CHAPTER 5

ADVANCED MANAGEMENT ACCOUNTING SYSTEMS WITH THE EMPHASIS ON THE BALANCED SCORECARD

5.1 INTRODUCTION

A Chinese proverb once stated [B]*e not afraid of growing slowly; only be afraid of standing still.* This quote underlines the importance of changing or growing with the times. Calls for change by for example the International Federation of accountants (IFAC) (1994:4) (see paragraph 4.4.2), indeed saw movement towards extending management accounting into nonfinancial areas and the introduction of new topics in the field of management accounting. In order to provide the required information management accountants also need new management accounting systems that would assist them to fulfill their decision support role. Adler, Everette and Aldron (2000:131) agree that new systems and procedures are required to ensure that information is reliable and that management accountants remain relevant.

This chapter identifies and briefly describes such advanced management accounting systems. An attempt is made to identify a tool that can be used to establish whether management accounting taught by South African universities is relevant in practice. Adler and Everett (2000:144) blame the lack of sufficient information on advanced management accounting techniques in academic courses as the reason for slow progress of the systems that supply requested information in the field. Evaluation of the strategic alignment of current management accounting courses in terms of the new business environment (defined in chapters 3 & 4) should enable academic institutions to improve their curricula and quality of teaching.

Performance measurement is a process for developing indicators (that can be systematically tracked) to assess progress in achieving predetermined objectives

(Balanced Scorecardorg Institute 2003:*l*). The remainder of the chapter attempts to establish whether the balanced scorecard can be used as an appropriate measurement tool.

5.2 DEVELOPMENT OF ADVANCED COST MANAGEMENT SYSTEMS TO MEET CHANGING NEEDS

Developments caused by globalisation, information technology and the knowledge economy clearly indicate a strategic change in the role of the management accountant. Mackey and Thomas (2000:8) express support for the notion that management accountants are being forced to react to these changes: *[E]conomic, technological and societal changes … require new management strategies and techniques."*

As discussed in paragraph 2.3, accounting has been a major business system for thousands of years. An examination of the impact of individual forces on management accounting reveals that new techniques developed to provide information that is appropriate to decision making in a changing business world. "Advanced cost management systems" may be loosely defined as the generic name for systems, techniques and practices that support operational management, product-related decisions and managerial performance evaluation.

Research among manufacturers in New Zealand in 2000 made it possible to ascertain how recently cost management systems were significantly revised (see diagram 5.1).

Diagram 5.1: Significant revisions of cost management systems

Time frame	Percentage (of 162 responses)
Underway	28
Within the past two years	25
2–5 years ago	27
6–10 years ago	9
More than 10 years ago	11

Source: Adler, Everett & Waldron 2000:145

Diagram 5.1 shows that 81% of the respondents in the research on the implementation of advanced cost management systems have made significant changes to their cost management systems during the past five years. Two thirds of these changes took place during the past two years. Even more significant were Addler, Everett and Waldron's (2000:145) findings on planned future revisions of cost management systems (see diagram 5.2).

Diagram 5.2:Future revision of cost management systems

Time frame	Percentage (of 145 responses)
Underway	31
Next year	17
2-3 years from now	14
4 or more years from now	9
Planned but timing uncertain	21
Other	8

Source: Addler, Everett & Waldron 2000:146

Most new cost management systems came about after the publication in 1987 of Johnson and Kaplan's book, *Relevance lost: the rise and fall of management accounting,* which served as a wake-up call to management accountants. This book emphasised that virtually all management accounting practices at the time had been developed by 1925, after which innovation stopped. A few years ago Kaplan (in Dent 2002:118) again referred to the inadequacy of existing management accounting systems in these times of technological change, global competition and knowledge management. Moreover, many of the management accounting systems that developed after 1987 emanated from practitioners and not academics.

A brief discussion follows below of new systems (identified from the literature) that developed because of a changing business environment.

5.2.1 Activity-based costing system (ABC)

Activity-based costing systems or ABC have been identified from practices described by Cooper (1998), Chalos (1992) and Kaplan (1994). ABC refers to product and service costing systems in which costs are first assigned to activities in the production process and then either directly traced to products/services or allocated by using the cost driver that most accurately captures variations in the cost activity. ABC emphasises the homogeneity of costs in establishing cost pools, and the identification of cost drivers for allocating cost pools to products. Nonvolume-related cost drivers are employed (Cooper 1989; Chalos 1992; Kaplan 1994). Researchers in New Zealand reported that 19% of their respondents already used ABC in their organisations, and that 21% were considering such installation (Adler, Everett & Waldron 2000:137).

