



UDC 338.2; 657.1

M. S. Pysmenna,
PhD in Economics, Associate Professor of Department of Management, Economics and Law,
Kirovohrad Flying Academy of National Aviation University

PROFESSIONAL MANAGEMENT ACCOUNTANTS IN PROVIDING SUSTAINABLE PROFITS FOR THE COMPANY

М. С. Письменна,
к. е. н., доцент кафедри менеджменту, економіки та права,
Кіровоградська льотна академія Національного авіаційного університету

ФАХІВЦІ В СФЕРІ УПРАВЛІНСЬКОГО ОБЛІКУ У ЗАБЕЗПЕЧЕННІ СТІЙКОЇ ПРИБУТКОВОСТІ ПІДПРИЄМСТВА

The essence of management accounting profession and the crucial role it has to perform in creating sustainable success for enterprises are studied. The requirements of the boards and managements of companies as they collaborate to build successful companies are identified and explained. Special attention was paid to the flow of management information that will enable board members to understand the business model and provide the basis for long-term and sustainable performance. Management accountants were proven to be the ones to collect and analyze the high quality, issue-specific data for the top-management to guide strategic decisions on sustainability. Therefore, a contribution of management accountants to meeting the informational needs of the board is demonstrated.

Вивчено сутність професії спеціаліста з управлінського обліку та її вирішальну роль в створенні показників стійкої прибутковості на підприємстві в зарубіжних країнах. Виявлено та пояснено вимоги до діяльності керівництва і топ менеджменту компанії щодо їх співпраці для досягнення цілей організації. Особливу увагу було приділено потокам управлінської інформації, що надає членам ради директорів можливість зрозуміти існуючі бізнес-моделі діяльності підприємства і забезпечити основу для довгострокової та стійкої продуктивності. Було доведено, що спеціалісти з управлінського обліку є тими працівниками, які можуть зібрати та проаналізувати інформацію високої якості з конкретних питань для потреб топ-менеджменту у прийнятті стратегічних рішень у сфері сталого розвитку підприємства. Показаний внесок фахівців в сфері управлінського обліку в забезпечення інформаційних потреб керівництва.

Keywords: *management profession, management accountant, sustainability, managerial skills, business strategy.*

Ключові слова: *професія менеджера, фахівець в сфері управлінського обліку, стійкість, управлінські навички, бізнес-стратегія.*

Statement of the problem.

Shortcomings in corporate governance initially triggered the recent financial crisis in the developed countries, when the developing ones are becoming more familiar with those incentives over recent years. Enterprises that outwardly had good performance indicators turned out to be relying on inadequate business models. Top managers were the ones to hold responsibility for ensuring the ongoing sustainability of enterprise's profitability. As it appears they failed in understanding the duality in issues of the long-term and short-term profits.

Today it is quite clear, that if those directors had full management information, they could avoid the consequences: the board of directors could understand that the companies under their supervision were gaining profits in a way that was not sustainable whatsoever.

It goes without saying, that management accountants are exceptional in their role to support the top managers in making informed judgments. Yet, the task is to find out how the broad purposes of the top management and the wider aims of management accountants put them all together. Moreover, the enterprises in Ukraine are in a constant need of individual management accountants having the knowledge and skills to perform various essential roles, to develop sustainable success, such as implementing appropriate key performance indicators in the company and effective cash management. The relevance of the study is proven by the need to describe how the decisions of board of directors in Ukrainian companies are to be supported by professional management accountants.

Analysis of recent research

General issues of organizing, regulation and providing management accounting are shown in scientific studies of national and foreign researchers P. Atamas, E. Atkinson, I. Biloysov, M. Chumachenko, K. Drury, P. Freedman, S. Holov, Ch. Hongran, M. Kuzhelnlyi, S. Levytska, B. Needles, P. Samuelson, V. Sopko, et al. Matters of determining the role of managements accountants in maintaining sustainability of the company due to providing relevant information to the board of directors are investigated by foreign scientists E. Collins, R. Eccles, J. Haar, S. Hart, M. Krzus, S. Lawrence, M. Milstein, J. Roper, et al.

