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STRATEGIC ACCOUNTING MANAGEMENT WHERE ARE YOU GOING?

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Abstract

The purpose of this paper is to review the origins of strategic management accounting and its development in business world and academic. The concept of strategic management accounting had been known since 1800, but interestingly until now there had been no agreement on what the purpose of the strategic management accounting is. Through fundamental research approaches, it was clear that the term of Strategic Management Accounting has many different interpretations, depends on the researcher, scientific background, underlying assumptions, and the starting point from which viewed it. After thirty years of research and literature that developed the concept of Strategic Management Accounting, there was still inadequate in its development in various fields. The concept itself was not clear and had produced many different conceptual approaches in research and direction, although it was simple in the concept and the concept adopted a technique including practice.

Keywords: Strategic Management Accounting, Management Accounting, Strategic Management Research, Strategic Management Accounting Techniques

INTRODUCTION

It was started from the concept of management accounting in decision making in which management accounting is centered on providing economic information from the perspective of an organization's internal users (Hopper et al 2007).Management accounting has grown and got out of accounting charge Robert (1989) argues that the management accounting overcomes the limitation of accounting charge, first that accounting charge focuses on the number and the second it is only interested in working on full cost product.

Management accounting is generally identifying, collecting, measuring and reporting the information that useful for a manager in planning, controlling and decision-making (Haque, 2003). The fundamental purpose of management accounting is to help the organization achieving its strategic goals (Bell et al, 2004). Management accounting has a role in providing information that will be used by the manager in performing the functions of planning and controlling the organization, Accounting information is given as a tool of medium to assist the manager in carrying out the management functions (Haque, 2003).

Then begin many experts criticize the lack of management accounting capabilities to deliver what has become the purpose. Among of them, Johnson and Kaplan (1987) criticize the management accounting has lost its relevance because it is not adequate for modern accounting environment, and useless in a control function, product cost and performance evaluation of manager .Ahlstrom and Karlsson (1996) also find management accounting left behind in the taking advantage of innovative techniques in the field of management. Baines and Langfield Smith (2003) say that there are three limitations in management accounting, first is management accounting information obtained from financial information so that the focus on annual, periodic targets and internal accounting systems that fail to provide the accuration of information and holistic that reflect product technology and the complexity of operational processes on one side and on the other side fail to integrate in a very competitive environment. The second, an aggregate makes it less useful for managers who want to get an information that adjusted to the needs of certain managerial. The third, window dressing is applied to make look good for external users is less unreliable to managerial decision making.

The changes in the business environment require management accounting system changes as well (Haque, 2013). Currently, economy environment has demanded the development of innovations and relevant accounting practices (Hasen & Moween: 2007). Because the management accounting plays a very important role in every decision of a manager, the challenges faced by a change in the business environment is how management accounting can provide relevant data for strategic decision making. This is what is called the strategic of management accounting (Haque; 2003). The development and usage strategic management accounting along with the technique is highly correlated with external information, especially to face the uncertainty of the environment and to support strategic decisions (Cinquini & Tenucci : 2007).

According to Wilson and Chua (1993) the differences of management accounting and strategic management accounting are as shown in Table 1.

Table 1 The Basic distinctions between Traditional Management Accounting and Strategic Management Accounting

MA Tradisional	MAS
Historical	Prospective
Single entity	Relative
Introspective	Out-ward looking
Manufacturing focus	Competitive focus
Existing activities	Possibilities
Reactive	Proactive
Programmed	Un-programmed
Data orientation	Information oriented
Based on existing systems	Unconstrained by existing systems
Built on conventions	Ignores conventions

Source Willson And Chua (1993) [5,3]

Hoque and Mia (2001) showed that the traditional Management Accounting system is like previous budgeting and the generally budget is only related to input the cost required to maintain the program expenditure budget that does not require how this expenditure related to the result. Management Accounting System includes comprehensive coverage with information related to various non-financial issues, as described above, that expectations for the future are not only related to internal problems, but also the problem outside of the organization.

