

# “Management Accounting and Strategic Human Resource Management: A Comparison of the UK Royal Mail and Canada Post”

## AUTHORS

Rishma Vedd

## ARTICLE INFO

Rishma Vedd (2005). Management Accounting and Strategic Human Resource Management: A Comparison of the UK Royal Mail and Canada Post. *Problems and Perspectives in Management*, 3(3)

## RELEASED ON

Tuesday, 30 August 2005

## JOURNAL

"Problems and Perspectives in Management"

## FOUNDER

LLC “Consulting Publishing Company “Business Perspectives”



NUMBER OF REFERENCES

0



NUMBER OF FIGURES

0



NUMBER OF TABLES

0

© The author(s) 2026. This publication is an open access article.

# Management Accounting and Strategic Human Resource Management: A Comparison of the UK Royal Mail and Canada Post

Rishma Vedd

## Abstract

This paper explores the current and future roles of management accounting in relation to strategic human resource management (SHRM). A grounded theory approach is used to examine two case studies in the public sector. The two case studies reveal that (i) the key human resource strategies include Leadership and Training and Development, and (ii) Management Accountants perform an integrating role in the SHRM process in the areas of planning, providing information for strategic decision making, measuring and reporting performance. Three hypotheses for further testing are developed from the cross-case analysis. The interviewees expect that Management Accounting will move away from financial control towards business support and strategic partnering in the area of human resource management.

## Introduction

In recent years, the role of management accountants has widened to include a broad range of business skills and knowledge when addressing the needs of business in the 21<sup>st</sup> century. According to Sweeting (1999), the business world is characterised by a global competitive market. A post-quality outlook and a turbulent commercial and political environment unfolding unexpectedly around the world, have significant business implications. In the midst of all these changes, management accounting functions have become proactive and forward looking in supporting the needs of managers. Most recent global surveys of leading multinational organizations suggest the trends show a major increase in decision support and analysis work and a major decrease in transaction processing work by management accountants (see, for example, Sweeting, 1999).

The literature on management accounting suggests that strategic management accounting is increasingly being used in the strategic management process; management accountants' role is becoming more integrated and interdisciplinary (Bromwich and Bhimani, 1994). For example, Simon (1992) has pointed out that management accounting has begun to focus on planning and strategic decision-making. Burns (1999, p. 21) agrees with this view:

*"More and more accountants are now moving into 'consulting' roles within business process streams, thus precipitating a plethora of challenges for management accountants today and in the future – for example, to be competent in systems design and implementation, to facilitate team working, to foster communication, and to link an organization's performance measures to overall strategic aims."*

Increasing competitive pressure and demand for efficiency and effectiveness in the public service have forced public sector organizations to search for sources of sustainable competitive advantage. One such strategy focuses on supporting employees. The literature on human resource management suggests that human resources (HR) can be a major source of competitive advantage by enhancing a value-creating strategy (Kamoche, 1996). Becker, Huselid, and Ulrich (2001) have drawn from a study of nearly 3,000 firms to develop a seven-step measurement process they call an HR scorecard. The measurement system outlined in the HR Scorecard highlights the extent to which the HR unit is both a source of sustainable competitive advantage and a driver of value creation. Strategic Human Resource Management (SHRM) has concentrated on HR strategies intended to achieve organizational goals and the integration of HRM into the strategic management process (Wright and McMahan, 1992; Guest, 1989; Huselid, 1995; and Ichnolowski, Shaw and Prennushi, 1995).

The literature on management accounting suggests that strategic management accounting is being increasingly used in the strategic management process (Simons, 1990; Langfield-Smith, 1997; Ward, 1992; and Riahi-Belaoui, 1992). Dynamic in nature, the strategic management process is a full set of commitments, decisions, and actions required for a firm to achieve strategic competitiveness. Further relevant strategic inputs from analyses of the internal and external environments are necessary for effective strategy formulation and implementation actions. Thus, the strategic management process is used to match the conditions of an ever-changing market and competitive structure with a firm's continuously evolving resources, capabilities and competencies. Management accountants may play an integrating role in strategy formulation, performance management and evaluation (Ittner and Larcker, 1997)

To examine the strategic management process in HR, two case studies were conducted. These cases sought to explore:

1. The current role of Management Accounting in relation to the entire Strategic Human Resource Management (SHRM) process; and
2. The future role of Management Accounting in relation to SHRM.

