ADOPTING INFORMATION TECHNOLGY (IT) IN MANAGEMENT ACCOUNTING IN ORDER TO ACHIEVE IT-BUSINESS ALIGNMENT

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Practice shows that, in order to improve internal and external communication, managers need to increase the request of information about their business administration. In order to cope with the current requirements, to improve internal and external communication, there is a demand for accurate, reliable and versatile information on financial processes, internal business processes, customer perspectives, learning and growth perspectives and costs.

Also, nowadays we assist a rapid development of information technology (IT), the use of electronic instruments in everyday activities of the entities which opens new directions for research regarding: financial perspectives, performances and strategies. Management accounting uses various systems in order to cope with the existing requirements. The Balanced Scorecard (BSC) is a management system that enables organizations to clarify their vision and strategy and translate them into action.

Keywords
management accounting, strategy, business alignment, information technology (IT)

JEL Classification: M - Business Administration and Business Economics; Marketing; Accounting

1. Introduction

In present context preoccupations regarding strategies, performances and performance measurement are major challenges within organizations. We are also the witnesses of globalization, technological and organizational mutations, the automation of the production processes.

This entire phenomenon emphasizes the role of management accounting and its instruments. The Balanced Scorecard has become a popular management tool which identifies and measures the indicators of an organization's current operations and the drivers for future performance from four perspectives of the business: financial, customer, internal and innovation and learning.

Moreover, changes of information technology (IT) have been commonplace for many years. The IT industry increased very efficiently and resulted as the intensification and consequences of organizational and environmental changes. In these condition becomes vital the collaboration, strong relationship and communication between management accounting, strategy, performance measurement and information technology.

2. Research methodology

This article focuses mainly on the knowledge in the field of management accounting and information technology (IT), specifically on performance measurement and organizational strategy, through a qualitative approach. Qualitative research can produce significant results with the methods it uses, such as: comparative analysis, interpretive research, action research.

This article is a theoretical study and its purpose is to present the relationship between performance measurement instruments and information technology using information and data gathered from the existing literature and practice on national, European and international level.

3. The importance of management accounting and strategy

Management accounting was defined by the National Association of Accountants (NAA) as "the process of identification, measurement, accumulation, analysis, preparation, interpretation and communication of financial information, which is used by management to plan, evaluate and control within an organization."

All and all, the main purpose and objective of management accounting is to become an effective orientation instrument, a dashboard, a consultant in establishing internal and external actions, procedures and decisions which are essential for every organization. The management accountant's role is to provide managers with feedback information, to enable them to determinate if operations and activities are proceeding according to plans and to identify those activities where corrective actions are necessary. Management accounting[595] should provide economic feedback to managers to assists them in controlling costs and improving the efficiency and effectiveness of operations.

Management accounting information is used for[596] : (1) Formulating strategy; (2) Planning and controlling activities; (3) Disclosure to employees; (4) Decision taking; (5) Optimizing the use of resources; (6) Disclosure to shareholders and others.

Also management accounting involves ensuring that there is effective[597]: strategic planning, formulation of short-term operation plans: budgeting, financial management, communication of financial and operating information, financial control: corrective action to bring plans and results into line, internal audit: reviewing and reporting on systems and operation.

Strategy and strategy implementation also requires continual focus on the change initiatives and on the performance against targeted outcomes. If managers are not energetic leaders of the process, change does not occur, strategy is not implemented, and the opportunity for breakthrough performance is lost.

Usually, an organization begins by developing a strategy statement and then translates it into the specific objectives and initiatives of a strategic plan. As managers execute the strategic and operational plans, they continually monitor and learn from internal results and external data on competitors and the business environment to see if the strategy is succeeding. Finally, they periodically reassess the strategy, updating it if they learn that the assumptions underlying it are out-of-date or faulty, starting another loop around the system.

This activity involves a 5 stage system within an organization[598]:

(1) Develop the strategy;
(2) Translate the strategy;
(3) Plan operations;
(4) Monitor and learn;
(5)Test and adapt the strategy.

