Strategic Development of Management Accounting at Large Industrial Corporations

Nina Ilysheva[1][a], Vasily Karaulov[2][b] and Kristina Bulgakova[1]
[1]*Ural Federal University, Yekaterinburg, Russia*
[2]*Vyatka State University, Kirov, Russia*

Keywords: Management accounting, strategic approach, strategic management accounting, integrated performance management system, strategic objectives, key performance indicators, key efficiency indicators.

Abstract: The given publication's objective is to research into the formation process of a strategic approach in the management accounting of large industrial corporations in a competitive environment in oder to maintain the leading position in their business segment. Meeting the formulated objective, the following tasks were set: to consider the management accounting formation process and the prerequisites for the strategic management accounting formation; to develop a theory of an integrated performance management system as the basis for the strategic management accounting. Works of scientists and economists in accounting, management accounting, economic, financial and strategic analysis have served as the theoretical and methodological basis for this publication. Based on the results of this study, we have come to the following conclusions. Today, the tools of traditional production accounting in management accounting are inapplicable. One should use any useful methods such as: value chain analysis, balanced scorecard, mathematical methods and many others. The strategic approach to planning, accounting, cost analysis is a new, higher level of the accounting and analytical system of the enterprise. At which point one selects the key indicator, that affects the costs, the choice of the relevant mathematical model, describing the costs forecast. This indicator forms high-quality information background for a company's management in making effective management decisions. An integrated performance management system is to solve the afore-said problems. The practical significance of the research is in the application of the outcomes and recommendations to the management accounting at an enterprise, thus improving the quality of management decisions.

1 INTRODUCTION

As the world economic situation is getting more unstable, the international and in-country competition increasing, management accounting is becoming more important.

The task of forming a modern management accounting system is one of the most urgent. The range of opinions on the definition of the management accounting is quite extensive. Some researchers interpret it as an accounting subsystem whose main task is to collect, register and summarize information. However, others consider it to be an enterprise management system that performs all management functions such as: accounting, planning, analysis, control and decision making.

In the current economic conditions, which are characterized by intensifying competition, acceleration of scientific and technological progress, it becomes impossible to maintain traditional management accounting at an enterprise, based on cost calculation and affecting the internal activities of the company. Such accounting has been characteristic of the industrial and, to some extent, post-industrial era, now it is necessary to expand the management accounting system by including information about the company's external environment: buyers, suppliers, competitors, government acts. One should also use new methods for getting the information to make effective decisions by the company's management, which is the strategic management accounting system's objective.

[a] https://orcid.org/0000-0002-7876-9376
[b] https://orcid.org/0000-0002-9599-3740

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The acuteness of the strategic management accounting, both theoretically and practically, predetermined the research choice, its objectives, subject and research methods.

The given publication's objective is to research into the formation process of a strategic approach in the management accounting of large industrial corporations in a competitive environment in oder to maintain the leading position in their business segment.

To achieve the aforementioned objective, the following tasks have been set:

 to consider the management accounting formation process and the prerequisites for the strategic management accounting formation;

 to develop a theory of an integrated performance management system as the basis for the strategic management accounting.

The research is focused on the patterns of strategic management of large industrial corporations in a competitive environment.

The subject is the strategic management accounting.

2 MATERIALS AND METHODS

Works of scientists and economists in accounting, management accounting, economic, financial and strategic analysis, accounting normative and legislative acts, Internet sources have served as the theoretical and methodological basis for this publication.

The emergence of the management accounting system is published in the works by Sokolov, Drury, Horngrem, Foster, Shank, et al.

The management accounting has been researched by: Vakhrushina M.A., Volkova, O.N., Gerchikova I.N., Ivashkevich V.B., Kerimov V.E., Kondrakov N.P., Nikolaeva S.A., Sokolov Ya.V., Sheremet A.D. et al.

The following researchers have delved into the strategic development of enterprises, their competitiveness: Ansoff, Gaponenko, Ilyshev, Ilysheva, Karanina, Pankrukhin, Thompson Strickland Porter, Fatkhutdinov, Fleischer, Yurieva et al.

