

# JOINING THE DOTS

Decision Making for a New Era

EXECUTIVE SUMMARY

## ABOUT CGMA

Two of the world's most prestigious accounting bodies, AICPA and CIMA, have formed a joint venture to establish the Chartered Global Management Accountant (CGMA®) designation to elevate and build recognition of the profession of management accounting. This international designation recognises the most talented and committed management accountants with the discipline and skill to drive strong business performance. CGMA® designation holders are either CPAs with qualifying management accounting experience or associate or fellow members of the Chartered Institute of Management Accountants.

## ABOUT THIS REPORT

This report is based on a survey commissioned by CIMA and the AICPA, and conducted by Longitude Research, of 300 C-level executives at large organisations from 16 countries around the world. The survey was supplemented by in-depth interviews for deeper insight with:

- Patrick Conway, Chief Knowledge Officer, US Army Training and Doctrine Command
- Kenneth Goldman, CFO, Yahoo
- Simon Henry, FCMA, CGMA, CFO, Royal Dutch Shell
- Deirdre Mahlan, CPA, CGMA, President of North America, Diageo
- Andre Oerlemans, CFO, Weight Watchers Benelux
- Arvind Prasad, Managing Director, Ushdev International
- Claire Suddens-Spiers, Head of South East Asia, Rothschild
- Alexander Visser, CFO, Philips Africa
- Mark Weinberger, Global Chairman and CEO, EY

We would like to thank everyone who contributed their insights and expertise to this report.

## THE NEW BUSINESS AS USUAL

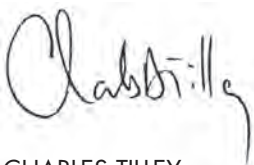
Every day, senior business leaders across the world make decisions that shape the future successes — or failures — of their organisations.

For today's executives, charting the most effective future strategy and seizing the right opportunities for the organisation can feel akin to deciding where to build on shifting sands. The conditions in which businesses are operating are volatile and uncertain. 'Business as usual' no longer exists and the rules of the game are being transformed.

That is why the research presented in *Joining the dots: Decision making for a new era* is so important. The research investigates the effectiveness of C-level decision-making practices in large organisations across the globe and suggests that senior leaders are struggling to make the right decisions in many cases. The large majority find themselves battling against bureaucratic decision-making processes, siloed and short-term thinking, breakdowns in trust and collaboration inside the organisation and difficulties with translating ever-expanding volumes of information into relevant knowledge.

The solutions to many of the decision-making challenges we have identified can be achieved through more integrated thinking — cutting through silos to connect the relevant people and information from across the organisation. Joining the dots in this way enables leaders to see the big picture.

Organisations need a powerful framework led by the CFO and their management accounting function to help leaders take the best possible decisions and in so doing to implement practical solutions that address the challenges of decision making today – this will prevent the decision making gap from growing further. All the relevant information needs to be brought together, organised on the basis of a shared understanding of the business model, focusing on key performance indicators, in order that resources can best be allocated and risk managed to maximise cash generation. Our *Global Management Accounting Principles*<sup>®</sup> provide this framework to power up individuals and businesses to succeed, ensuring that information is influential, relevant and underpins analysis on a basis of trust across and beyond the business. The Principles therefore provide the new operating framework for decision making which will create value over the short, medium and long term.



CHARLES TILLEY  
FCMA, CGMA, Chief Executive, CIMA



BARRY C. MELANCON  
CPA, CGMA, President and Chief Executive Officer, AICPA

# EXECUTIVE SUMMARY

In today's 'VUCA' world — characterised by volatility, uncertainty, complexity and ambiguity — strategic decision making is increasingly critical. It is also becoming harder and harder to get right. In an era of disruptive change when even the most established business models come under threat, organisations need to make good strategic decisions quickly — and then deliver on their choices.

Yet our research has found a number of major flaws in companies' decision making, which is costing them dearly. It paints a compelling picture of decision-making models that are no longer fit for purpose. Our survey of major organisations around the world suggests that decision making in many businesses could be fundamentally improved.

As our key findings demonstrate, many companies are struggling to:

- Overcome bureaucracy and achieve agile decision making
- Build greater levels of trust and improve collaboration
- Take a long-term view and define the right metrics
- Turn huge volumes of data into strategic insight
- Build the decision-making skills of senior leaders.

## BUREAUCRACY AND THE NEED FOR AGILE DECISION-MAKING

- Large companies' decision-making structures are undermining their competitiveness. The single biggest barrier to more effective decision making cited by our respondents (29%) is that organisational silos and bureaucracy are creating coordination problems. Further, 72% of companies have had at least one strategic initiative fail in the last three years because of delays in decision making, while 42% say they have lost competitive advantage because they have been slower to make decisions than more agile competitors.