## **Research Methodology and Method**

The methodological approach adopted for this research study is consistent with the grounded theory paradigm as outlined by Strauss and Corbin (1990 and 1998). Grounded theory is the generation of theory from data, so the theory is said to be grounded in the data; the theory is derived from the concepts which emerge from the data being collected. According to Strauss and Corbin (1990) it is critical to have rich background information about the phenomenon under study. The required knowledge, known as theoretical sensitivity, refers to the ability of the researcher to give meaning to data and the capacity to determine which data are relevant.

Empirical investigations based on grounded theory are exploratory and generally adopt the case study method as it provides the rich insight into the phenomenon under study. Strauss and Corbin (1990) have outlined a prescribed formula for building theory which involves specific coding procedures. These procedures provide a systematic approach to managing and organizing the enormous amount of data associated with the case study approach.

The case studies of the UK Royal Mail and Canada Post examine a similar service in two different countries.

## **The UK Royal Mail**

### ***Research Site and Overview***

The UK Royal Mail, is one of the largest businesses within the UK Post Office Group with a total of 166,000 employees providing a wide range of mail services to its social and business customers. The Post Office Group is a publicly owned corporation and has a total of four businesses namely, *The Royal Mail*, *The Royal Parcel Force World-wide*, *Post Office Counters Limited* and *Subscription Services Limited (SSL)*.

The continued growth in the Direct Mail sector, the UK's third largest advertising medium, is evidence of its value as a highly effective channel of communication between businesses and customers. Providing a quality service for Royal Mail customers remains a top priority of the organization as evidenced by the substantial investment in computer and high-tech interactive technology which has taken place. A multi-million pound investment in both a new generation of mail processing equipment and in regional sorting centers and delivery offices reflects Royal Mail's determination to take advantage of the opportunities offered by technological advances. This determination from top management, along with the latest tracking, bar-coding equipment, and computerized route planning process, boosts quality of service, efficiency and keeps costs under control.

### **Data**

The interviews were conducted at the Royal Mail Scotland and Northern Ireland (SC&NI) Division (one of the nine divisions of Royal Mail) and at Strategic Headquarter offices located in London. Notes were taken during the interviews. In addition, all interviews were recorded and later transcribed. A total of fifteen interviews were conducted over two-week period on a full-time basis. In addition to these interviews, observation and copies of a large number of internal reports formed part of the data for this case study.

### **The Royal Mail Strategic Process**

The business' (divisional) strategies are developed in light of the policy and priorities set by the Strategic Headquarters in London. These business strategies are directly linked to the organizational strategic goals which, in turn, are derived from the planning architectures of the firm and are consistent with the organizational Purpose, Direction and Values (PDV) of the Royal Mail. The key divisional strategies, which are linked to corporate PDV, are then cascaded into a Strategic Program and ultimately into measurement points at the divisional level.

The following are the key Human Resource (HR) Strategies identified. First, one of the key strategies identified by HR and Management Accounting managers is what they called '*Agenda for Leadership*'. The strategy for leadership initially came from the Royal Mail Executive Committee at the Strategic Headquarters. According to the "Key Process Plan for the Division" document for 1998/99 – 2000/01 the Leadership Strategy for people management is designed:

*"To develop leadership qualities in all our managers to ensure that they operate consistently within the Leadership Charter and Business Excellence Review Model, by providing training and development opportunities, encouraging the use of key capabilities and deploying leadership training process."*

A Divisional HR Manager believed that this strategy of Leadership was a cultural change that entails developing individuals (including self) and others within the organization.

A second strategy focuses on the Training and Development for all staff within the division and is set out in a framework for the next three years and seeks to maintain the qualified workforce. Within this framework, there is full recognition of Royal Mail's PDV: the key driver is to support successful deployment of key business initiatives by ensuring staff are capable and trained to see through the planned changes. According to the HR Director, Training and Development is a continuous process that enhances the current skills and knowledge of the workforce to provide quality of service at the same time creating more flexible and adaptable employees. Training and Development is Royal Mail's ongoing strategy and considered a major investment priority.