However, at the current stage of science development there is a small number of works on the problems of forming strategic management accounting in large industrial corporations.

The study used general scientific research methods - comparison, grouping, graphic method.

3 RESULTS AND DISCUSSION

3.1 The Management Accounting Formation Process and the Prerequisites for the Strategic Management Accounting Formation

For a company's management to make effective management decisions, management accounting is intended. This is one of the main tasks of management accounting. The main purpose of this type of accounting is to create and support the information system within the company. This is a fundamental prerequisite for the effective functioning of the management accounting system.

The origin and formation of the management accounting are the systems of costing and production accounting.

When the first exchange operations appear, the manufacturer needs to calculate the cost of goods sold and services rendered, which is a prerequisite for the formation of cost accounting. At first, however, it was simple enough, all the calculations were made in the mind and account records were not required.

The industrial revolution that took place at the end of the 18th century, the transition from individual to factory production, the emergence of numerous industrial enterprises and free business activity contributed to competition, capital market, goods market and labor market, as well as free pricing. In these conditions, the importance of calculating accounting increased primarily as a tool to assess the profitability of goods, and the market prices (Horngren, Foster, 2000).

At the end of the 20th, the beginning of the 21st century, the cost record got a boost in its development. As a result of the scientific and technological advances that took place at that time, there was a concentration of production, which made it difficult to sell products (goods and services) and the need to borrow due to a lack of working assets. Interested parties, such as investors, creditors, tax authorities, needed detailed information about the financial and economic activities of a company. For these reasons, the problems of costing accounting, providing information that is not immediately possible to influence, became apparent.

The main goal of a business was to obtain maximum profit, which directly depended on the operational, successful actions of management personnel aimed at efficient organization of production, through the appropriate and profitable allocation of the company's resources. All these changes were prerequisites for changing the entire accounting system of a company.

In the late 1940s and early 1950s, there were global changes in the accounting system in industrialized countries. Accounting ceased to be simply a means of collecting, processing and grouping economic information, instead the information started being used for forecasting, analysis, control and management decisions. Significant attention was paid to the production costs, the volume of manufactured products, as well as the comparison of the actual and projected output of a company.

As a result of the expansion, increase in the production output, the formation of large companies and the resulting need to preserve trade secrets, accounting split into financial and management (cost) ones.

The main task of management (cost) accounting was to provide the company's management with operational and analytical information on the costs and revenues of the company's structural units, so that the management could make effective decisions.

The next stage in the development of the costing system is the emergence of a standard-cost system, the essence of which was to create material and manpower standards for their more economical use. The prerequisites for the creation of this system were the need for operational cost control and the ability to regulate the cost of the products produced. Constant comparison of standards with the actual cost made it possible to quickly eliminate any bias, thus there appeared a new way of cost managing - deviation (bias) management.

With the use of the standard-cost system in the management (calculus) accounting, accounting ceased to be simply a record of facts of business activities of the enterprise.

In 1936, Harrison, an American scientist, first coined the term "direct-costing." The idea of this accounting system was to separate the fixed and variable costs. This was the next stage in the development of costing accounting and gave way to the formation of the company's pricing and strategic policy.

An important step in the formation of management (costing) accounting was the emergence of cost accounting based on "the centers of responsibility" as the further development of the standard-cost system. The use of the responsibility-centers accounting made it possible to track deviations of actual costs from standard costs, which demonstrated the effectiveness of managers.

Thus, the emergence of new production cost accounting methods such as: standard-cost, direct-cost and responsibility centers accounting made a huge impact on the development of the costing accounting system, transforming it into a production accounting system and then turning it into a management accounting system.

The official division of accounting into financial and management ones took place in 1972.

In the early 21st century, the next stage in management accounting development was the development of an approach, driven by the need for strategic accounting, planning and analysis of a company's business activities. There was a division of management accounting into a tactical (information about the current activities of a company) and strategic (long term information) ones.

Features of strategic management accounting include:

- external environmental factors;
- aim at taking into account uncertainty, risk management strategy, all components of the subject's risk system (Karanina E., 2017;
- is the basis for making rational, effective management decisions (P.A. Vinogradov, 2018).
- The main task of strategic management accounting is to create a relevant information base for the management of a company.

