

Lesson resource

Business strategy – CIMA

CIMA, the Chartered Institute of Management Accountants, offers a professional accounting qualification with an emphasis on management. Management accounting and financial accounting are not the same. Financial accountants look at the past performance of a business and report on its current state. Management accountants help businesses to make decisions about the future using both financial and non-financial data.

A mission statement and business aims identify the core purpose of the business and the goals that it wants to achieve. Business strategy refers to the set of plans that a business adopts in order to achieve its aims. A mission statement outlines the core values of a business and can form the backbone for all strategic decisions. CIMA's mission is *'Helping people and businesses to succeed'*. This mission is supported by CIMA's aim *'Our goal is to establish management accounting, represented by the CGMA designation, as the most valued profession in business'*. These values shape the way CIMA does business and will affect the organisation's objectives and tactics.



An objective is an outcome which allows a business to achieve its aim. For example, a company objective could be to cut carbon emissions by 5% over the next two years. Tactics are the short-term plans put in place to achieve stated objectives. For example, carbon emissions could be reduced through the increased use of video conferencing to reduce the need for employees to travel to meetings. Management accountants have a central role to play to help a business achieve its objectives. In fact, management accountants use their business knowledge and financial expertise to guide business strategies. Their business insight aids strategic decision making which in turn helps a business to progress towards achieving its aims and objectives. Every business will have many different strategies. Business strategies are a means of gaining competitive advantage in the market place.

Planning is a vital tool to aid strategic decision making. Good planning enables businesses to put together more accurate forecasts for the future direction of the business. Management accountants play a key role here by identifying and assessing risks. In particular, they look at the probability of other events taking place that could help or hinder the business. Risks can be identified within the business, called the internal environment. Risks can also be identified in the external environment. A business needs to monitor both to see how changes might affect its plans. A common method used to review changes in the internal and external environment is a SWOT analysis. SWOT looks at the internal strengths and weaknesses of an organisation and at its external opportunities and threats. The SWOT analysis is used to show the results of an audit of internal and external factors. Managers then analyse the findings to set and improve business strategies. Management accountants look at this data and balance short and long-term plans and goals to ensure sustainable growth. Organisations that have the best prospects of emerging with success from a recession are those that manage to cut costs and improve efficiency whilst still investing in the future. As part of this process, they must also consider the ethical impact of any strategic decisions they make.



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BUSINESS CASE STUDIES

Questions

1. What is meant by strategy?

2. Describe the meaning of 'values' in relation to organisations.

3. Explain why a SWOT analysis is a useful tool when developing a business strategy.

4. Analyse the importance of having business strategies

Task

Develop an information leaflet that would be relevant for a new small business owner, explaining the meaning and importance of business strategy and values.

What have you learned?

Ready, steady, GO...write as much as you can about strategies and values in 60 seconds. Share with a partner. Have you written the same things? Has your partner remembered something you hadn't?