Improving employee relations is a third strategy and has been a high priority in recent years; a number of initiatives directly aimed at achieving this goal are underpinned by the Division. This employee relations strategy focuses on increasing employee involvement and employee satisfaction that would increase customer satisfaction. The HR Planning Director explained their involvement with the concept of the employee relations strategy:

*"...this is about communication, openness, trust among employees. The three areas on which we need to focus are: recognition, leadership and communications. Our employees are the obvious resources for our competitive advantage, but we need to have good employee relations and also good customer relationships. We have got to maintain that level of trust, and be more responsive to changes. It's about responsive and having the right people."*

A fourth strategy emphasizes flexibility. According to four of the managers interviewed, the organization finds that being flexible is often preferable in order to operate successfully in a rapidly changing and increasingly competitive global environment. For example, one manager pointed out that:

*"Our main resources are people – our main cost driver is people and so what we are aiming for is 'flexibility', partly to satisfy the customer and partly to get our people*

*committed. With the strategy of flexibility, it will help to achieve what the customer wants and I think flexibility will contribute to our goals."*

The employee relations manager pointed out that flexibility is one of the prominent HR strategies that is being championed at the moment. He further, expressed the view that flexibility in the workforce is the key to gain competitive advantage.

### ***The Current Role of Management Accounting***

The HR strategies mentioned in the previous section are initiated at the headquarters by members of the Royal Mail Executive Committee. These members are from different disciplines including Human Resources and Management Accounting. At the Strategic executive level, according to the HR and Finance Directors, management accountants contribute valuable information to the process. For example, they analyse costs and benefits, provide information when new strategies are being developed and also play a key part in the decision-making process. The broad strategies and policies are issued at this stage while divisional business strategies and plans are prepared at the divisional level under the policy, procedures, guidelines and broad strategies issued by Strategic Headquarters (SHQ).

The Financial Director at SHQ pointed out that management accountants are also involved at the divisional level making sure that the key corporate strategies are reflected in the business level strategies. The financial expertise is at both the Royal Mail Executive Committee and also at the divisional level and in the HR strategic planning progress; the management accountants' role facilitates communications and integration within and among teams.

The Management Accounting contribution is not only at the SHQ but also very much at the divisional level. At the divisional planning stage, cost implications need to be considered, for example, people costs, benchmarking and cost of outsourcing certain activities and the HR managers need to understand the impact of manpower planning on the bottom line. A Divisional HR Director explained:

*"The divisional planning and developing business level strategies are very much teamwork, management accountants are talking costs, and we (HR) are talking manpower. In fact, we are talking integral things. There is no point in my saying I need 200 people, if we can't afford it."*

Decision-making is one of the crucial parts of the strategic process in formulating and developing strategy where management accountants not only take part in the process but also provide critical information for the decisions. For example, management accountants helped to develop a strategy of reducing the number of temporary employees and increasing the number of full-time employees to provide them with long-term leadership in order to get the employees committed to the job and improve the quality of service to customers. A Divisional Finance Director stated that:

*"We realised that having Temporary Contracts actually costs more. These Temporary contract employees were not committed, tended to be not the best quality and also impacted very heavily on our services. Management Accounting provided analytic information in making the decision that even though it was going to cost more, it would be more beneficial in the long term in terms of quality of service and commitment of the workforce with these employees also being tied into a pension fund."*

Further the HR Director noted that management accountants play a major part in Royal Mail's HR decision process. He added that their role does not end there because management accountants provide information and are very much part of the team; they act in an advisory role to the managers on the committee.

One of the Divisional Planning Directors explained that plans are developed at the divisional level according to policies, procedures and broad strategies submitted by SHQ, *"as we are developing our full plan, management accounting can kick-in in terms of costing, investment, risk and payback analysis."* Management accountants look at the big picture financially as well the constraints facing the division. They are team players in setting targets. The role of management accountants is to give a clear picture with internal targets, in terms of financial appraisal, capital

scheme, costs, benefits and payback. They would also be involved in the analysis and offer advice on any financial and non-financial targets set.

An HR manager commented on national reports prepared by management accountants that, 'this is very critical information as our people costs are very high and these reports provide Cash Breakdown showing pay, overtime, productivity, allowances and also training as percent of gross hours worked'. These reports also compare the actual results against targets set for HR strategies. For example, actual hours and amount spent on training and development are compared to targets set during the strategic planning process.