The issue of modern approach to the activities of management system in the company is studied in the scientific works. Still the Ukrainian scientific literature does not cover the role integrated performance of management accountant in developing profit sustainability. That is why there is a need for an in-depth research of the scopes of professional development of management accountant in Ukraine, along with the study of interactions with the top management that could bring complete information for making relevant decisions.

The purpose of the research is the need to identify the role of management accounting in creating sustainable success. The paper is to prove that continuous updating, lifelong learning, ongoing professional work with employers and academics is important for Ukrainian companies with developed management system in both the private and public sector to keep sustainable performance under various economic conditions.

The main research material

Since 2008 the financial crisis caused the companies of the world's developed economies to be in recession or experiencing slow growth, partly due to collapse of the loan market, consequent liquidity difficulties, and lack of credits for development. These factors created very difficult operating conditions for enterprises in Ukraine. Consumer confidence and spending declined and enterprises have to work harder to keep their performance indicators. Meanwhile the credit rating of Ukraine is constantly under threat as the ability to service national debt is questionable. Both private and public sectors are under this impact.

Large enterprises in the financial sector are in the situation, where the failure of top management is accompanied by lack of proper surveillance by boards and senior

managers and by misunderstanding of risk and performance management.

Corporate management has to improve in order to maintain its vital indicators. Various corporate management codes and guides are ineffective in achieve this task, because of limited application of an important element: building a successful, sustainable business model. Managers are to apply principles, practical tools and techniques that extend simple reporting compliance to make sure that the organization as a whole works efficiently. Majority of these methods already are the basics of management accounting. However, the main role of management accounting in addressing these fundamental matters is misunderstood in many ways in Ukraine.

Due to the diversity of roles in management accounting, the outlined objectives to study are tree-fold: defining what boards and management need to maintain profitable and sustainable organizations based on national governance, how management accountants provide information for boards to meet these needs, and how improving qualifications of management accountants is helping to perform the necessary functions (Table 1).

Table 1.
Objectives of the management accounting in Ukraine

Core needs of an organization's board and management	Vital role of management accountants in meeting these needs	Developing the knowledge and experiences of management accountants to perform this role	The managerial mission in Ukraine: helping enterprises to keep sustainability of profits
--	---	---	--

Source: developed by author

Each objective is divided into five sub-aims that explain key features of the task on which the objective focuses. The aims define the purpose of the target group: board, management. This shows that the aims are the starting point. The roles section concerns the tasks and activities that the board or management should perform in order to fulfill its aims. The activities and tasks to be performed - the roles - come out from the aims. In turn, they show the appropriate interaction between skills and expertise that is required. The skills section defines the abilities and expertise necessary to perform the tasks. How these skills are used - behaviors - shows which group is influenced and the way of that influence. The behaviors section defines how the group should perform to enhance the effect and influence of the skills. The influence section demonstrates the parties who draw benefit if the aims, roles, skills and behaviors are correctly combined [1].

Each company operates in an environment that can both promote or restrict its performance. This consists of the structure, features and performance indicators of the economic system, and the law enforcement and social expectations of the operating environment. It all determines the aims that the board and top managers would like to achieve, which in turn influences at their roles, skills, behavior and influence. These matters are generalized below in Table 2.

Table 2.
The needs of the Board and managers

Aims	Responsible for leading long-term, sustainable success of the company or organization (irrespective of size, in the private and public sector)	
Roles	<ul style="list-style-type: none"> • Approve/oversee/determine: - short and long-term strategy - business model - risk 	
Skills	<ul style="list-style-type: none"> • Quality decision making: - strategic development - risk mitigation and assessment • Oversight of: - capital and resource allocation - strategy implementation 	<ul style="list-style-type: none"> • Business control • Talent needs and development • Incentives: - results related pay - bonuses - appropriate levels
Behaviors	<ul style="list-style-type: none"> • Sets appropriate tone • Articulates clear vision • Inspires and empowers • Looks forward and outward 	
Influence	<ul style="list-style-type: none"> • Customers • Management and the business • Business partners • Community and environmental stakeholders • Shareholder relationships 	

