Management Accounting during the COVID-19 Pandemic

Name

Course

Tutor

University

The City and State

Date

Management Accounting during the COVID-19 Pandemic

The ongoing COVID-19 pandemic has resulted in worldwide economic instability and uncertainty. This realization necessitates a new approach in decision making towards developing strategic objectives that reduce risks and bolster organizational performance. Obrenovic et al. (2020) suggest that the COVID-19 crisis has exposed many business sustainability risks and dysfunction behaviors that elicit motivation for a new management accounting approach. Management accountants have stepped up to maintain some normalcy amidst the ongoing pandemic risks in the business environment. Their efforts are aiding in motivation and sustenance of employees through these challenging times. This essay will discuss the contribution of management accountants and explicate strategic and operational management effectiveness against a multitude of accounting issues during this pandemic period.

**The Evolving Role of the Management Accountant**

In the pandemic period that has caused significant risks within the business environment, the role of the management accountant has evolved with more responsibility. Reportedly, in the past, management accountants faced severe reproach for their inaction during global turmoil considering their highly influential position as controllers of finance (Ahid & Augustine 2012). Similarly, today’s rapid technological changes and COVID-19 pandemic present an assortment of strategic and operational management needs and risks. For example, there are now significantly more cyber threats which presents major risks to organizational performance. Management accountants are therefore under even more pressure these days to offer various opportunities for creating value amidst the global transformation caused by the ongoing pandemic.

Management accountants are facing a range of challenges as a result of these new circumstances. For example, with the shift to virtual work spaces, technology is used to facilitates meetings, share information and enable remote work. Organizational performance is strongly linked to major worldwide events, with accounting playing the critical role of developing strategic objectives that help with organizational decision making (Ahid & Augustine 2012). It is clear, therefore, that, amidst the pandemic crisis, management accountants have taken on a more significant role. They are now involved in developing strategy, projecting risks, and creating value for the organization. Godfrey et al. (2020) argue for managerial transformation towards improving motivation and organizational performance during the pandemic. Such a shift inevitably also has an impact on management accountants. For example, by reallocating funds to keep critical business processes running, they are maintaining lean operations thus reducing risks to keep businesses surviving.

Taking all of the above into consideration, it is evident that management accountants’ workload has increased in amount and importance. For example, in addition to their typical responsibilities, they are now involved in major decision making particularly in developing strategic objectives. Godfrey et al. (2020) argue that management accountants’ new responsibilities are of great importance to the modern enterprise that faces an assortment of new risks. Amidst the global crisis, perhaps no accounting role is more critical to performance and motivation than the Committee of Sponsoring Organizations (COSO) framework particularly in enterprise risk management (ERM). The original COSO framework was collaboratively developed by key US private sector firms to fight corporate fraud (Sobel 2018). The idea of ERM was popularized by concepts developed by Robert I. Mehr and Bob Hedges in 1963 aimed at maximizing business productivity and efficiency (Sobel 2018). Presently, these concepts help mitigate many of the risks arising from the dwindling economic perfomance in the current pandemic crisis. For example, many organizations are currently facing increasing risks from cyber threats and dysfunction behavior such as fraud. With appropriate application of COSO guidelines, management accounting can effectively track and mitigate fraudulent activities.

With the COVID-19 pandemic projected to impact the business environment significantly, there is an urgent need for immediate application of this COSO framework. This will help improve business performance and elicit motivation towards developing strategic objectives that promote risk management. Management accountants are working towards bolstering organizational ERM by developing strategic objectives aligned with COSO framework guidelines. Their new roles as strategic enterprise risk management leaders empower them in decision making and developing strategic objectives that sustain business performance (Godfrey et al. 2020). For example, presently, management accountants are involved in the unconventional reallocation of funds from non-critical business functions towards human resources. By doing so, they are creating value by ensuring the well-being of employees.