A number of respondents commented on the interactive communications between management accountants and the Human Resource function with respect to employee activities. Even though day-to-day information is fed from the functional level to the area managerial level, this information is compiled and reported by Management Accountants and is shared with the executive committee.

According to two members of the executive committee, the role of the management accountants is much closer to a consultant than to a controller. In fact, they try to help managers to improve their performance by taking a proactive role. Human Resource managers and directors see the role of Management Accounting as integrative; accountants are team players both at the strategic level and at the divisional level, providing key information at the planning stage, setting targets, measuring performance and contributing to the decision-making process.

### ***The Future Role of Management Accounting***

A number of points emerged from the interviews about the future role of Management Accounting from the managers' perspective. First, it became obvious that the HR director was happy with the existing contribution from the management accounting function. However, he added that:

*"Our system needs to be faster and more accurate and more easily accessible. I suspect the role of management accountants should be involved in 'What if' (sensitivity) analysis in the future. We are not doing a lot of 'What if' analysis and the role should be different – a more integrated role and a better information provider."*

Second, the Director of Business Planning and Integration saw a changed role for management accountants in the future. He suggested that the supply of information would be largely automatic and the management accountant would, instead, act even more as a consultant to various functions.

Third, the Manpower Planner suggested that management accountants would be more integrated into the various divisions. He commented on the future role of management accountants:

*"We do have a link with SHQ now, and management accountants' role is Business Planning Process. It is an integrated role, we used to have barriers before, we used to talk about doing this and that, and the person preparing the plan had no clue. Now we talk openly, and there is no barrier, we have built good relationships with finance people, in the Planning process, we set the figures and the management accountants cannot set the figures until we clear them at our end. We need to get compromise and it seems to be working out fine."*

Overall, what emerged from the interviews was that the current changes in management accounting were going to develop even further in the future. The themes of integration, awareness of the problems of divisions and the supply of non-financial data to aid decisions taken by HR managers would become even more important in the future.

## **Canada Post**

### ***Research Site and Overview***

Canada Post Corporation (CPC) is a Crown Corporation established by the Canada Post Corporation Act in 1981 to operate a postal service on a self-sustaining financial basis while pro-

viding a standard of service to meet the needs of the people of Canada. The subsidiary, PCL Courier Holdings Inc. known as Purolator, is managed independently on a self-sustaining financial basis. Along with its affiliated companies, Canada Post ranks thirty-second among Canadian businesses in terms of revenue and is the fourth largest employer in Canada. The Canada Post Corporation relies upon 63,000 full and part-time employees to provide effective communication and delivery services to Canadians.

Canada Post provides products and services in four major service markets: communications, publications, advertising, and physical distribution. Communications includes letter mail, hybrid products and electronic services. Publications consist of domestic and international newspapers. Advertising consists of admail while physical distribution consists of courier, expedited delivery and parcels. Canada Post offers customers a network of approximately 20,000 retail points of access. To co-ordinate its operations and provide the control needed to meet its service standards Canada Post established a National Control Center in Ottawa. The Control Center, in conjunction with regional control centers, monitors the movement of mail 24 hours a day, seven days a week, and allows the Corporation to counteract difficulties in order to meet its delivery standards. Canada Post has commercial, operational and financial links with over 200 postal administrations around the world.

### **Data**

The interviews were conducted at Canada Post's largest Mail Operation site called Pacific Region, located in Vancouver, British Columbia, and also at CPC's Headquarters in Ottawa. A total of ten interviews were conducted with six management accountants and four human resource managers. Other data such as the organizational chart, Annual Report and Financial Performance Reports, Canada Post Corporation's mission statement, Operating Principles and Priorities and detailed HR and management accounting reports were also obtained from various respondents.

### **Canada Post Strategic Process**

For the most part, strategic policies are determined at the Headquarters in Ottawa. However the corporation has taken an integrative approach to the strategic process, initiated at both headquarters and divisional levels. At the headquarters level they have established a Management Executive Committee (MEC) with members of all disciplines. The HR strategies are then built into the operational business plan approved by the MEC at the Headquarters in Ottawa.

