

## Elementary Analysis of Strategic Management Accounting

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**Abstract.** For almost three decades, some have seen Strategic Management Accounting (SMA) as the appropriate response to the problems emanating from a changed competitive and technological environment. Some accounting researchers have seen SMA as implying a greater contribution by accountants to strategy formulation and implementation. Some have viewed it as suggesting accountants move away from purely financial concerns to wider business issues. Others have seen it as an opportunity to make accounting relevant again and to elevate its standing relative to other functions within organizations. This paper will first clarify the strategy concepts employed by SMA researchers. It will then point to the content and characteristics of strategic management accounting that various authors have promoted. Thirdly, we will focus on the method of SMA. This has involved consideration of, for example, value chain, cost drivers and competitive advantage, but has also been extended to embrace a wider range of management accounting techniques which have a long-term, forward-looking and outward orientation. The relevance of these techniques to strategy is briefly outlined. The concluding section will assess the problems of strategic management accounting in enterprise application and make suggestion for further research.

### Introduction

The concept of strategic management accounting is no agreed definition over the world. The increase in research on SMA is due to the increasing importance to managers of information from outside the boundaries of the firm: Simmonds (1981) and Bromwich (1990) pointed out the external focus of SMA, and further research has been consistent with their premise.

Simmonds (1981) believes that strategic management accounting is to provide the analysis and construction and supervision of enterprise strategy on enterprise and competition management accounting. Then Simmonds in a series of papers that determine the relative importance of enterprise competitive advantage, strategic management accounting should pay more attention to the external environment of enterprises and help enterprises to measure its competitive position, and that the strategic management accounting management accounting is the future direction of development. Bromwich (1988) identified the strategic management accounting is the development of management accounting in the future is not the branch of senior management positions of management accounting personnel must master, and to the strategic management accounting under the definition of "strategic management accounting is a management accounting: the collection and analysis of enterprise products in the market and competitors the cost and information cost structure, and supervision of enterprises and competition in a certain period of strategy.

In the accounting literature, there is no agreed definition of SMA (Langfield-Smith, 2008). Even though the "external orientation" of SMA is well established, it can be interpreted in different ways. Roslender and Hart (2003, p. 272) simply suggest that "SMA is about making management accounting more strategic". Dealing with the aforementioned classic distinction between the US approach to SCM and SMA, Langfield-Smith (2008) points out a unifying link between the two in the "strategic orientation to the generation, interpretation and analysis of management accounting information", and "competitors' activities provide the key dimension for comparison".

Chinese scholars on the concept of strategic management accounting. The definition of Chinese scholars on the strategic management accounting is mainly divided into three views, one is the strategic goal of the service for the purpose, since strategic management accounting is a product of strategic management and the traditional accounting combination, so the core is developed for the enterprise strategy implementation services; two is to provide the path to realize the strategic support, rely on the enterprise internal information (marketing information, financial information, human resources information etc.) can provide a scientific basis for strategic decision-making, need collection, processing, analysis of the external information (customer, competitor and a series of stakeholder information); three is the traditional management. The strategic management accounting is a branch of the traditional management accounting in the new market environment and the development of the enterprise management environment, rather than the management accounting.

In summary, strategic management accounting can be summarized as follows: for the enterprise to formulate, implement strategic planning, provide internal and external strategic information, and promote the development of enterprises and ultimately achieve the strategic goal of modern information systems.

## **Literature Review**

There is abundant literature on strategic management accounting. At present, the western strategic management accounting research mainly focus on the following four aspects: the strategic cost analysis, target cost method, product life cycle cost method and the balance between financial and non-financial performance. Chinese scholars on the discussion of strategic management accounting is a lot, but its content relates to system but few scholars in our country according to the different industry category, type of enterprise strategic management accounting content will be divided into 5 aspects or 6 aspects. A view that the content of strategic management accounting includes: (1) the development of strategic objectives (2) strategic cost management (3) risk management issues (4) business investment issues (5) human capital management issues. There are also some scholars believe that the content of strategic management accounting should include six aspects: (1) strategic planning (2) strategic decision (3) strategic cost management (4) comprehensive budget (5) human resources management (6) comprehensive performance evaluation.

