

Strategic Cost Management

B. Douglas Clinton, CPA, Ph.D.

Department of Accountancy, Northern Illinois University

November 2005

Scope is a very important and recurring issue that gets at the heart of what the IMA is trying to deal with in canvassing the playing field of management accounting (MA). There are MA systems and there are MA tools. We are all familiar with these, at least to some degree. But these cannot be compared on an equal basis, nor can we properly address the comparison without first restricting the scope. Of course, once the scope is restricted, then we have another problem on our hands. Restricting the scope has the more comprehensive system tie one hand behind its back. Accordingly, are we then to award the trophy to the party that provides the most compelling argument to rifle the issue that is artificially restricted by the scope of the lesser competitor? This is a constant source of frustration for those of us who are trying to make sense out of the comparison process. Perhaps we should set up leagues or categories as they do in sports--something along the lines of weight divisions as is done in wrestling or boxing.

In my mind, along with "strategic cost management" there seems to come a suggestion of comprehensiveness. Something that Jeff Thomson regularly refers to, ala Paul Sharman (for he has written about it as well); the playing field is such that strategic cost management is a subset of a broader management accounting system. Unfortunately, this does not help but merely takes us in the opposite direction. My view is that the strategic cost management field (in practice) can be narrowed to standard costing, normal costing, GPK, and RCA. Everything else seems to be a variation on one of these themes—and even these tend to vary somewhat in comprehensiveness—albeit that they are all at least minimally qualified as systems.

This confounding problem is exacerbated, however, when people want to include other non-system tools in the mix in a struggle to find some competitive foothold in the grand scheme of MA. A favorite tool is often combined somehow with one or more other tools or conceptual principles contrived in such a way as to fill the gap where the first one was inadequate.

I've stopped short of mentioning any specific tools here, since to do so would obviously inflame and offend those who play favorites. Fortunately for me, academia affords me the luxury of taking an impartial view. To the degree that they are able, I encourage others to do the same. But either way, in our quest for doing strategic cost management well, the issue of scope should no longer be ignored.

I suggest readers join the debate by subscribing to the IMA's "New Costing" Listserv E-mail exchange. I also encourage you to share your thoughts, articles, research studies, and helpful links on strategic cost management to me directly at clinton@niu.edu.