## GREATER TRUST AND COLLABORATION REQUIRED

- Trust and collaboration must be improved to enable integrated thinking. Top-level leaders recognise the need for more employee input in decision-making but are struggling to make this happen.

Overall, 70% admit there is moderate or significant room for improving active collaboration between leaders and employees, and 65% say the same about trust. For a surprisingly high number, there is some disconnect among executive peers too — 43% feel that levels of trust with other C-suite leaders could be improved.

## BALANCING SHORT, MEDIUM AND LONG TERM OBJECTIVES

- Post-crisis improvements have yet to be fully implemented. Despite pressure on large companies to rethink their priorities in the post-financial crisis environment, important considerations — such as incentive structures and engagement of external stakeholders — remain relatively low on the agenda. Our analysis reveals that only 39% are confident that their bonus structures are helping them strike the right balance in short-, medium- and long-term value generation. Just 23% believe they are highly effective at fully assessing the needs of external stakeholders.
- Business leaders are struggling to find the metrics to gauge performance in a world where value can no longer be measured simply through traditional accounting measures. 34% of respondents report that they find it challenging to select the right combination of metrics to measure business performance over different time frames.

## TRANSLATING DATA INTO INSIGHT

- Information overload and difficulties working with big data are hindering effective decision making for many. An overwhelming 80% of respondents admit that their organisation used flawed information to make a strategic decision at least once in the last three years. One third (32%) of respondents say big data has made things worse, not better, for decision making, while a modest

37% say it has helped. Moreover, 36% say their organisation is not coping with information overload. For those that can gain greater mastery of big data, there is therefore a significant opportunity to steal a competitive advantage over rivals.

need for improvement and greater support in four key areas in order to work effectively: interpreting new data sources; learning from past outcomes; enabling challenges to traditional thinking; and ensuring deeper collaboration between themselves and with employees.

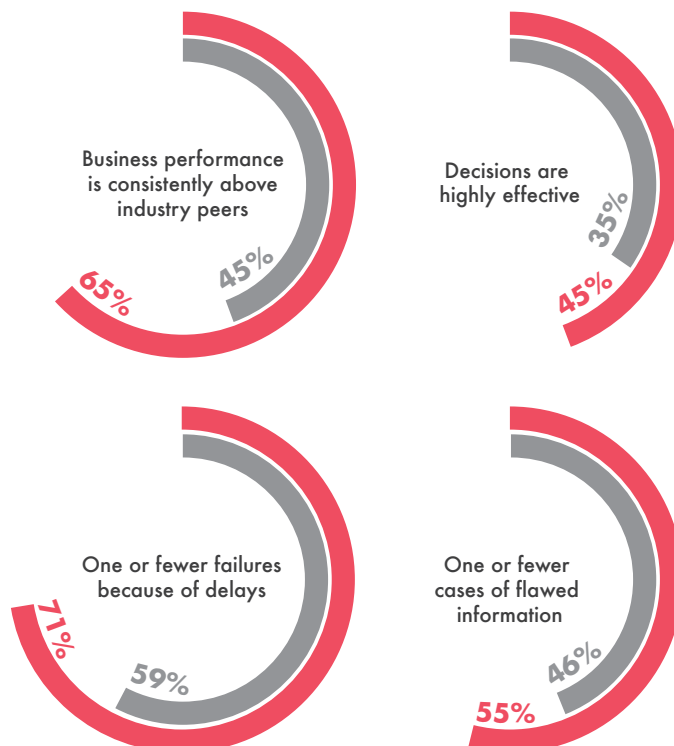
### BUILDING THE DECISION-MAKING SKILLS OF SENIOR LEADERS

- Senior leaders require new skills to make effective decisions in today's fast-paced and uncertain business environment. Business leaders put limitations in their own skill-sets among the top two biggest problems when it comes to making more effective decisions, with 28% acknowledging the need for new skills to meet the demands they face today. They recognise a

### INTEGRATED THINKERS MAKE BETTER DECISIONS IN UNCERTAIN TIMES

- A significant minority of organisations are transforming their ability to make the right decisions and achieve great outcomes, even in times of disruption and uncertainty. We call these organisations 'Integrated Thinkers' and they are characterised by strong implementation of the Global Management Accounting Principles® that provide a foundation for effective decision-making and the creation of value in organisations.