The object of strategic management accounting is the capital expenditures of an enterprise, which are of a long-term nature; would-be results of the business activities of a company as a whole and its individual structural units; pricing that takes into account market prices and the expected inflation rate; strategic planning (Kim L.I., 2019).

Based on the aforesaid, we will formulate the author's vision of strategic management accounting.

Strategic management accounting at a large industrial enterprise is an accounting system in which financial and non-financial information is generated in terms of management objectives, on three main components: planning, monitoring and analysis of the company's activities. This applies not only to the costs of the enterprise, as it was in traditional management accounting, but also to its external business environment (suppliers, buyers, competitors, government actions), and the internal business environment (production process, labor and material resources, as well as social processes).

Strategic management accounting uses any useful method, such as balanced scorecards, benchmarking, target costing, ABC (Activity-Based Costing), value chain analysis, risk analysis, mathematical methods and many others.

The main distinguishing feature of strategic management accounting is the possibility and necessity of its use to assess the financial and economic activities of an enterprise both in terms of financial (expressed in monetary terms) and non-financial (expressed in shares, percentages, natural units) indicators, which makes it possible to obtain a more detailed view of the company's efficiency.

Today, large industrial corporations are in intense competition, dynamic development of the production base, therefore, in the accounting and analytical system of an enterprise it is impossible to limit ourselves to the tools of classical management accounting of production costs. New methods of accumulating management information, adequate for modern conditions, are needed, and the strategic management accounting system possesses such methods.

So, the strategic approach to management accounting at the present stage of development of society plays a dominant role in relation to operational (current) accounting.

The stage of development of management accounting in the 21st century is fundamentally new. Since this accounting and analytical system increasingly begins using the methods of various sciences - mathematics, computer science, sociology, statistics, a comprehensive approach to management accounting in the 21st century is inevitable in order to achieve such goals as: manyfold increase in labor productivity, a significant strengthening of competitive positions of our country in world markets and many others.

3.2 Formation of an Integrated Performance Management System as the Basis of Modern Strategic Management

Based on aforesaid, we conclude that in large industrial corporations there is a need for the 21st century management accounting that meets all the requirements and current business conditions, in other words, a strategic approach to enterprise accounting.

The strategic approach is to form an integrated performance management system as the basis for strategic management.

The main tasks to be solved by the performance management system are the following:

- measuring the efficiency of the enterprise in order to show how satisfied customers are with the goods and services provided to them;
- clarity and accuracy of the strategic objectives of the enterprise;
- attention to the key business processes and key indicators at the enterprise, as well as notification of management about improvements or deterioration in performance;
- point out critical business success factors that require the most attention;
- creation of basis for identifying achievements and setting up appropriate reward system.

So, the performance management system is a set of interrelated elements such as: strategic objectives, key company strategies, critical success factors and key performance indicators.

In order to develop new indicators of enterprise performance, it is necessary to define the strategic objectives and important factors of the company's success, which form the basis of an integrated performance model. The elements of this system include:

- a statement of the company's vision and mission;
- strategic objectives;
- customer needs;
- systems of incentives and rewards (Averchev, 2011).

Company Vision Statement describes the main objectives, characteristics and philosophy that guide the strategic activities of the company.

Mission statement includes a clear statement of the specific needs of the customer that the company seeks to satisfy; not the products or services offered.

A well-defined and clear set of a company's strategic objectives is at the heart of the performance management process that shapes the strategic line of the company. Examples of strategic objectives are given in Table 1.

Table 1: Strategic objectives.

Направления деятельности	Потенциальные стратегические задачи
Персонал	Сформировать высококвалифицированные кадры
	Минимизировать текучесть кадров
Клиенты	Повысить удовлетворение клиентов
	Минимизировать число упущенных клиентов
	Расширить базу клиентов
Качество	Обеспечить непрерывное качество продукции
	Минимизировать возвраты продукции
Финансовые результаты деятельности	Минимизировать себестоимость продукции
	Максимизировать прибыльность
Производственный процесс	Минимизировать время производства продукции
	Минимизировать брак продукции
	Минимизировать уровни запасов
Продукция	Лидировать по производству качественной продукции
	Постоянно совершенствовать производимую продукцию

Afterwards, one needs to identify the main success factors. They focus on the key performance indicators that differentiate a firm from its competitors in order to achieve its goals and meet customer requirements.