5.2.2 Activity-based management (ABM) system

Activity-based management (ABM) is an extension of activity-based costing. The objective of ABM is to determine key business activities and to use that information to identify opportunities to improve productivity, increase value generated by given resources, or eliminate nonvalue-adding activities. The emphasis is on identifying and controlling the causes of costs associated with activities (cost drivers) rather than cost recording and subsequent cost analysis (Turney 1992; Cooper, Kaplan, Maisel, Morrissey & Oehm 1992).

5.2.3 Life cycle budgeting and target costing (LCBTC) system

LCBTC systems estimate the revenue and costs attributable to each product/service --- from the initial research and development to the final customer service and support in the marketplace. These systems are used to estimate the cost consequences of different designs in order to allow informed trade-offs and determine target costs. A target cost is the estimated long-run cost of a product/service that enables the company to achieve a targeted profit. The target cost is often lower than the actual cost of making and selling a product/service (Czyzewski & Hull 1991; Chalos 1992; Artto 1994; Brausch 1994).

5.2.4 Competitor cost analysis (CCA) system

The CCA system involves a re-assessment of the cost-competitive position of an organisation's products/services by comparing it with the costs incurred by competitors. Competitor cost analysis should lead to the adoption of successful practices by reengineering existing processes. The emphasis is on considering the costs associated with existing work practices as well as the estimated costs incurred by competitors in similar activities with a view to emulating successful practices (Chalos 1992).

5.2.5 Product life cycle costing (PLCC) system

In organisations employing advanced manufacturing technologies, many costs are designed into the product/service and cannot be reduced later. Product life cycle costing tracks and accumulates the actual costs attributable to each product/service -- from the initial research and development to the time when support to customers is withdrawn. The terms “cradle-to-grave costing” and “womb-to-tomb costing” convey the sense of fully capturing all costs associated with a product/service (Czyzewski & Hull 1991; Shields & Young 1992; Chalos 1992; Artto 1994).

5.2.6 Strategic cost management (SCM) system

The strategic cost management system or SCM involves an organisation’s relationship with its suppliers and customers with a view to reconfiguring these relationships to add value and/or to reduce costs. Strategic cost management aims to estimate the effect of an organisation’s decisions on the costs/profits of its suppliers and customers as well as on its own costs/profits. SCM systems provide information to support these activities (Chalos 1992; Shields & Young 1992; Shank & Govindarajan 1992, 1994). In a study conducted in New Zealand, 25% of the respondents indicated an existing installation of strategic management accounting (Adller, Everett & Waldron 2000:137).

5.2.7 Customer and marketing channel analysis (CMCA) system

This system reports on costs that reflect the way in which customers (or marketing channels) differentially use the resources of an organisation. These systems may be used to ensure that those customers (or marketing channels) that make a sizeable contribution to the profitability of an organisation, receive a commensurate level of attention from the organisation (Petty & Goodman 1996).

5.2.8 Multiple performance measures (MPM) system

This system uses more than one performance measure for process control and managerial control and employs nonfinancial (physical or time-related) measures in addition to financial measures. MPM systems are also known as the balanced scorecard approach (Hall 1990; Kaplan & Norton 1992, 1993, 1996b; Curtis 1994, Kaplan 1994).

5.2.9 Total quality management (TQM)

The objective of TQM is to provide goods or services that at least meet and hopefully exceed the customer's requirements. The underlying philosophy is that the customer and not the organisation determines the value of goods and services. The organisation only controls costs. The implication for management accounting is a demand for information regarding the different costs of quality (Hansen & Mowen 2005:440).

5.2.10 Just-in-time (JIT)

JIT is a management system that eliminates inventories but delivers materials, manufactured components and finished products when required. This implies that the management accounting system has to provide information on the costs of buying, receiving, inspecting, storing, and moving inventory over and above the normal activity of reporting on inventory (Hansen & Mowen 2005:817; Garrison, Noreen & Brewer 2006:14).

The above system clearly illustrates a major change in management accounting practice, caused and sustained by the impact of the forces of change. For example, Adler, Everett and Waldron (2000:145) indicated in their research on changed cost management accounting systems that 62% of their respondents expected to revise their systems significantly over the following three years.

Several other studies focused on the adoption of advanced management accounting systems. Tani, Okana, Shimizu, Fukudu and Cooray (1994:68) found that 61% of Japanese manufacturers used target costing, and Israelsen, Anderson, Rhode and Sorensen (1996:29) reported that 50% of Danish manufacturers used target costing. Chenall and Langfield-Smith (1998:7) found that 56% of Australian organisations used ABC costing and that 38% used target costing. The adoption rate of new management accounting practices by Indian and Australian companies is illustrated in annexure 7.

Despite criticism of traditional management accounting techniques in a drastically altered manufacturing environment, studies in the USA and the UK have shown that organisations have been slow to adopt new techniques despite the fact that a significant competitive advantage can be gained from adopting these systems (Adler, Everett & Waldron 2000:132). Many manufacturing entities continue to rely on traditional measures such as standard costs (Chenall & Langfield - Smith1998:16).