The view of overall, strategic management accounting content mainly includes five aspects: (1) strategic analysis. Through the analysis of internal and external environment of enterprise, making strategic objectives to make strategic planning and decision making. (2) the budget and strategic cost management. Strategic cost management is an important area of strategic management accounting, the implementation of strategic management accounting to advance the rational allocation of corporate resources, control information consumption in the process. (3) business investment decision. Strategic management accounting pays more attention to the long-term development of the enterprise, will stand in the strategic height to determine the direction of investment of enterprises, to ensure the competitiveness of enterprises. (4) The risk management research. Strategic management accounting is the enterprise strategy development, it must be the risk of enterprise development in an important position to study. (5). The performance evaluation of enterprise performance evaluation is an important part of modern enterprise evaluation, strategic management accounting can be the evaluation index and enterprise development strategy effectively.

For the method of strategic management accounting research, scholars Wang Man, who put forward the establishment meets the needs of enterprise strategic management accounting system. He suggested that strategic management is divided into three phases: analysis and selection of strategies, implementation and control of strategies, measurement and evaluation of strategic performance. These three stages form a circle and spiral system, that is, strategic process. Extraction of keywords, the "strategic", "strategy" and "evaluation" constitutes a strategic process, and "information" exists in the

strategy at all stages of the process, at the time of information collection and processing, you need to use certain methods, and methods of strategic management accounting shows some advantages. In strategy analysis and select link, enterprise can through competition opponents analysis, and value chain analysis judge competition opponents of cost, and benefits and competitiveness; through products life cycle analysis to determine Enterprise whether in growth period or recession period; through structural cost causes analysis judge enterprise of policy, and business scale, factors whether reasonable; through warning analysis to found Enterprise potential of crisis; through market positioning analysis judge enterprise industry environment and the itself of competitiveness, to select for this enterprise of strategy decision.

In strategy implementation stage, enterprise can through internal value chain analysis, and job cost management judge enterprise of value-added and non-value-added job, and elimination non-value-added job, optimization value-added job, improve enterprise of business efficiency; through target cost management help enterprise as achieved target profit; through implementation sex strategy cost causes analysis adjustment enterprise key value chain Shang of resources configuration, improve enterprise value; through full quality management, narrowed enterprise of fault cost spending, maintenance enterprise and brand of reputation. These control measures, achieve control in the implementation of the strategy. In the evaluation phase of the strategy, ,in order to analyze and improve themselves companies can quickly and comprehensively by the balanced scorecard evaluation strategy performance through benchmarking method, found the performance gap between enterprises and merit enterprises.

## **Discussion**

Strategic management accounting in our country is not widely used, but also relates to the preliminary manufacturing industry, insurance industry and banking, these enterprises in the daily management has been introduced strategic management accounting concept. There is a consensus among most scholars that the research of strategic management accounting application in our country exists in the enterprise in question. The following main problems of the practical application of strategic management accounting.

Firstly, Talent problem. The theory of strategic management accounting popularity is not high, the knowledge structure of accountants tends to aging, lack of professional knowledge of strategic management accounting. Strategic management accounting is not only a simple coincidence of management accounting, but also the intersection of many subjects, strategic management accounting not only for the financial index calculation, more comprehensive use of analysis methods a series of strategy. So the strategic management accounting of accounting personnel quality requirements are relatively high, accounting personnel also need the knowledge of management science, psychology, economics in the grasp of their own professional knowledge, understand the marketing discipline, strategic management accounting needs comprehensive quality and strong talent.

Secondly, Environmental problems. The environment plays a decisive role in the development of enterprises, enterprise access to resources and energy in the environment, depending on the circumstances also affect the environment. The environment can provide good opportunities for the development of enterprises, may also restrict the rapid development of enterprises. The benign external environment factors including economy, society, population, culture, politics, the law, technology, competition and other factors. From the perspective of economic factors, economic system, the enterprises of our country has been in the low-end value chain, extensive production and management mode is no longer adapt to the changing external environment;

Thirdly, enterprises do not pay enough attention to the strategic management accounting, enterprise managers, managers awareness of management accounting is not very high, no more to realize the importance of good strategic management accounting. It has also become a key obstacle to implement

strategic management accounting to a certain extent. The degree of corporate accounting to follow the strategy is relatively low. At present, many entrepreneurs and scholars believe that strategic management accounting is an analysis of the macro level, therefore it is more dependent on the external environment such as economic, legal, cultural and other constraints. In this concept, the enterprise will think that strategic management accounting is more philosophical, holds that the existing accounting system and content of strategic management accounting and therefore not completely decoupled. To think more about the existing finance. However, strategic management accounting is in a long time, the cost structure analysis of financial information on the company's product market and competitors. Although the implementation of the strategic management accounting needs internal conditions (computer aided design, flexible manufacturing system, comprehensive Quality management, material requirements planning) and external conditions (competitor behavior changes and changes in customer demand), however, the accounting should follow the strategy is its foundation. For example one of the basic analysis of strategic cost management is the cost structure of the labor cost. In this sense, the financial basis of standardization of basic accounting data the accurate and standard is the fundamental condition of strategic management accounting.

