Linking information to strategy as a trusted partner

MODULE 2 | PART C.2 | STUDENT COMPANION

Strategy is cascaded down through tactical and operational plans, and information must flow back up from the transaction level to show whether the strategy is being implemented and whether it works. First translate strategy into funded priorities with milestones and end results; then cascade it.

Two ways to cascade strategy

Financial approach

- Budgets cascade to every unit and sub-unit
- Each unit prioritises resources between new initiatives and existing programs
- Major projects resourced separately through project plans

Performance management approach

- Resources and results compared with non-financial standards and outcomes
- Continuous improvement: steady gains towards best practice
- Transformational breakthroughs: re-engineered or new processes that lift performance sharply

Management accountants link information to strategy by building stakeholder and market knowledge and relationships: gauging stakeholder satisfaction, suggesting what financial and performance information to collect, reviewing results by unit, and investigating shortfalls with unit managers.

Using information strategically: Drucker's four questions

Drucker's question	What Oakline Furniture found (imagined)	Action
Do we have the right information?	Sales by store, but nothing on why products are returned	Record return reasons
How effectively are we using it?	A 40-page monthly pack; most managers read only page one	One-page summary with drill-down
Is it built into our products and services?	Customers are not told a reliable delivery date, though the warehouse knows it	Show delivery dates at checkout
How can we improve? What are we missing?	Most returns: colours look different online	Fix product photos; returns fall

Information is only valuable when it is turned into results for stakeholders

The trust equation, term by term

Term	What it means in practice
Credibility	Listen carefully; separate rational from emotional issues; help frame a solvable problem; manage expectations honestly
Reliability	Deliver consistently and excellently; anticipate needs
Empathy	Build sound relationships; communicate professionally; work through concerns together
Self-orientation (divisor)	How focused you seem on yourself; keep it low by being transparent, flexible, dedicated and humble

Trustworthiness = (Credibility + Reliability + Empathy) / Self-orientation

$$\frac{8 + 9 + 7 = 24}{\text{Self-orientation } 2} \quad \text{Trust score } 12$$

$$\frac{8 + 9 + 7 = 24}{\text{Self-orientation } 6} \quad \text{Trust score } 4$$

Same skills, but two-thirds of the trust disappears when self-interest rises (illustrative ratings out of 10)

Why it is hard, and a process that helps

Common difficulties	Five-step process
Explaining technical material at short notice	1. Engage
Hostile, competitive colleagues	2. Listen
A culture that prizes expertise and mastery	3. Frame
Being more open than feels comfortable	4. Envision
Risking a bonus or job by delivering bad news	5. Commit

Custodian of information versus formal data roles

Role	Responsibility
Data steward	Content, context and business rules of information, through system design that validates inputs and makes outputs verifiable
Data custodian	Authorised access to stored data and its integrity, including in transmission
Management accountant as custodian	Technology keeps producing the accounting and non-financial information needed; fits decision needs; business-continuity risks to relevance and faithful representation considered; recruit, develop and keep engaged accounting staff

Practice questions

MODULE 2 | PART C.2 | TRY THESE BEFORE THE WORKED ANSWERS

Question 1 - Continuous improvement or breakthrough?

Initiative	Your answer
(a) Cutting invoice processing time by 5% a year	
(b) Replacing paper job cards with a mobile app that reshapes the service model	
(c) Monthly tweaks to warehouse picking routes	
(d) Moving from stores to a fully online model	
(e) Reducing waste by 1% each quarter	
(f) Redesigning the whole order-to-cash process around self-service	

Question 2 - Calculate and interpret trustworthiness

Ratings are out of 10. Calculate each score and explain what Jordan should work on.

Accountant	Credibility	Reliability	Empathy	Self-orientation	Trust score
Mei	7	8	9	3	
Jordan	9	9	6	8	

Question 3 - Drucker's questions for a dental clinic group

Apply Drucker's four questions to a group of eight dental clinics that tracks revenue per clinic but little else. Suggest one finding and one action for each question.

Worked answers

MODULE 2 | PART C.2 | WORKED ANSWERS - ATTEMPT THE QUESTIONS FIRST

Question 1 - Continuous improvement or breakthrough?

Initiative	Answer
(a)	Continuous improvement
(b)	Breakthrough
(c)	Continuous improvement
(d)	Breakthrough
(e)	Continuous improvement
(f)	Breakthrough

Question 2 - Calculate and interpret trustworthiness

Mei: (7 + 8 + 9) / 3 = 24 / 3 = **8**. **Jordan:** (9 + 9 + 6) / 8 = 24 / 8 = **3**.

Both have the same numerator, but Jordan's high self-orientation cuts trust sharply. Jordan should focus on others' goals, be transparent about motives, credit colleagues and listen more; lifting empathy would also help.

Question 3 - Drucker's questions for a dental clinic group

- **Right information?** Only revenue per clinic; missing chair utilisation, recall rates and patient satisfaction. Action: add them.
- **Used effectively?** Reports go to the owner only. Action: share clinic-level dashboards with practice managers.
- **Built into services?** Patients are not reminded when check-ups are due. Action: automated recall reminders.
- **Improve** / **missing?** No data on why patients leave. Action: short exit survey and analysis of lapsed patients.