Source: [5]

According to the corporate rules, the board is responsible for drawing the company's strategic aims and providing the regulations to put them into action. Various studies about the work of boards affirm this view. Since the purpose of corporate management is to facilitate effective, entrepreneurial and prudent management that can bring the long-term success of the enterprise, the main aim of the board in its leadership is to take the organization to achieve long-term, sustainable profits.

In order to achieve its aims, the board develops strategy and provides surveillance on its implementation. As part of this activity it approves an appropriate business model which explains clearly how the business adds, develops and keeps the value. Of course, some internal and external impacts can prevent the organization from achieving its strategic aims. The board must clarify and manage these risks that include making decisions on the size of the risk for the organization. That is the volume of risk they are willing and able to take to get its constant profits.

When developing the strategy, the board members and top managers should be able to set, assess and choose between strategic possibilities upon the information available to them about the company and its operating environment. This requires the ability to research, analyze and use data to assess complex and risky situations to make effective decisions. It also involves the ability to predict future issues and work out strategic solutions to problems and opportunities after taking into account multiple results and the broader business implications. Implementation must follow the strategy formulation that is ensuring that the correct quality of resources is provided on time and proper incentives are given to achieve the desired aims. In addition the board must monitor meeting the strategic aims, compare them to expectations and take immediate actions if needed. The overseeing can be driven to cover changes in the market and operating environment and the potential influence on results.

If the board and top managers are committed with their aims, roles, skills and behaviors in a proper way then they will be able to influence the counterparties of the company for the benefit of the organization. These include customers who provide the revenues for the organization. Same, business partners, suppliers in particular, will be encouraged to be engaged with the organization on a profitable basis. Skilled and motivated employees will contribute to delivering the strategic outcomes, and consequently deliver better value for the enterprise. Finally, organization behaves more responsible, if the board is aware of the broader picture of environment. That is how the company gets to receive and keep the support of operating environment and the owners.

It is common that the board members perform an oversight role and need the support of professional managers to support their decision making and, of course, the taking action on their decisions. Management accountants have a special set of competences that is they have to be exceptionally well trained to offer this support.

The objectives of management accountants in a company are in a close connection with the aims of the board. The board is supposed to take the company to the long-term sustainable profit. It is applicable through establishing the strategic direction of the company and looking after the implementation of strategy. Effective implementation of the strategy is mostly ensured when the objectives of the board are connected to the economic activity, thus enabling making the due decisions about activities and resource allocation. Management accountants have their aim to provide these links.

Management accountants undertake certain tasks and activities to fulfill their aims, namely providing and taking actions on decisions, and managing performance. Their role to support decision is about a strong commitment to understand how the different parts of the business are united to produce value and the financial implications of various decisions. This is how they have to help providing the board's decisions in operational and financial environment [2].