## Conclusion

**Strengthen the Research of Strategic Management Accounting System, Create a Good Operating Environment.** The situation of our country and Western countries are totally different, which makes the western management accounting we absorb is difficult to widely used. So we must rely on the existing conditions, the system research on the theory and method of strategic management accounting to strengthen on this basis. Especially the analysis of some typical cases. At the same time, enterprises should also optimize the market environment, enterprises realize the diversification of property rights, improve the incentive mechanism of enterprises and self restraint mechanism, the system from the leading enterprise operators value orientation and the fundamental interests of the enterprise is consistent, only when managers assume responsibility for enterprises entrusted with the operation When can the real need of strategic management accounting, the government should formulate a series of guidance, provide legal environment for the enterprise application of strategic management accounting. Secondly we should strengthen the construction of enterprise culture, culture external culture and internal culture, the external culture is the enterprise can control and manage the internal culture within the enterprise. In order to achieve the goal, internal culture has been a value standard 、 moral standard、 work attitude and behavior orientation, which has been always advocated and gradually formed also can be accepted by most of the staff . Enterprise culture is a kind of motivation, can exert the target incentive, leadership incentive, competition incentive. It can stimulate and mobilize the enthusiasm of all employees. A good corporate values can create the conditions to a certain extent for the strategic management accounting.

**Strengthen Strategic Management Accounting Personnel Training.** The first is to strengthen the continuing education of accounting personnel. Among the existing system of continuing education, the majority of accounting is to cope with the needs of work, without the enthusiasm to continue to learn more knowledge of management accounting .In the continuing education curriculum system, the content is focused on financial knowledge. The general financial personnel, training financial executives are basically the same, no market segmentation, knowledge is not wide, and training methods are relatively simple while lack of pertinence. We need to supplement more strategic management accounting knowledge .The second is to update the existing knowledge of university accounting system . There should be more application-oriented knowledge in curriculum in Colleges and universities. Strengthening the accounting majors in management, set up behavior and other aspects of the curriculum. Students' strategic thinking and consciousness, which is the only way to gradually in our country's existing financial talents the system lay the foundation to cultivate senior

talents of management accounting has a look far ahead from a high plane, to broaden their horizons.

**Strengthening the Standardization and Rationality of Enterprise Financial Basis.** Financial data is one of the most important factors in enterprise decision-making. Firstly, to ensure the authenticity and standardization of the financial data of the enterprise, which is the foundation of all things. Many domestic enterprises lack of accurate financial information, but not appropriate and accurate financial analysis, just look at the return of cash flow, and even many entrepreneurs themselves as the cashier's role. In the process of enterprise business bigger to analyze and understand the right to invest in the future of many projects. It restricts the development of enterprises to a great extent. In this sense, it is important to strengthen the development of financial norms according to the accuracy and number of enterprises in the existing large. Data era only standard and accurate data to analysis the value, in order to find the potential problems in the environment and relationships from the more chaotic and uncertain information, in order to make more value and significance of strategic management accounting, strategic management accounting or become without its wood.

In summary, the study of strategic management accounting in our country is still in the primary stage, the theory and application have been deep research and development, the existing of strategic management accounting research is lack of in-depth discussion in theory, methods more limited, no empirical research articles, not to mention the research methods of disclosure and improvement. Strategic management accounting in our country is not widely used, but also relates to the preliminary manufacturing industry, the insurance industry and the banking industry, these enterprises in the daily management of strategic management accounting has been introduced the concept of strategic management accounting. The research still needs further improvement and perfection in many internal and external difficulties shortcomings. In the process of hindering the development of strategic management accounting. The research of strategic management accounting in our country should adhere to the combination of theoretical research and empirical research, qualitative research and quantitative research on the principle of combining, actively learn from the research results of strategic management accounting in foreign countries, combining the actual China empirical research, in order to promote and accelerate the development of China strategic management accounting.

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