5.3 PERCEPTIONS ABOUT THE RELEVANCE OF MANAGEMENT ACCOUNTING EDUCATION

Albrecht and Sack (2000:2) echoes the sentiments of some South African business leaders (see paragraph 4.4) when he says:

[E]ducation [referring to tertiary education] *is being delivered in the same way today as it was 20 or 30 years ago. It is obvious that a measure of discontent exists between what educators teach and practice wants*.

Ryan (2004:3) noted in 1999 that educators should redesign their teaching, research and service functions to become more productively involved in their communities. Ryan's idea of ideal engagement is profoundly different from the traditional one-way transference of knowledge and technology at most universities.

Siegel and Sorensen (IMA 1999:6) pleads that universities should obtain a better understanding of the work performed by management accountants in modern corporations in order to meet the needs of their students. Siegel believes this can be accomplished by regular meetings between practising management accountants and tertiary institutions.

It is clear that new capabilities are required of management accountants in consequence of explicit morphogenic changes in the business environment. The question is: How have academic institutions managed these changes in respect of their curricula to provide the required capabilities? Or in the words of Medani (1997:1), *…how do we prepare the accountant for the 21st century?* Another question arises: Does a gap exist between what higher educational institutions teach and what business requires (Norris, Hurley, Hartley, Dunleavey & Balls 2000:130)?

This study aims to contribute to the existing body of knowledge by investigating management accounting education in South Africa as the dependent variable on which changed management accounting techniques hinge. An appropriate performance measurement tool has to be used to measure whether management accounting education is providing the skills required in the business environment, thus answering the second question relating to morphogenic change, namely Where are we going?

5.4 A BALANCED SCORECARD APPROACH TO MEASURING PERFORMANCE

Advanced management accounting systems have brought about much needed change in the field, but the slow adoption rate of these systems raises questions about academia's role/responsibility in realising change. Measurement of the sustainability of academic programmes was suggested by Berdahl and Mc Connell (1999:86) who predicted that universities were moving into a period during which they would not only have to provide data on the attainment of defined outcomes, but would also have to submit evidence that results have been obtained at reasonable cost.

Using performance measures to determine the success of an organisation is not unique. Both financial and nonfinancial measures have been developed throughout business history to measure performance -- and consequently strategic alignment. Hoffecker and Goldenberg (1994:5) complain that the different traditional performance measurement instruments have never achieved balance. They believe that business performance measures are often biased in terms of either financial or nonfinancial views:

> *Traditionally the non-financial performance measures have been used by operational employees, whilst financial measures were reserved to measure the strategic achievements of management*.

Duvel and Rumbel (1998:38) also call for new performance measures when they state that focusing on achieving short-term strategic goals -- as has been the case in the past – would be insufficient in the changed business environment.

To overcome the problem of imbalance in performance measures, Kaplan and Norton suggested the balanced scorecard in 1992. However, it was Johnson and Kaplan who planted the seeds for the balanced scorecard in 1987 in a book that examined management accounting's failure to manage planning and control, but it was Kaplan and Norton's 1992 and 1993 *Harvard Business Review* articles that put the balanced scorecard on the map (Kaplan & Norton 1992:71).

5.4.1 Criteria for an appropriate performance measurement tool

Duvel and Rumbel (1998:38,40) recommend that performance measurement be approached in a holistic manner and adhere to predefined measurement criteria:

- **Relevance:** Does the measure reflect the most important results for the organisation?
- **Integration:** Can the measure be cascaded downward from the corporate level to the operating units?
- **Sustainability:** Can the measure accurately forecast the trend in future results?
- **Measurability:** Can the measure be calculated from readily available data?
- **Reliability:** Would different judges make the same calculations?
- **Manageability:** Can the individual control the results?
- **Communicability:** Can the measure be explained easily and clearly to internal and external audiences?
- **Timeliness:** Can the measure be applied annually even if it were designed for use in the longer term?
- **Consistency:** Can the measure be related to past performance and competitive performance?
- **Credibility:** Is the measure resistant to manipulation?
- **Differentiation:** Do the results vary sufficiently so that people know which specific goal has been achieved?