One of the biggest challenges which Canada Post Corporation faces today is change. The corporation's success depends on its ability to adapt to rapid change in a fiercely competitive world. For Canada Post the monopoly of the letter is being eroded by new means of communication and they need to analyze their competition, define their objectives and provide the means of meeting them. To do so, the Chairman of the Board of Director expressed the view that:

*"We need a vision, a dynamic action plan to improve our labor relations, make the most of new technology, diversify our product range and forge strategic alliances. Working as a team – employees, managers and union leaders – will get us there."*

The organization has formulated the following HR strategies to meet the challenges.

One of the strategies identified by the interviewees, focuses on a supervisory development program. This HR strategy is a new approach to training operations supervisory staff. Instead of sending supervisors for training just in the classroom, then having them return to the same workplace, supervisors participate for a full four months serious investment in training on-the-job along with off-the-job training techniques including classroom training, simulations, role-playing and case discussion groups. A Divisional Manager explained the importance of supervisory skills at the operation level. He pointed out that, "what we are really trying to stress is that the programme is geared towards the people skills, soft skills, communication skills, writing skills, negotiation skills, dealing with management conflict, and in addition, we have also added one more module and that is managing diversity, because of diversity in our work force."

One of the Directors of Human Resources Planning added that the concept of 'Lean thinking' at the operation level was built into the supervisory development program for every employee.

Lean thinking is, *changing employees'* thinking and ways of creating efficiency. The Finance Director stressed that this was a novel way of thinking about and looking at what one does at work in order to concentrate on value added activities.

A second strategy focuses on human resource planning and development. The main objective of this human resource planning and development strategy is to translate corporate priorities and business plans into work activities, and training and development plans. It is a partnership between the employees and the team leader (anyone with people management responsibilities).

A Human Resource Planning Director explained the process with five key steps:

1. Setting Objectives, Performance Measurements, and Action Plans
2. Reviewing Competencies Needed for the Current Position
3. Preparing Employee Training and Development Plan
4. Giving and Receiving Performance Feedback, Review and Evaluation
5. Using the Career Network – Ongoing self-Directed Career Management

The HR Director defined the outcome of the human resource planning and development program strategy in terms of competency. Competencies are the knowledge, skills, abilities and personality attributes associated with a position. The competency review is a process through which employees with their team leader review the competencies needed for their job or position. This information is then used to support the continued training and development of employees. The team leaders then integrate the group's training and development plan with business plans to ensure consistency with corporate goals and directions.

For its training and development strategy, the corporation has developed a document called 'CPC Leadership Profile'. According to the HR Director, the CPC Leadership Profile document focuses on three key areas: Leadership, Teamwork and People Management. These three key areas are built upon Canada Post's Operating Principles and Corporate priorities. The objective is to introduce managers to people management skills directed at enhancing leadership behavior.

A third strategy emphasizes an employee recognition program. According to a human resource manager the employee recognition program is developed to recognize teamwork and individual effort. He pointed out that, "employee recognition is very important for us and we have quite an elaborate employee recognition program". The HR manager elaborated on the importance of the recognition program: "every day, countless co-workers go the extra mile, and these day-to-day efforts deserve to be recognized". To recognize employee excellence, employees achieved Golden and Silver Postmark Awards for such achievements as Outstanding Customer Service, Commitment to Service Standards, Business Growth and Leadership. The Postmark Awards are employee-driven, and every employee has an opportunity to recognize colleagues' contribution. The Postmark Awards are divided into categories that include Leadership, Outstanding Customer Service, Commitment to Service Standards, Business Growth, Sales Award of the Year, Personal Merit, Volunteer Services, Heritage Club Involvement, and Partnership in Service. A management accountant believed that satisfied and well-informed employees are more productive and serve customers better; in addition, satisfied customers are repeat customers.

### ***The Current Role of Management Accounting***

The Finance Director with a team of six directors played a strategic role in coordinating and directing the activities of the corporation in order to achieve its strategic goals. She explained that special attention is given to understanding the planning process at both the strategic and the operation levels and they must develop a well-integrated master plan:

*"I do have people in my group who also have a very strong operational background. One of the key areas we are concentrating on is strategic planning, which is a corporate function, it's not a finance function. Finance (Management Accountants) people are key players in the strategic planning process."*

A Management Accountant is a member of the most senior management group of the corporation, a key player in the strategic planning process providing a lot of research, competitive

and HR analysis and contributing to strategic decision-making. The Finance Director explained her contribution by saying that:

