

## CIMA - Brief

# Improving strategic decision making

### Introduction

Financial accountants keep records of business transactions. These are used to prepare accounts. Management accountants look at this data and work out what it means. They can then advise senior management. Management accountants can help to manage how the business performs and improve the choices it makes. CIMA is the leading and largest body for supporting and training management accountants.

### The decision making process

Strategic decisions bring together the right resources for the right markets at the right time. A good decision can help a business gain a competitive edge. Decisions must reflect the targets of the business. A systematic approach involves:

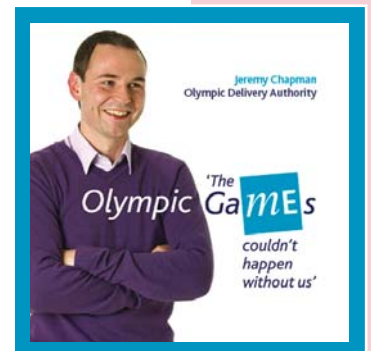
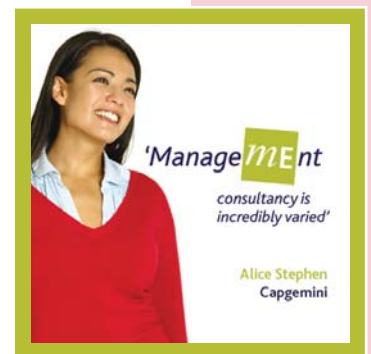
- recognition of the problem
- information and intelligence
- looking for alternative solutions
- making choices
- putting the solution into practice
- feedback.

External factors can add variables. This can increase risk. It is vital to balance risk against the likely return on investment.

### Levels of decision making

Decisions are made at several levels:

- Strategic decisions are long-term in their impact. They are usually made by senior managers. They shape the path the business takes.
- Tactical decisions help put strategy into practice. They are often made by middle managers.
- Operational decisions relate to the day-to-day running of the business. They are mainly routine. Employees at all levels make them.



Decisions at all levels need information. A business creates a trail of data. This includes, for example, data on sales, staff costs or payments. Data can help show trends. Financial accountants use data to prepare statements. Management accountants use external sources (such as market data) and internal data (such as a balance sheet) to help identify actions. This data is used to make better decisions.

## Analysing accounts

Management accountants must sift through data. They extract what will help managers make better choices. The starting point is often two basic accounting documents:

- The income statement. This is a record of all sales and expenses over a given time - usually one year.
- The balance sheet. This explains how the business uses and finances its resources and activities.

Financial data must be compared over time to find a clear pattern. Return on Capital Employed is a vital measure. It shows how well a firm uses its assets. Management accountants also compare the business' performance with competitors.

## Performance indicators

Key Performance Indicators (KPIs) show progress towards targets. This data can help to increase efficiency. As management accountants know the plan for the whole business, they can find out the right measures to record progress in each area. The data from KPIs allows managers to make informed choices and adjust strategy if needed.

## Conclusion

CIMA members are management accountants. They offer strategic and practical advice. They manage risk and make and support key decisions. They look at performance indicators, such as how many sales have been made or what people think of the brand. They also look at external data, such as what competitors are doing. This helps to show how the business is performing against similar firms.