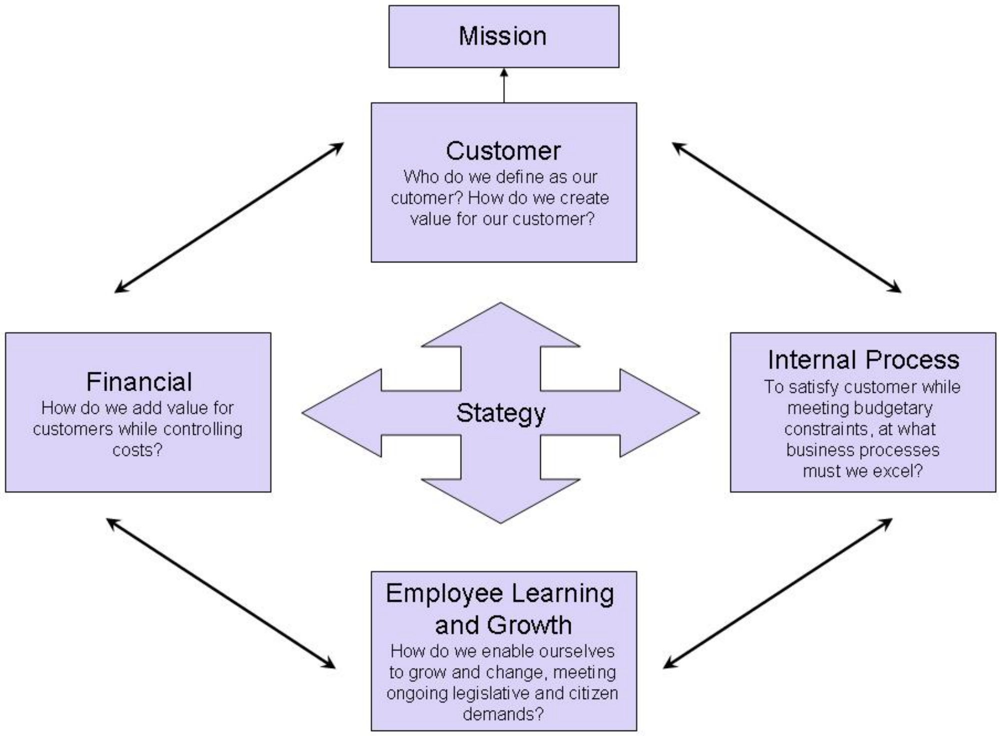
In his address to Pen State University, James Ryan (2004:1) refers to the appropriateness of the balanced scorecard as a performance measurement tool for higher education. Ryan (2004:1) suggests using the balanced scorecard in higher education as a tool to avoid "standstill" and as a catalyst to link today's actions with tomorrow's goals. Ryan (2004:3) is of the opinion that higher education has to formulate strategies for the rapid and innovative deployment of educational resources in order to address current needs: *In this environment, the balanced scorecard becomes a wonderful tool to demonstrate value and defend action*.

5.4.2 Application of the balanced scorecard

According to Rompho (2004:899), the balanced scorecard is *widely used to diagnose and improve on an organisations performance* in the private sector. However Kaplan and Norton (1996:179) believe that the balanced scorecard, although initially developed for the private sector is ideally placed in helping governmental and not-for-profit organisations to measure their performance. In South Africa tertiary education institutions form part of the governmental and not-for-profit sector. Kaplan and Norton (1996:180) state that the success of not-for-profit organisations can not be measured only on financial information but should be measured on *how effectively and efficiently they meet the needs of their constituencies.*

Niven (2002:279) customised the original balanced scorecard for governmental organisations. (see diagram 5.3)