### INTEGRATED THINKERS OUTPERFORM THE REST OF THE PACK



GLOBAL MANAGEMENT ACCOUNTING PRINCIPLES®

INFLUENCE

RELEVANCE

VALUE

TRUST

ANALYSIS



# THE CGMA PERSPECTIVE: WHY MANAGEMENT ACCOUNTING IS INTEGRATED THINKING

## GLOBAL MANAGEMENT ACCOUNTING PRINCIPLES: BEST PRACTICE FOR INTEGRATED THINKING

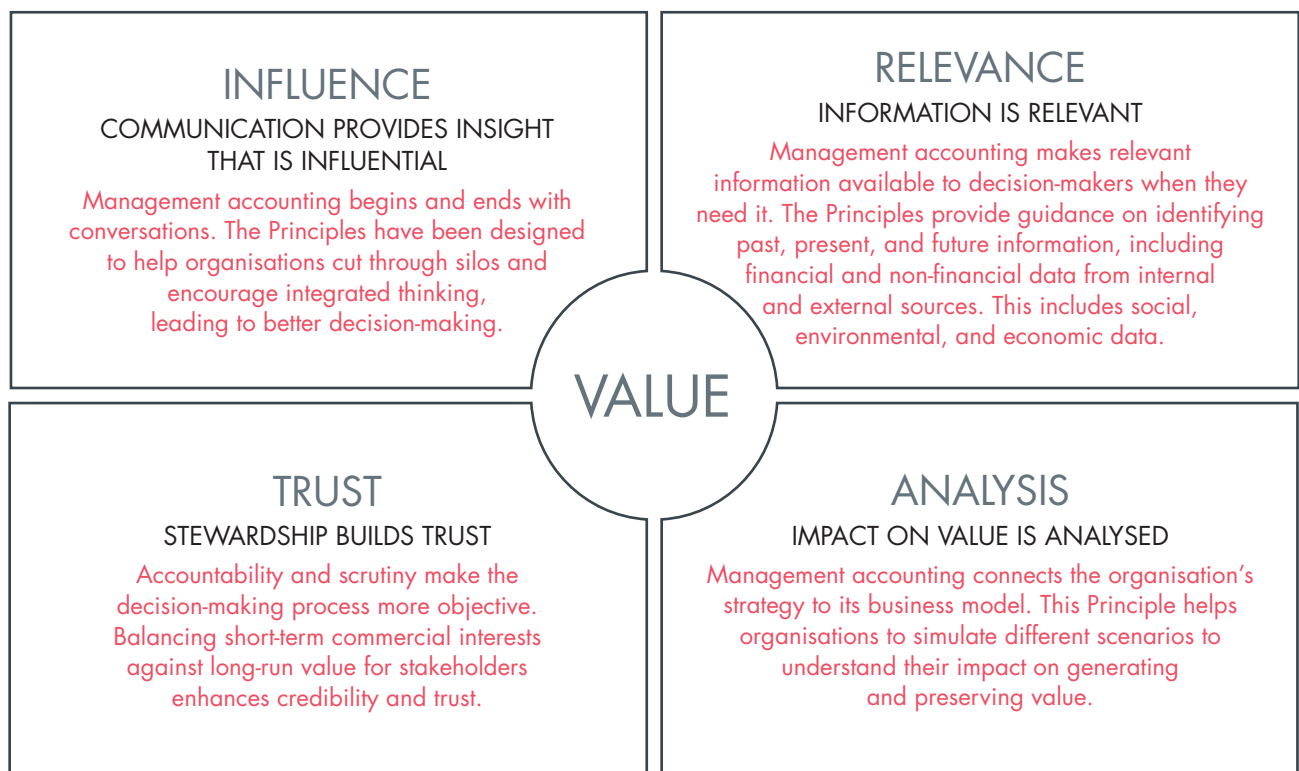
A good place to start is to adopt the CGMA Global Management Accounting Principles as the best framework for integrated thinking and decision-making. Management accounting is at the heart of high-quality decision-making because it brings to the fore the most relevant information and analysis to create and preserve value. It recognises the importance of accounting for the business and not just the balance sheet. The four principles of Influence, Relevance, Analysis, and Trust are designed to help organisations to make better decisions, respond appropriately to the risks and opportunities they are presented with, and protect the value they create.

A company that has a robust management accounting system is a company that is powered up for success. The Global Management Accounting Principles describe the essence of integrated thinking.

They enable the right information to be brought together that reflects a broad view of value creation over the short, medium, and long term, analysing what is going on and why, using the business model as a frame of reference. And they promote behaviours that build trust from which information is shared and influence secured. In this way, management accounting is truly integrated thinking.

“With lots of technological change, as well as an ageing population and geopolitical shifts, there are major challenges to our system ... companies have to consider their resilience factor. They need to employ health metrics and apply the kind of rigour that Global Management Accounting Principles provide.”

Dominic Barton,  
Global Managing Director, McKinsey



# DRIVING INTEGRATED THINKING AND DECISION MAKING

## INTEGRATED THINKING

Integrated thinking is the active consideration by an organisation of the relationships between its various operating and functional units and the resources and relationships that the organisation uses or affects. Integrated thinking leads to more joined-up decision making and actions that consider the creation of value over the short, medium, and long term.