THE CONCEPT OF STRATEGIC MANAGEMENT ACCOUNTING

The concept of strategic management accounting was first popularized by Simmonds in 1981, he stated that strategic management accounting is provision and analysis by management accounting business data and its competitors to use in the development and monitoring the cost strategy. The discussion themes of strategic management accounting is becoming increasingly attractive when more and more professionals and academics discuss it with a different perspectives. Among of them are Shank (1989), Bromwich (1990) Ward (1982) Langfield & Smith (2007) and many more of each expert have different opinions depends on their viewpoints.

At the same time in the United Kingdom, Australia, and New Zealand use the term of SCM (Strategic Cost Management) which is a mixture of financial analysis (value analysis, strategic positioning analysis' triggers analysis of cost driver (Shank & Govindarajan, 1994) this concept is then developed by the researchers who are interested in strategic management accounting, it can be seen in Table 2 that is collated by Juras,

Shank (1989) states that strategic management accounting is the managerial utilization of explicit cost information that is directed at the strategic management cycle stages, it is similar to Ward (1992) which states that the strategic management accounting is an accounting for strategic management, This is quite different from the submitted by Bromwich (1990), which limited the definition of the strategic management accounting only to financial information and focus on how to conduct the supervision with its competitors.

Meanwhile, Dixon & Smith (1993) and Lord (1996) view the strategic management accounting is at accounting, management, and strategy. But Foster & Gupta (1994) and Wilson (1995) state that marketing seems more relevant.

In the 2000s the concept of strategic management accounting theme is growing not only in management accounting but also starts mated with the concept of marketing such as Roslender & Hart (2002) *strategic management accounting should become more throughly infused with marketing issues, theories, and concepts to from marriage of euql partners.* Roslender & Hart (2003) sharpen their opinions that the strategic management accounting is a generic approach of accounting as a form of business that integrates the management accounting with marketing management in a framework of strategic management,

Table 2 Most Influential Definition of Strategic Management Accounting

Author	Definition
Simmonds (1981)	the provision and analysis of management accounting data about a business and its competition for the use in developing and monitoring the business strategy, particularly relating levels and trends in real costs and prices, volume, market share, cash flow and proportion demanded of a firm total resources
Shank (1989)	the managerial use of cost information explicitly directed at the stages of the strategic management cycle
Bromwich (1990)	provision and analysis of financial information on the firm's (product) markets and competitor's costs and cost structure and the monitoring of the enterprise's strategies and those of its competitors in these markets over a number of periods
Ward (1992)	accounting for strategic management
Roslender and Hart (2003)	generic approach to accounting for strategic positioning, defined by an attempt to integrate insights from management accounting and marketing management within a strategic management framework

Table 2…

Certified Institute for Management Accounting (2005)	a form of management accounting in which emphasis is placed on information which relates to factors external to the entity, as well as non-financial information and internally generated information
Langfield-Smith (2008)	taking a strategic orientation to the generation, interpretation and analysis of management accounting information and competitors activities
Ma and Tayles (2009)	the body of management accounting concerned with strategically orientated information for decision making and control

Source Juras, 2014

Based on the definition above it can be concluded that Strategic Management Accounting is accounting management which is synergy with the marketing management in the frame work of strategic management with the purpose that the company is able to outperform its competitors.

TECHNIQUES OF STRATEGIC MANAGEMENT ACCOUNTING

The development of strategic management accounting is increasingly oriented as a technique that is used as strategic decision-making tools. The purpose of these techniques is to provide a manager and a consultant in the form of information that has implications for financial of the various business strategy alternatives (Tales et al 2009). The followings are strategic management accounting techniques which frequently used in management accounting activities.

Activity-Based Management (ABM)

According to Hansen Mowen (1997) defines the activity-based management is "*Activity Based Management is a system wide integrated approach that focuses management's attention on activities with objective of improving customers value and profit achieved by providing this value" (P.30),* in other words, ABM is an integrated approach that focuses on management attention to an activity which is aimed at increasing the value received by the customer (customer value).