Diagram 5.3:Balanced scorecard adapted for government organisations

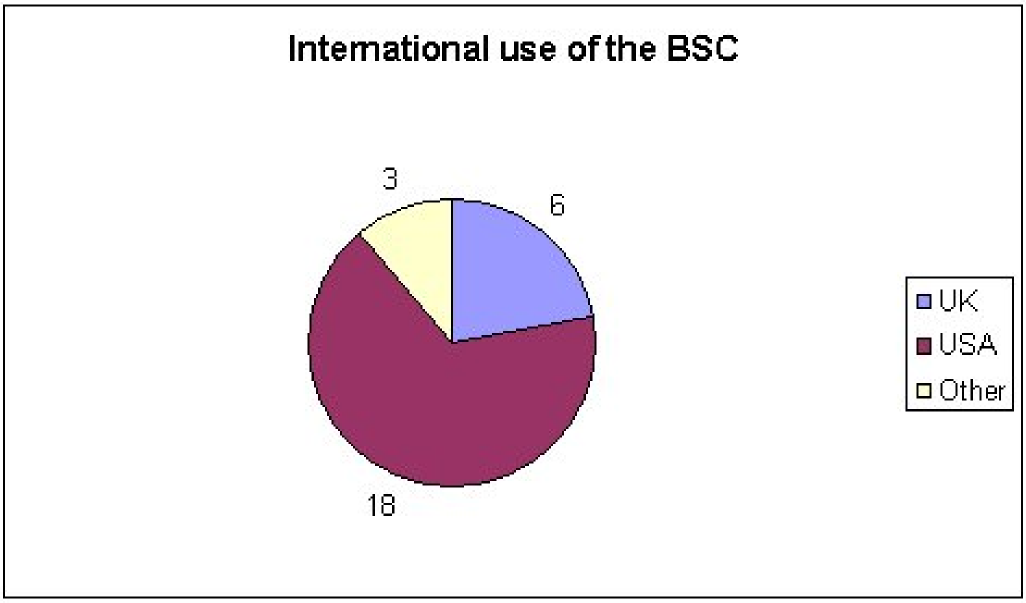


Source: Niven 2002:297

In Diagram 5.3 it is illustrated that the balanced scorecard is a measurement system for not-for-profit entities that provides feedback on both internal business processes and external outcomes to improve performance and results (Arveson in Smartpros 2004:*l*). It is widely used as a measurement tool in the business world but has been less frequently applied in the educational sector (Hattendorf 1996). However, the idea is gaining ground. Stewardt and Carpenter-Hubin (2000:38), Lawrence and Sharma (2002:663), and Ruben and Babbie(1999:38) all provide examples in which the balanced scorecard has been used to measure management performance at universities. Pursglove and Simpson (2000:468) used the balanced scorecard to measure university research output, and

Southern (2002:404) applied the balanced scorecard to measure university teaching.

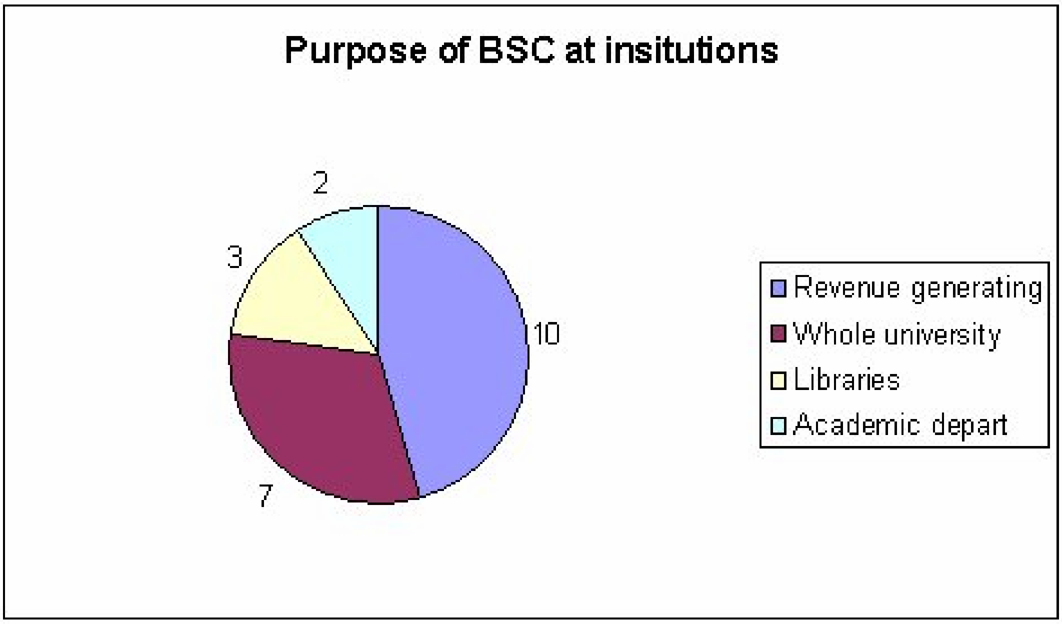
Diagram 5.4: International use of the balanced scorecard at universities



Source: Adapted from Rompo 2004:901

Diagram 5.4 indicates that twenty-seven universities use the balanced scorecard as a performance measurement tool. Analysis of the locations of these universities shows that 18 are located in the USA, 6 in the UK and the remainder in Canada, Australia and Thailand. However, the purpose for which the balanced scorecards are used at these universities varies (Rompo 2004:901) (see diagram 5.5).

Diagram 5.5: Purpose for which the balanced scorecard is employed in international higher education



Source: Adapted from Rompho 2004:901

According to Diagram 5.5 applications of the balanced scorecard at the international level in higher education vary from 10 universities applying the balanced scorecard to their revenue-generating units, 7 applying it to the whole university, 3 applying it to libraries and 2 applying it to the performance of academic departments.

The only information on use of the balanced scorecard at South African higher education institutions dates back to 2001 (see annexure 8). A more recent list of research (2004) regarding the application of the balanced scorecard in South Africa is detailed in annexure 9. Annexure 9 indicates that recorded information on the application of the balanced scorecard in higher education in South Africa is presently unavailable.