Embedding integrated thinking into an organisation's activities enables joined-up information to flow more naturally into management reporting, analysis, and decision making. It also leads to better integration of the information systems that support internal and external reporting and communication, including preparation of the integrated report.

## CHECKLIST

Organisations will need to make hard changes to processes and tools, but also soft changes to behaviours, culture, and leadership styles:

- ✓ Build greater trust between leaders and employees to improve the sharing of information and to ensure fresh perspectives are heard in supporting decision making.
- ✓ Balance both financial and non-financial information to capture a broader understanding of all the key value drivers, moving away from a solely traditional view of value in a business environment where that no longer makes sense.
- ✓ Share relevant data that has insight layered onto it, to ensure that leaders can extract meaning from data and apply it in the right context.
- ✓ Drive greater collaboration to make sure that the people with the right knowledge and experience from different business units and functions are involved in making decisions.
- ✓ Put the right incentive structures in place to encourage decision-makers to take choices that will create value for the short, medium, and long term.
- ✓ Place greater emphasis on engagement with external stakeholders to develop a broader perspective on stakeholder value, helping to ensure the organisation's strategy is sustainable for the long term in today's fast-changing world.
- ✓ Work harder to learn from the outcomes of previous decisions, adjusting review processes and performance metrics to drive better results in the future.
- ✓ Create greater transparency into how and why decisions are being made, help to develop a deep understanding of the organisation's business model and align all employees with the wider strategy so they can work towards a common goal, and facilitate enhanced relationships across the organisation.



## FURTHER RESOURCES

### REBOOTING BUSINESS – VALUING THE HUMAN DIMENSION

The ground-breaking report explores the challenges faced by organisations against the backdrop of a rapid pace of change brought about by globalisation, innovation, and the fallout from the global financial crisis.

[www.cgma.org/rebootingbusiness](http://www.cgma.org/rebootingbusiness)

### FINANCE BUSINESS PARTNERING – THE CONVERSATIONS THAT COUNT

Finance business partnering makes an important contribution to improving decision-making and ensuring the sustainable success of business. This report shows the kinds of decisions management accountants support and how they contribute to these decisions.

[www.cgma.org/businesspartnering](http://www.cgma.org/businesspartnering)

### INTEGRATED THINKING

This brief highlights the benefits of integrated reporting. It shows that effective integrated reporting requires integrated thinking and decision-making based on information that is broader, more interconnected, and more forward-looking than traditional financial information.

[www.cgma.org/integratedthinking](http://www.cgma.org/integratedthinking)

### FROM INSIGHT TO IMPACT – UNLOCKING OPPORTUNITIES IN BIG DATA

This report investigates how leading finance professionals are using data to drive commercial impact. It highlights the top five business areas that could benefit from better data quality and analysis.

[www.cgma.org/bigdata](http://www.cgma.org/bigdata)

### GLOBAL MANAGEMENT ACCOUNTING PRINCIPLES

Learn how to implement the best framework for integrated thinking and decision-making in your organisation.

[www.maprinciples.com](http://www.maprinciples.com)

### ESSENTIAL TOOLS FOR MANAGEMENT ACCOUNTANTS

This report contains information on 20 leading tools, including the balanced scorecard, value-chain analysis, and enterprise risk management.

[www.cgma.org/essentialtools](http://www.cgma.org/essentialtools)

### KPIs – SIX CATEGORIES OF KEY PERFORMANCE INDICATORS

When selecting and developing KPIs, it is important to define the priorities and limit to those factors that are important to successfully achieving organisational goals. This checklist recommends a series of factors to consider when developing a performance indicator model.

[www.cgma.org/kpis](http://www.cgma.org/kpis)

### SCENARIO PLANNING – PROVIDING INSIGHT FOR IMPACT

A management tool to allow organisations to evaluate the efficacy of strategies and plans under a range of possible future environments. It is also a valuable addition to a risk management toolkit, addressing the potential impact of alternative scenarios on an organisation's risk profile.

[www.cgma.org/scenario](http://www.cgma.org/scenario)

### CGMA COST TRANSFORMATION MODEL

A practical planning and control framework, with supporting tools, designed to help businesses achieve and maintain cost competitiveness.

[www.cgma.org/cost](http://www.cgma.org/cost)

## USEFUL FURTHER READING

### THE INTERNATIONAL INTEGRATED REPORTING FRAMEWORK (IIRC, 2013)

The purpose of the <IR> Framework is to establish Guiding Principles and Content Elements to govern the overall concept of an integrated report. It is underpinned by the IIRC's vision of a world in which integrated thinking is embedded within mainstream business practice, facilitated by <IR> as the corporate reporting norm.

[www.theiirc.org](http://www.theiirc.org)

Download the CGMA report on decision-making in the new era:

[www.cgma.org/joiningthedots](http://www.cgma.org/joiningthedots)

## NOTES

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