Often, executives at companies currently doing well create stretch targets to ensure that the organization does not become complacent. They use the Balanced Scorecard to communicate a vision for dramatically better performance than the present. Executive leadership makes the need for change obvious to all. Once the change process is launched, executives establish a governance process to guide the transition. This process defines, demonstrates, and reinforces the new

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595 Drury C. (2001), Management Accounting for Business Decisions, Second Edition, Thompson Learning

596 CIMA – Chartered Institute of Management Accounting, 1991;
Sangster A. (1994), The adoption of IT in management accounting: the expert systems experience, Journal of Information Technology, p: 159 – 169

597 Sangster A. (1994), The adoption of IT in management accounting: the expert systems experience, Journal of Information Technology, p: 159 – 169

598 Kaplan R., Norton D., „Mastering the Management System", Harward Business Review, January 2008, p. 63-77;

cultural values to the organization. Breaking with traditional power-based structures is important. The creation of strategy teams, town hall meetings, and open communications are all components of the new management approach.
The principles mentioned above can be presented as follows:

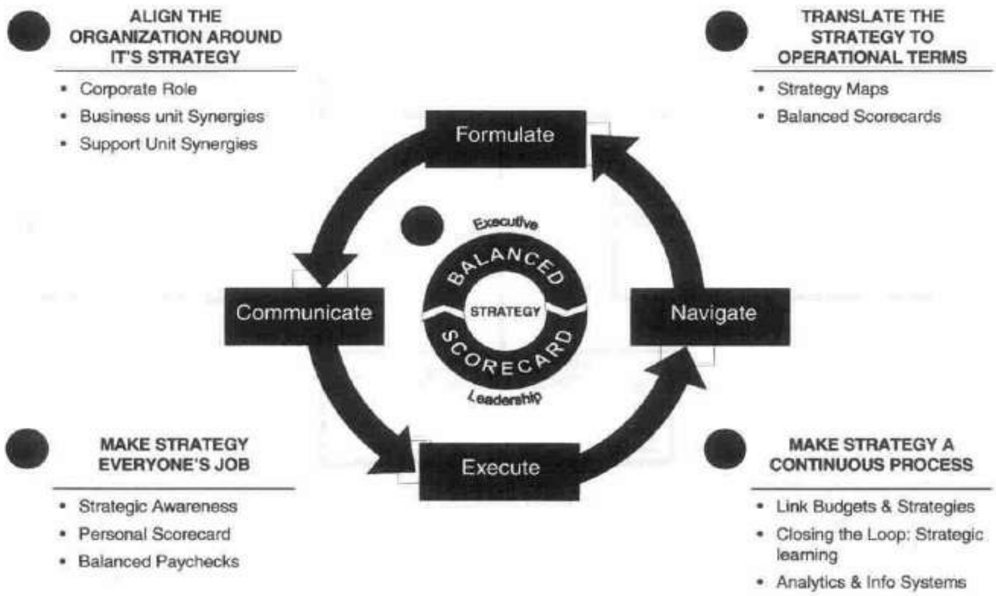

Figure 1 – The five principles of a strategy focused organization[599]

For many organizations, the Balanced Scorecard has evolved from a measurement tool to a strategic management system. While the original intent of the scorecard system was to balance historical financial numbers with the drivers of future value for the firm, as more and more organizations experimented with the concept they found it to be a critical tool in aligning short-term actions with their strategy. Used in this way the scorecard alleviates many of the issues and barriers of effective strategy implementation mentioned before[600].

4. The Impact of IT on Management Accounting and strategy

In order to adjust the balance between the traditional functions of management accounting, such as score keeping, attention directing and problem solving, and extend the role of management accounting through new areas like strategic problem solving, IT and IT implementation may also be an important factor.
In time the advances in technology have increased the type and quantity of financial and non-financial data collection and its diffusion within organizations. Information technology (IT) is a critical resource for every company competing in the global economy of the digital era. Depending on the industry, market and business goals it can enable or drive a company's competitive strategy. In addition, IT has become the essential infrastructure of any company, the backbone for corporate information flow and the enabler or driver of business processes[601].