A company's basic success factors are the following:

— production of goods that consumers will rate as products of the highest quality;

— rapid development of new types of products;

— keeping the cost of products and services low;

— fast and a comprehensive response to customer needs.

For critical success factors to be effective and understandable, they need to be quantified through key performance indicators. When choosing such indicators, one can address the concept of a balanced scorecard (BSC), it considers any enterprise from four angles:

- financial indicators;
- customers;
- business processes;
- staff (Yur'eva, 2013).

To achieve the strategic goals of the company, an integrated system

of financial and non-financial indicators is created, thanks to which the company gets assessment tools of its financial and economic activities. An example is the strategic risk system of an enterprise, which determines strategic risk indicators in conjunction with performance indicators (Karanina E., 2017).

Based on the information received about the strategic intentions of the company, the main business processes, critical success factors and key indicators, an integrated model of the company's performance is drawn up (See Figure 1).

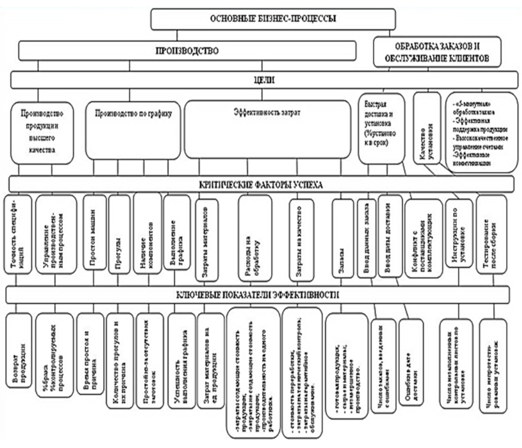

Figure 1: Integrated performance model.

Upon the selection of key indicators, the protocol of the company's performance becomes an important tool, which provides an easy, visual interpretation of the indicators and is a concise report on the daily performance.

For the performance management system to work, it is necessary to turn to digital technologies as an essential condition for the successful functioning of large industrial corporations in the digital economy. The most suitable in our case is the Customer Relationship Management (CRM) system, the purpose of which is to computerize business processes in marketing, sales, service quality; collecting customer information for subsequent analysis and making effective management decisions.

The integrated performance management system is a constantly changing system, i.e. a dynamic one. Key performance indicators of the company also cannot remain unchangeable. Therefore, one should constantly monitor the data of the system, maintaining its relevance, providing the company's management with timely information to analyze decisions and courses of action at a constantly changing set of customers and needs.

As companies are now entering a new era of globalized markets in a highly competitive environment and are increasing their flexibility and responsiveness of their product delivery policies and delivery mechanisms, a well-designed system of indicators is becoming increasingly important. An effective performance management system is a snapshot of the health of the enterprise and should provide management with information to manage current operations and to plan future opportunities and development strategies.

4 CONCLUSIONS

Based on the results of this study, we have come to the following conclusions.

— In modern conditions, it is impossible to use only traditional production accounting tools in management accounting, it is necessary to use any useful methods such as: benchmarking, balanced scorecard, direct costing, target costing, value chain analysis, ABC (Activity-Based Costing), risk-analysis, mathematical methods and many others.

— A strategic approach to the accounting and analytical system of an enterprise is to form high-quality information support for the company's management staff for making effective management decisions by introducing an integrated performance management system.

The results of this study are applicable in setting up modern management accounting at large industrial corporations, which will significantly improve the adequacy of the decisions made by the management of the enterprise.

In modern conditions, which are characterized by intense competition, the need to increase the efficiency of the use of production resources, increased requirements for exceptional, unique characteristics of the goods sold, dynamic changes in consumer demand, as well as the improvement of production means, it is necessary to form a strategic approach to management accounting of large industrial corporations.

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