Very little research has been done on implementation of the balanced scorecard at South African tertiary institutions. It is apparent from the international studies that the balanced scorecard would be a novel way of measuring academic performance. However, as the balanced scorecard is the only performance measurement tool that emanated from the field of management accounting, researching this instrument to measure the performance of management accounting education at South African universities seems justified. An overview of the balanced scorecard as a performance measurement tool is therefore of critical importance. (The information contained in this overview is also used in chapter 6 to develop questionnaires on the suitability of current management accounting courses to meet the needs of a changed business environment.)

5.4.3 What is the balanced scorecard?

Kaplan and Norton (1996a:1) describe the balanced scorecard as a management system that enables organisations to clarify their vision and strategy and translate them into action. Otley (1999:367) describes the balanced scorecard as *a multi-dimensional approach to performance measurement and management that is linked … to organisational strategy*.

The dissatisfaction of business leaders (discussed in paragraph 5.3) with formal education creates a potential threat to the long-term survival of formal business education. And, as stated in chapter 2, management accounting education in the Republic of South Africa lies within the domain of formal education. Management accounting education in South Africa is therefore under threat of becoming superfluous. Assessing how South African students of management accounting perform in the changed business environment requires a suitable performance measure.

Kaplan and Norton (1992:71) suggest in various articles that the changing business environment requires more than a purely financial view of management.

The departure point in developing the balanced scorecard was an observation that companies relied too heavily on financial measures to assess performance. Kaplan and Norton (1996:7) explain that the modern accounting system was developed long before intangible assets, alliances and skilled employees constituted an organisation’s most valuable assets. Although progress has been made in recognising some of these assets (SAICA 2004a), it remains difficult to attach a financial value to a large number of these items, precluding them from being recognised in organisational balance sheets. *Yet these are the very assets and capabilities that are critical for success in today’s and tomorrow’s competitive environment* (Kaplan & Norton 1996:7). Kaplan and Norton (1996a:8) plead that both financial and nonfinancial performance measures be used in a holistic perspective of management.

The balanced scorecard combines a focus on both short-term and long-term objectives to improve management’s ability to gauge the attainment of strategic goals. The balanced scorecard is increasingly used around the world to measure performance in a changed business environment (Steadman 2001:21) (see annexure 10).

5.4.4 Evolution of the balanced scorecard

Over the past few years, the balanced scorecard slowly evolved from its original use as a performance management tool. It is more than a traditional tool to control behaviour and/or to evaluate past performance. Kaplan and Norton (1996:11) identified four perspectives (or pillars) on which organisational success is based, namely financial aspects, the customer, internal business processes, and the learning-and-growth perspective (Kaplan & Norton 1996:31) (also see paragraph 5.4.5):

Financial perspective:	How should we appear to our shareholders to succeed financially?
Customer perspective:	How should we appear to our customers to achieve our vision?
Internal business processes perspective:	In which business processes should we excel to satisfy our shareholders and customers?
Learning-and-growth perspective:	How do we sustain our ability to change and improve?

These four perspectives of the balanced scorecard permit a balance between short and long-term objectives, between desired outcomes and the performance drivers to achieve those outcomes, and between hard, objective measures and soft, more subjective measures. The reasoning behind the four perspectives (pillars) was that long-term success could only be achieved by investing in capabilities that would in turn drive future performance.

The goals and performance indicators developed for each of these perspectives derive from the organisation's mission and strategy and are transformed into understandable and attainable goals. A balance is required between measures developed for external parties (shareholders and customers) and those developed for internal parties (Kaplan & Norton 1996a:10). All performance indicators should be balanced between those that represent historical events and those that indicate future performance. The basic premise of these four perspectives is that investment in learning and growth will give rise to improved internal business processes. Better internal business processes ensure more satisfied customers who in turn enable an organisation to become more profitable and financially secure.

Kaplan and Norton (2000:14) pose the question: *Why do organisations need a balanced scorecard?* and offer in answer: *Measurement matters – If you can't measure it, you can't manage it*.

> *Unfortunately, many organisations espouse strategies about customer relationships, core competencies, and organisational capabilities while motivating and measuring performance only by means of financial measures. The balanced scorecard retains financial measurement as a critical summary of managerial and business performance, but it highlights a more general and integrated set of measurements that link current customer, internal business process, employee, and system performance to long-term success* (Kaplan & Norton 1996:21).