*“The accounting team supports the senior executives in making decisions on their strategic future. We, as a Corporate Strategic planning group, put a lot of strategic thinking into driving the strategic plan forward. Further, we certainly know what level of service we want to provide to customers and we measure that very closely.”*

She continued:

*“My role is a very active participation and I believe the role of the finance person is as a business manager not as a finance manager, it is critical to understand business in order to provide the information to various people.”*

According to a Human Resource Manager an important contribution by the management accountants occurs during the planning phase when they are involved in preparing for the budget cycle, the investment process and when forecasting expected returns. He elaborated further when he added that:

*“All the projects and investment plans need to be supported by a business case and there is a distinct process where finance groups in each of the functions are responsible for working with their internal client to support and provide a financial analysis point of view in making sure that it integrates.”*

Another aspect of the Management Accounting contribution to the strategic process concerns the provision of information on the corporation renewal programme (called workforce management) to deal with downsizing initiatives; it allowed people to start moving towards retirement and reduce their work time while continuing to pay into their pension plan at a full rate creating other opportunities. According to a Human Resource Manager:

*“Management Accounting plays a major role in providing the various aspects and concepts for accounting to the decision makers because Human Resources have a huge financial impact on the corporation.”*

During the strategic planning process, the Director of Finance has a team of six members (directors) with different disciplinary backgrounds and supports senior executives to make strategic decisions. He argued that his team tries to provide a lot of the research:

*“We do a lot of the competitive analysis, HR analysis and financial /non-financial analysis. All that information is very critical for our high level HR strategic planning and decision making at both the corporate and divisional level.”*

At the divisional level, an Accountant explained that one of the roles of Management Accounting is to provide the elements of added value balancing HR Business strategies with business issues. According to a Divisional Finance Director his contribution also supports the implementation process. He stated that:

*“Finance itself does not exist on its own, it is an integrated role. Too many finance people are trying to figure out what happened yesterday. We spend 60% of our time on new development, evaluation of business cases including HR activities which are critical in making decision and developing strategies.”*

In reality, HR is performing some of the Management Accounting functions in attempting to provide performance outcomes for HR strategies in terms of productivity, employee turnover, absence rates or accidents and attaching financial values to the benefits. Further, the management accountants have a close relationship with the HR community ensuring clear communications and providing fundamental guidance needed to ensure the success of the HR policies, procedures and strategies.

The HR manager summarised Management Accounting participation in the management process right from the planning to the reporting stage:

*“At the beginning of the year when we set our budgets, we work with the finance group a lot, they have to understand what we are doing, so they play a key role there, but they play a key role one step before that which is the preparation of the HR strategies, so it*

*starts off with the strategic planning, then based on that plan, the preparation of the budgets, so that's number 2, they are involved in budget preparation. And then after that it's the monitoring, we meet occasionally every two months to review and monitor. Then the next step is the reporting, they help us to develop some measurements that are meaningful, financial and others. We are developing the HR score-card now for HR and the financial group are participating in that development because there are obviously some numerical measurements that have to be done, but they also understand there are non-financials. Finally, we have to develop business cases, and again they help us, they help us right through all the steps."*

At the regional level, the management accountants coordinate the plans and contribute to setting targets as well as providing analytical work for decision-making. A management accountant gave an example of her contribution in providing general managers with analytical information on setting targets with respect to Human Resource Planning and the Development Program strategy. She provided her views during the decision making process at the strategic planning stage:

*"I really think my role is moving away from transactional accounting and moving towards decision making and that's the key thing. Where I have increased is on my decision making side. As a finance manager, my main focus is that I am a part of a management team that provides advice to managers at different levels in order for them to make management decisions."*

Another area where the Management Accounting contribution was identified concerned the provision of analysis at different stages of the HR strategies. The Human Resource Director indicated that management accountants provided financial analysis on employee training and development:

*"Our group do all types of financial analysis related to HR, for example how our budget is set up for training and development, can we handle the training programme, how many people are we going to send to our training? We look at the ratio, development costs, is it cost effective, does that make sense? One of the big challenges I have is to bring financial discipline into the HR community."*

A Management Accountant supported this view about his role in providing analytical information for operational HR strategies, preparing business cases and supplying detailed cost benefit analyses for major HR projects and strategies.