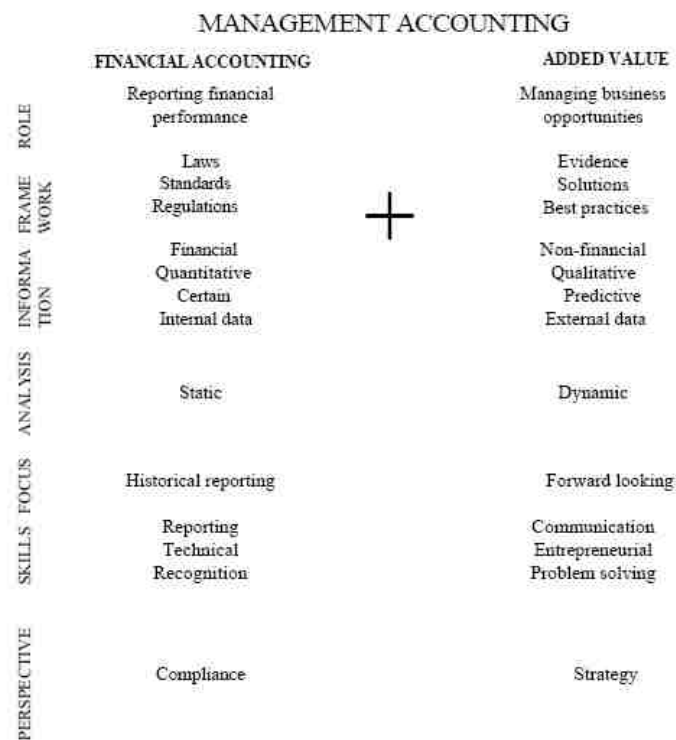


Figure 1. Management accounting adds value to financial accounting

Source: developed by author according to [5]

Performing their roles effectively, using the right knowledge and behaviors, management accountants will positively influence upon the board, top management, employees in all departments, colleagues in the finance function, and business counterparties. Connecting the board's objectives to the rest of the activities they will help the board to reach its aims of leading the company's long-term, sustainable growth. Top management and peers in other departments will benefit from the right decisions that come from management accounting, managerial and data skills. At last, the long-term growth of the company can be transformed into the long-term profitability of its counterparties.

Conclusions

The study suggests that enterprises in Ukraine need to take advantage from the newest professional developments for management accountants in abilities to set strategies in order to achieve the best sustainability results under crises conditions. The overall outcomes are as listed below:

- Companies in Ukraine are to comply with the worldwide trend toward integrative reporting incorporating non-financial and financial data. Management accountants have to be placed to support the alignment mechanisms and collaborate with top management in developing fully integrated reports, reflecting sustainable strategies adopted by companies which respond the needs of interested parties.
- In Ukraine the management accountants are performing their traditional role of financier, however not acting as the participants in bringing the company toward sustainability as an aim.
- Management accountants have to collaborate with the managing directors, environmental, human resources and marketing managers to execute the sustainability strategies.
- Collecting and analyzing of quality, issue-specific data is crucial to make decisions on sustainability, as in any other aspect of business. Management accountants are the ones who fit ideally to monitor and manage non-traditional data to guide strategic decisions on sustainability.
- Sustainability is not proven to go along with annual reporting. However, management accountants possess a great potential to be collaborators in the achievement of sustainability aims but the potential has yet to be fully developed in Ukraine.

References:

1. Collins, E., Lawrence, S., Roper, J., and Haar J. (2010). "Business Sustainability Practices During the Recession: The Growing Sustainability Divide", *Waikato Management School Study*, [Online], available at: www.management.ac.nz/sustainabilitydivide (Accessed 14 November 2013).
2. Collins, E., Lawrence, S., Roper, J., and Haar, J. (2011). "Sustainability and the role of the management accountant", *Research executive summary series*, vol. 7, issue 14, pp. 1-16.
3. Eccles, R.G., and Krzus, M.P. (2010). "One Report: Integrated Reporting for a Sustainable Strategy", [Online], *John Wiley and Sons*, available at: <http://ru.scribd.com/doc/26990280/One-Report-Integrated-Reporting-for-a-Sustainable-Strategy> (Accessed 15 November 2013).
4. Hart, S.L., and Milstein, M.B. (1999). "Global sustainability and the creative destruction of industries", *Sloan Management Review*, issue 41(1), pp. 23-33.
5. Chartered Global Management Accountants (2011), "How management accounting drives sustainable success", available at: http://www.cgma.org/Community/DownloadableDocuments/Role_Of_Management_Accounting.pdf (Accessed 15 November 2013).
6. KPMG (2013), "International Survey of Corporate Responsibility Reporting", available at: <http://www.kpmg.com/global/en/issuesandinsights/articlespublications/pages/sustainability-corporate-responsibility-reporting-2013.aspx> (Accessed 15 November 2013).

Стаття надійшла до редакції 26.12.2013 р.