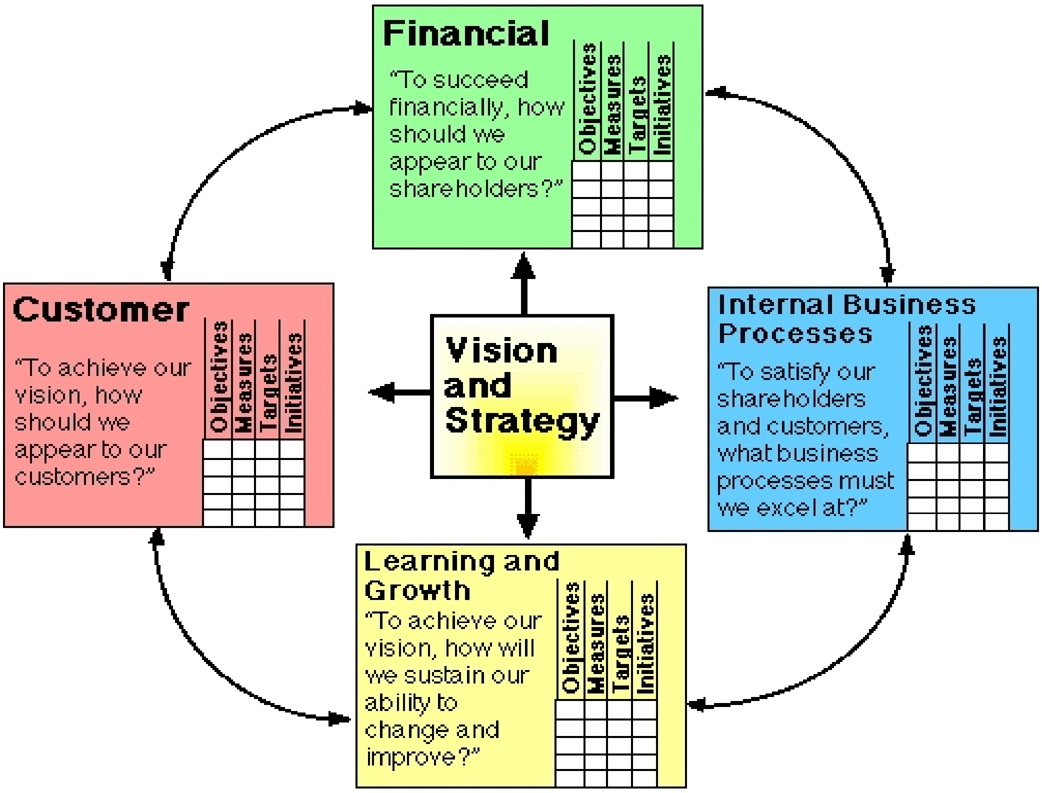
Performance measurement provides a factual basis for the following (Kaplan & Norton 1996a:28):

- Strategic feedback to decision makers on the present status of the organisation from several perspectives
- Diagnostic feedback to various processes to guide ongoing improvement
- Performance trends over time as measurements are tracked
- Feedback on measurement methods and performance areas that should be tracked
- Quantitative input to forecast methods and models for decision support systems
- The four perspectives of the balanced scorecard plus organisational strategy are now discussed in more detail.

5.4.5 The four perspectives of the balanced scorecard

The four perspectives of the balanced scorecard plus organisational strategy are now discussed in more detail.

Diagram 5.6: Pillars of the balanced scorecard



Source: Balanced Scorecard Institute 2004:I

The central focus of the balanced scorecard methodology is to measure the attainment of strategic goals. However, the meaning of "strategy" has to be fully understood before the balanced scorecard can be used to measure the performance of management accounting programmes

The vision of an organisation identifies its ideal state in the long-term future. Its strategy describes how the organisation intends to move from the current situation to this “ideal “ future. According to Armstrong (1993:24), strategy *provides the framework for guiding choices which determine the organisation’s nature and direction*.

Chapter 3 illustrated how organisations obtained an advantage by exploiting tangible physical assets during the industrial era. However, in the era in which companies now operate, a competitive advantage is obtained by exploiting intangible assets such as intellectual capital, customer relations and processes (Ulrich 1998:15). An organisational strategy can no longer be based on purely financial (historical) measures as these reflect the outcomes of past decisions. Managers need current and timeous feedback in the new era to help them monitor strategy through continuous improvement.

Formulating and designing correct strategy is insufficient if management fails to implement the strategy. Research conducted by Norton (1999:9) revealed that nine out of every ten organisations fail to execute strategy.

While not dealing directly with the emergent strategy of an organisation, Kaplan and Norton (1996:10) argue that a key function of the balanced scorecard is to bring stated strategic objectives into the realm of everyday work experience. These authors (1996:75) believe that the balanced scorecard is compatible with a market-oriented (customer-driven), or a competence-based, or a resource-based approach to strategy development.

The market-driven approach has been made popular by Michael Porter (1985:36), a Harvard professor, who argued that strategy has to be supported by an analysis of competitive forces in the relevant industry and of other environmental factors. A decision on whether to adopt a cost leadership, differentiation or focus approach to competition is based on this analysis. The resources and competence-based strategy looks at how the tangible, intangible and human assets of an organisation combine to provide organisational competencies that ensure a competitive advantage (Grant 1998:56). Both approaches emphasise different but equally important elements of strategy. An organisation must be aware of the dynamics in the environment in which it operates and ensure that it has the necessary competencies and resources to utilise available opportunities.