In the current climate, enterprises face many risks to key business processes which affects performance. Without proper handling of these risks, there could result strategic and operational management problems with major consequences to a business’ wellbeing (Sobel 2018). For example, with the pandemic forcing companies to move their work to a virtual environment, organizations are now at more risk of cybersecurity threats. Additionally, supply chain interruptions affect performance by limiting crucial business processes (Godfrey et al. 2020). Management accountants are now critical in decision making with their strategic objectives creating value by helping manage COVID-19 risks.

**Crisis Management**

It is very useful to look at the theory of Crisis Management Teams (CMT) in order to understand these new responsibilities of management accountants. It suggests that for enterprises facing uncertainty with performance risks, there is a need to establish permanent CMT (Obrenovic et al. 2020). By applying a distributed leadership approach, an essential facet of CMT theory, accounting strategic objectives will motivate smart decision making in the pandemic response plan. As leaders in development of strategic objectives, management accountants are now facilitators of CMTs’ cooperation and coordination. They are involved in various business activities towards creating value and promoting organizational performance to ensure continued survival amidst global economic uncertainty (Godfrey et al. 2020). For example, they are now facilitating automated supply chain activities with remote assistance from relevant staff. Obrenovic et al. (2020) argue that CMT activities ought to be engaged with consideration of key stakeholder motivation since they determine organizational performance. It is evident that, creating value for stakeholders should be of paramount importance.

**Distributed Leadership**

Within the last decade, management accountants have taken on a decision-making role in developing strategic objectives that promote organizational performance. Obrenovic et al. (2020) report that according to the Distributed Cognition Theory, sustainability is more often successful with a distributed leadership approach. With the pandemic crisis, management accountants’ new leadership responsibilities have involved increased autonomy in decision making. For example, they can now bypass bureaucracy when allocating funds aimed at creating value. With the unpredictability of COVID-19, many organizations are underprepared for its immense impact (Thomson 2020). Management accountants could lead strategic objectives towards ensuring business survival and performance during these tumultuous times.

**Conclusion**

The COVID-19 crisis has caused significant worldwide instability and uncertainty, particularly within the business environment. In response, management accountants are working to ensure the wellbeing of employees by developing strategic objectives towards managing risks and mitigating dysfunction behaviors aimed at creating value, eliciting resilience motivation, and bolstering organizational performance. The evolved management accountant role presents an opportunity for strategic and operational management effectiveness to handle increasing business accounting issues. Their empowered roles provide organizations with much needed financial and operational risk management value resulting from great uncertainty due to the pandemic. The pandemic crisis has shown that a good management accounting team can assist a business in creating strategic value. This realization suggests that a strong connection between corporate culture and motivational aspects is crucial to a business’ performance. Notably, employees have remained resilient and productive during COVID-19 because of good corporate culture.

**WORD COUNT: 1200**

References

Ahid, M and Augustine, A 2012. The roles and responsibilities of management accountants in the era of globalization. *Global Journal of Management and Business Research*, *12*(15). <https://journalofbusiness.org/index.php/GJMBR/article/download/786/715>

Godfrey, P, Lauria, E, Bugalia, J and Narvaez, K 2020. *Strategic risk management: New Tools for Competitive Advantage in an Uncertain Age*. Oakland: CA: Berrett-Koehler Publishers.

Thomson, J 2020. *Management accountants are creating value out of uncertainty*. [online] Accounting Today. Available at: <https://www.accountingtoday.com/opinion/management-accountants-are-creating-value-out-of-uncertainty> [Accessed 16 April 2021].

Obrenovic, B, Du, J, Godinic, D, Tsoy, D, Khan, M and Jakhongirov, I 2020. Sustaining enterprise operations and productivity during the COVID-19 pandemic: “Enterprise Effectiveness and Sustainability Model”. *Sustainability*, 12(15), p.5981. doi:10.3390/su12155981

Sobel, PJ 2018. *Managing risk in uncertain times: Leveraging COSO's new ERM framework*. Institute of Internal Auditors.