Seven respondents identified different aspects of the Management Accounting contribution with respect to performance measurements including performance indicators – both financial and non-financial, measuring targets and comparing these targets with budgets and analyzing the difference where needed. An HR manager stated:

*"Our labour costs are 65-70%, very high, and when you think of it, what's your biggest asset? It's our people and it has to be number one and human resources are an integral contributor to the corporation's success. Canada Post is putting into place now a formal HR scorecard, a scorecard that can tell the Management Executive Committee and ourselves, how we contribute to the bottom line."*

The key point he mentioned was that management accountants are working very closely with HR and his group to develop a formal professional business scorecard for HR measurements, "finance contribution is that they help us measure the HR scorecard, manage our budgets, control our spending, control our costs and prepare business cases.

### ***The future role of Management Accounting***

One of the questions posed of all the respondents was to give their views on the future role of Management Accounting in relation to HRM. According to the Human Resource Director, the HR managers and Management Accountants are joint partners in the process:

*"We do have some people in HR that have a sound financial background and we do have finance people that have some HR background. One thing which would be nice is to allow more exchange between the two functions and what I hope would be for finance*

*people to understand HR even better. We know specialization is important, but it is better to understand each other's job because we can help each other. Finally, it is definitely a partnership role and an exchange role and helping each other to achieve the same goal, after all, we are all aiming for the same thing."*

Similar views were expressed by the Finance Director:

*"The role today is more of data gathering, preparing reports and maintaining the binders that are filed and never looked at. The role in the future is probably more of a partnership role with the people on the floor, not only making sure the information gathered is analysed and understood, but also preparing the indicators for example, cycle-time, non-financial measures, the dashboard – sort of risk assessment to make intelligent calls on a real time basis."*

## **Cross Case Analysis**

The cross case analysis of the two companies is undertaken in order to gain insights into the development of hypotheses by comparing the similarities and differences of the findings of the two case studies.

The UK Royal Mail and the Canada Post Corporation have faced similar challenges and global competitive market pressures. Both organizations are large employers in a labour-intensive sector. The evidence from the two case studies has demonstrated that the Human Resource Strategic Management process begins with the establishment of a vision or a mission which is translated into objectives; these set the directions for the organizations at both strategic headquarters and divisional level and provide a basis for guiding the decisions in developing strategies. Both organizations operate in the public sector and have placed a great deal of emphasis on human resource strategies such as training and development, flexibility, and supervisory/leadership skills. This is hardly surprising given that they are both large employees and service in labour-intensive sector.

In each case the role of Management Accounting is integrated into operations at both strategic headquarters and divisional levels. The evidence also shows Management Accountants have a collaborative role in the SHRM process in the areas of strategic planning, providing analytical information in decision making, measuring performance, reporting and communicating.

In the Royal Mail, the process of business planning in relation to HR strategies is a team effort with the members of the team drawn from the divisional level including the finance director and a member of a focus group at SHQ. At the SHQ, Management Accounting played a role in strategic planning at the development stage; it helped with planning and providing analytical information. At the divisional level, Management Accounting coordinated the budgeting process, provided analytical support and assisted divisional executive committee members. Management Accounting is involved at different stages of the initiation and development of HR strategies.

Similarly, for Canada Post, the concept of HR strategies is initiated at both divisional and head office levels and Management Accounting contributes to both. Management Accounting was involved in the HR strategic planning process providing information for strategic decision-making. Canada Post is moving towards a decentralized structure and hence the decision-making authority and development of business level strategies occurs more at the divisional level than at the corporate center. At the divisional level, Management Accounting provides information for preparing budgets, analyzing investments and forecasting expected returns; it supplies financial and non-financial analysis assisting the divisional strategic planning process in relation to HR strategies.

The views of interviewees from both cases about the future role of management accountants are (i) to be more of a business partner and a team player in relation to SHRM, and (ii) to understand better the operational aspects of the business and become internal consultants known for their expertise and ability to help HR decision-making.

The above cross-case analysis leads to the development of the following three hypotheses for further testing:

H<sub>1</sub> Management accountants perform an integrating role in the Strategic Human Resource planning process both at board level and at divisional level.

H<sub>2</sub> Management accountants play a key role in the strategic human resource management process in the areas of planning, providing information for strategic decision making, measuring and reporting performance.

H<sub>3</sub> In future management accountants will have more of a business partner role in relation to the Strategic Human Resource Management process.

