191–2
team ideas, nominal group technique 65
team member suggestions, nominal group technique 65
teamwork 144, 192–3
technological change, manufacturing environments 8
technological factors, SWOT analysis 48–9
technological innovation
challenges of 253–4
changes in control systems 193
TEI  on total employee involvement
testing hypothesis stage, problem-solving 18, 19
theory of constraints 87, 136–7
case study 137–9
thinking aids, to facilitate creativity 64–5
THORN EMI, balanced portfolio strategy 42–5
threat of entry by newcomers 28, 37
of substitute products 28
three Es organizational performance 161, 25
service sector 251
three-point action plan, quality improvement 180–1
throughput accounting 145
throughput implementations 137
throughput time
focus on 136
need for delay analysis 149
time dimension
ABM 135–6
operationalizing 144–5

trade-off between innovation and 144
time series analysis 256, 259–61
time series data 256, 261–2
time trends, time series analysis 259
time-horizon reference points, different 75
timeliness
accounting information systems 174–5
management accounting research 9
timing, of failure 265
TOC  see theory of constraints
top man stage, problem-solving 17, 18
total employee involvement (TEI) 184–5
case study 186–90
total quality management (TQM) 86, 168–70
control 181–4
implementation criticisms 206–7
operationalizing 170–8
overcoming total quality paralysis 179–81
reasons for failing business 142–3
total employee involvement 184–5
case study 186–90
total quality service (TQS) 207
trade cycles, time series analysis 259
training
implementation of TQM 179
operationalizing ABC 115–16
service quality 185
uncertainty, management of strategic assets 59
unit-weighted models 24
univariate models 266
unprofitable customers 90
use-type failure 224
value-added management (VAM) 87, 160–2
case study 165–7
inventories 163
just-in-time 162–3
operationalizing 164–5
quality control 164
supplier relationships 163
value-adding activities 15, 16f
value-based management 278–84
vertical integration 37–8
wage-cost inflation, risk analysis 271–5
waste reduction, TQM 181
weighted cost of capital (WACC) 279–80
weightings, financial variables 23–4, 109
Westlake Printing, SWOT analysis 49–53
Whitelaw Transport, NFIs case study 229–37
work performance measures, non-financial 227
working capital reduction, as recovery strategy 26

Z-score (Taffler) model 24, 266
zero-defect policy 163