599 Noorein I.S., Kaplan R., Jones M.L.H., Menitoff R.(2000), The Balanced Scorecard: A Strategic Management System for Multi-Sector Collaboration and Strategy Implementation, Quality Management in Health Care, Summer2000, Vol. 8 Issue 4, pg. 26
600 Olve N.G., Sjöstrand A. (2006) Balanced Scorecard, 2nd Edition, Wiley, Capstone, pp. 19-22
601 Huang C.D., Hu Q. (2007), Achieving IT-Business Strategic Alignment via Enterprise-Wide Implementation, Information Systems Management; Spring 2007; 24, 2; pg. 173

IT has also changed the nature of management accounting and the management accountant's role[602] especially because there has been a general increase in output and speed and a move towards automation of production and activities which together have led to considerable differences in the management accountant's role between organizations and industries.

Activity	General result	Current position
Scorekeeping	Labour productivity increases Report production speed increases Information disaggregation increases Enquiry response speed increases	Impact fragmented Variable across organizations Variable between industries Often same as manual system Extra time gained by score keeping
Attention directing	Automatic trend highlighting Automatic exception reporting Release of management accountant's time	No significant impact
Problem solving	Analysis Report generation	Varying use Evidence suggesting difference in usage related to age Users not always satisfied with the results

Table 1 – The impact of IT on management accounting[603]

The more traditional areas of management accountant's activities are concerned mainly with numerical concepts rather than symbolic ones and are, consequently, less appropriate areas for expert systems developments.

Another limiting factor may be the differences in interorganizational ethos and managerial decision-making style which mean that any management accounting-based expert system must be customized to match the specific needs and requirements of the organization in which it is to be used.

Still, IT and these generic expert system packages should be used in the performance of specific management accounting-related tasks. This system enables managers to consider alternative approaches to new product development proposals, evaluate major strategic investments and consider the consequences of cost-reduction plans and buying and leasing equipment.

Knowing these advantages the IT-business alignment becomes a priority in every organization. This process is more than a passively matching operation of IT with business activities. It involves[604] active design, management and execution of the IT functions in accordance with the company's goals and strategies.

In order to achieve sustainable alignment between IT and business there is a need for four key elements and processes within an organization[605]:

- *Integrating IT planning with business planning* – the reflection of business objectives and strategies in the IT planning and operation. Without being operationalized in the planning process, alignment will remain more theoretical than practical.

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604 Huang C.D., Hu Q. (2007), Achieving IT-Business Strategic Alignment via Enterprise-Wide Implementation, Information Systems Management; Spring 2007; 24, 2; pg. 174

605 Luftman J.N., Kempaiah K., Nash E., (2006) Key issues for IT executives, MIS Quarterly Executive, 5(2), pg: 81-99

- ***Maintaining effective communication channels*** – it helps IT and business understand each others needs and work together well and it needs also communication channels between IT managers and business executives (Brown, 1999).
- ***Developing strong relationship between IT and business*** – the CIO's' interactions with other top management can positively influence the assimilation of IT in an organization.
- ***Institutionalizing the culture of alignment*** – a successful alignment system must possess and demonstrate the flexibility to adapt in an often changing environment

5. Conclusions

Researchers and practitioners have recognized the importance of IT and IT-business alignment. When alignment exists IT delivers systems and services that are crucial to the company's strategies, operations or user needs. Making plans based on the business strategy, IT can anticipate what the business requires in the future and lay out a trajectory to meet the upcoming needs.

Despite the critics, IT is a necessary evil in every organization's activity. IT is an indispensable strategic resource but it requires major investments. However, experience in IT management shows that IT and business alignment is easier said than done because IT is a highly technical field. We can talk about a cultural gap between IT and business and this is an impediment to align IT functions with the rest of the business. That is why alignment remains one of the top issues in IT management.

IT-business alignment is not just a process but a mindset of how IT can work for and with business all the time. In other words it's a basic principle of interaction between IT and business. In so doing alignment can maximize the potential return on IT investment.

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