### Limitations and Future Research

A limitation of the case study approach is that it provides no basis for empirical generalization. Although, the results of the two case studies raise issues that warrant future research. The analysis provides a foundation for further work that could be directed to test the hypotheses. The two case studies provided strong evidence that there are no significant differences with respect to the contribution made by management accountants in the UK and Canadian post office service sector. Further work could be directed towards comparing the same service sector or different business sectors in other countries.

### Conclusions

These two organizations in the same business sector have emphasised human resource strategies for leadership, training and development. With an increased awareness of global competition, the organizations are developing team leaders to face this challenge. The strategies for leadership and supervisory development programmes give employees the ability to understand cultural values and to help their organizations to gain competitive advantage. Both post offices have established a leadership strategy to enable managers to create opportunities for improvement and according to one of the directors in Canada Post, 'strong leadership and strong management are necessary for optimum organizational effectiveness'.

The process of strategic planning in developing and formulating the above HR strategies is a team effort and the team is drawn from different areas within the organization including a key role played by Management Accounting. Management accountants are becoming business partners in the strategic management process at various levels (that is head office, divisional and functional) within the organization. Management accountants play a key role in HR planning, providing information (both financial and non-financial) and advice at all levels to enhance the HR decision making process, helping to set HR targets, measuring and reporting HR performance. Increasingly in the future, HR managers expect management accountants to be facilitators, analyst, consultants and business partners.

### References

1. Becker, B., M. Huselid, and D. Ulrich. *The HR Scorecard Linking People, Strategy and Performance*. – Boston, MA: Harvard Business School Press, 2001.
2. Bromwich, M., and A. Bhimani. *The Strategic Dimensions of Management Accounting: Pathways to Progress // The Chartered Institute of Management Accountants CIMA*, 1994.
3. Burns, J. *Management Accounting Change // Management Accounting – London*. October, 1999. – Vol. 77. – Issue 9. – pp. 20-21
4. Guest, D.E. *Human Resource Management: Its Implications for Industrial Relations and Trade Unions // New Perspectives on Human Resource Management (Ed. Story, J.) Routledge*, 1989. – pp. 41-55.
5. Huselid, M.A. *The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance // Academy of Management Journal*, 1995. – Vol. 38. – No. 3. – pp. 635-672.
6. Ichniowski, C., K. Shaw, and G. Prennushi. *The Effects of Human Resource Management Practices on Productivity. Industrial Relations Center, Queen's University. Current Issues Series // NBER Working Paper 5333, November 1995*.

7. Ittner, C.D., and D.F. Larcker. Quality Strategy, Strategic Control Systems and Organizational Performance // Accounting Organizations and Society. 1997. – Vol. 22. – No. 3/4. – pp. 293-314.
8. Kamoche, K. Strategic Human Resource Management within a resource-Capability view of the firm // Journal of Management Studies 33:2. March. 1996.– pp. 213-233.
9. Langfield-Smith, K. Management Control Systems and Strategy: A Critical Review // Accounting, Organizations and Society, 1997. – Vol.22. – No. 2. – pp. 207-232.
10. Riahi-Belkaoui, A. The New Foundations of Management Accounting // Quorum Books. 1992.
11. Simons, R. The Role of Management Control Systems in Creating Competitive Advantage: new perspectives // Accounting, organizations and Society, 1990. – vol.15. – No. 1/2. – pp. 127-143
12. Simon, C. The Role of the Accountant in Strategic Planning: A Model for the 1990's. Aldershot, England. Gower Pub. 1992.
13. Strauss, A., and J. Corbin. Basics of Qualitative Research: Grounded Theory Procedures and Techniques. Newbury Park, Sage. 1990.
14. Strauss, A., and J. Corbin. Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory. Thousands Oaks, Ca.:Sage. 1998.
15. Sweeting, B. Management Accounting and the 'New Finance' Function', contribution to Chapter 3 // Handbook of Management Accounting, Gee Publishing Limited, UK. 1999.
16. Ward, K. Strategic Management Accounting, Butterworth-Heinemann Ltd. 1992.
17. Wright, P.M., and G.E. McMahan. Theoretical Perspectives for Strategic Human Resource Management // Journal of Management, 1992. – Vol. 18. – No. 2. – pp. 295-320.