5.4.5.1 Customer perspective

This perspective emphasises the importance attached to customers in organisations today: *If customers are not satisfied they will eventually find other suppliers that will meet their needs* (Balanced Scorecard Institute 2004:*I*). An organisation's customer base should be analysed in terms of type of customer as well as type of purpose for which particular products or services are provided.

According to a study undertaken by Chang and Chow (1999:397) on the balanced scorecard as potential tool for supporting change in accounting education this perspective should revolve around "How customers see us". Chang and Chow (1999:404) through a survey of accounting department heads identified effective student placement, quality instruction, highly valued program, quality academic advising and flexible course scheduling as goals that could be measured under this perspective.

5.4.5.2 Learning-and-growth perspective

According to the Balanced Scorecard Institute (2004:1), this perspective refers to employee training and corporate cultural attitudes related to both individual and corporate self-improvement. Whist Chang and Chow (1999:397) states that the learning and growth perspective revolves around how…. *we continue to improve and create value.*

The current business climate requires people -- especially in the service arena -- to subscribe to life-long learning. The balanced scorecard survival website (2004:6) states that the learning and growth perspective relates to the ability of employees and information systems to adapt to change. This perspective would therefore be vital in organisations that undergo radical change. In their survey of departmental heads Chang and Chow (1999:405) identified faculty professional growth, incorporating technology into teaching, innovation in teaching, curriculum innovation and partnering with accounting / business firms as goals that could be assessed under this perspective.

5.4.5.3 Internal business process perspective

Managers use this perspective to identify critical processes in achieving customer and shareholder objectives. Deriving objectives and measures for the internal business process perspective represents a major distinction between the balanced scorecard and traditional performance measurement systems (Kaplan & Norton 1996:93). Chang and Chow (1999:397) state that the internal business process perspective focuses on *…at what must we excel.* The Chang and Chow (1999:404) list quality assurance, internship program, cost efficiency, optimal class size and unique or specialised curriculum as aspect that would be considered important under this perspective by accounting department heads.

5.4.5.4 Financial perspective

Despite the increased importance of the above perspectives, Kaplan and Norton (1996a:61) do not disregard the traditional need for financial information in order to assess how well an organisation is performing. The Balanced Scorecard institute (2004:1) states that timely and accurate financial data will always be a priority and that related information on risk assessment and cost benefit might also be necessary. Chang and Chow (1999:397) also emphasize the importance of this perspective and mentions that it refers to *…How do we look to providers of financial resources?*

Prosper, succeed and survive are the goals identified by accounting department heads as important when measuring performance in respect of this perspective (Chang & Chow 1999:405).

5.4.6 Benefits and weaknesses of the balanced scorecard

The question invariably arises whether the balanced scorecard is just another management fad or "flavour of the month". The balanced scorecard in itself does not offer a substantially new idea. The main aim is *to give senior managers a set of indicators allowing them to monitor the progress of the business, compare it to the goals that have been set, and take corrective action* (Epstein & Manzoni 1998:191).

Cynics such as Viedge and Conidaris (2000:38) suggest that the balanced scorecard is *just fancy packaging for well-known management principles*. Gering and Mntambo (2000:17) assert that if it is a fad, *then it surely is one of the longest running fads and one of the most successful.*

Kaplan and Norton (1996a:185) identified several key benefits of the balanced scorecard approach:

- It provides a means to implement strategy by facilitating the link between all levels where performance occurs.
- It is a relatively simple and easily understood approach.
- It can be adapted to a range of different organisational contexts.
- It has the ability to connect long-term goals with short-term actions and budgeting.

- It emphasises organisational communication processes to support performance measures.
- It facilitates project generation and assessment in support of strategy.
- It has its origins in the influential Harvard Business School with its extensive publishing apparatus.
- It combines academic credibility with a strong practitioner approach (Kaplan the academic and Norton the consultant).
- It is not copyrighted and thus allows for easy dissemination.

5.5 CONCLUSION

Mansfield (2002:6120) describes "strategy" as an activity associated with planning for an event/occurrence. It is clear from this definition that a new strategy is required from management accountants to meet the demands of the changed business environment. This implies that management accountants should be taught new skills if they are to remain relevant in the business world.

Gresov, Haveman and Olivia (1993:185) aptly state that *[a]n organisation's ability to respond to change is of critical importance to its long-term survival.*

In this chapter advanced management accounting systems were identified. Questions were raised about the relevance of management accounting education. The only way to establish whether management accounting programmes are aligned to the changed business environment is to determine the suitability of the available programmes by means of an appropriate strategic performance measurement tool. The balanced scorecard was identified as an appropriate tool for this purpose.

Management accounting has met the challenge of change for hundreds of years. The question is, will it continue to do so?