Activity-Based Costing (ABC)

According to Hansen Mowen (2004: 292) states that activity based costing is a costing method that is designed to provide cost information to managers for strategic decisions and other decisions that may affect the capacity and fixed costs.

BSC (B*alanced Scorecard*)

Balanced Scorecard is proposed by Kaplan and Norton (1992) it is a strategic management system that defines the accounting system accountability based strategy (Hansen, Mowen, 2006). Where the financial and non-financial measures are integrated for the purpose of strategic performance management. By making a balance by connecting the vision and the strategy of the organization and translates it into operational objectives and performance measures contained in 4 perspectives.

Benchmarking

Benchmarking is a process commonly used in the management or general strategic management, where a unit / department / organization, measure and compare the performance of the activity or similar activity unit / department / other similar organizations both internally and externally.

Attribute Costing

According to Cravens & guilding (in Cinquini Renucci 2007)*The costing of specific product attributes that appeal to customers. Attributes considered may include: reliability, warranty arrangements, after sale service.* Costs of certain product attributes are interesting to customers, attributes that are considered may include reliability, setting of warranty, after-sales service products which are considered as a distinct feature, in this case, Bromwich (1990) supports the possibility to view the product attributes as a cost object. The attributes differentiate products, and from the product attributes and consumer tastes.

Brand Management Accounting

Roselender and Hart (2001) state that this brand management accounting is a concept that connects the accounting information with brand improvement and customer loyalty.

Competitive Position Monitoring

This technique is based on the rules and competitor information. Competitive analysis is an attempt to identify threat, opportunity or strategic issues (strategy question) that occurs due to changes in potential competition, also the strengths and weaknesses of competitors. Analysis is useful to base a decision on the marketed product.

Competitor Cost Assessment

This technique differs from previous techniques, an assessment cost is based on the uniqueness of the competitor's cost structure (Simmonds, 1981). Various information obtain from different sources. Ward (1992) suggests some resources such as physical observation, general supplier, customer or former employee of the competitor.

Competitor Performance Appraisal on Public Financial Statement

This technique is an analysis financial reports that includes a process which is full consideration in order to help evaluate the financial position and operation result in the present and in the past, with the aim of determining estimation and prediction of the most likely about the condition and the performance of the company in the future.

Life Cycle Costing

Product Life Cycle describes the history of the product since it is introduced to the market until retractable from the market. Product Life Cycle is an important concept in marketing because it provides a deep understanding of the dynamics of competing products.

Quality Cost

The cost of quality has been a requirement to compete in the market. This technique classifies the costs associated with qualities such as the prevention costs, assessment costs, and the cost of the failure of both internal and external (Heagy, 1991). Modern competition also requires the monitoring costs of environmental safety.

Strategic Costing

Determination system costs progressively enter into the strategic management process.This means the explicit costs system should consider to the long-term competitive advantage strategy, Shank and Govindarajan (1989, 1993).

Strategic Pricing

Simmonds (1982) explains that the focus of this technique is the use of competitor information and view the reaction to changes in prices, economies of scale, experience, and pricing process.

Target Costing

So the target costing is a method of profit planning and cost management that is focused on products by considering the manufacturing process, therefore the target costing is used by the designer before the products and design process are conducted to achieve the aim of business improvement on reducing operating costs in the future product.

Value Chain Costing

The approach is based on the activity for which costs are allocated to activities that are needed to design, provide, produce, distribute the market and serve a product / serve throughout the entire industry value chain. Thus Value Chain analysis can be used as a cost management analysis tool for strategic decision making in facing the increasingly fierce business competition. The decision to determine the competitive strategy that will be applied, whether using the strategy: Low Cost or differentiation (Porter, 1985), to compete in the market.

Various kinds of strategic management accounting techniques have been widely developed but not yet widely adopted and no one stated that strategic management accounting has been understood and used widely (Langfiels & Smith: 2008). While Ciquini & Tenucci (2007) state that the adoption of strategic management accounting technique does not seem to be driven strategy, the empirical evidence about the distribution of strategic management accounting is not yet widespread, therefore it has not seen whether the strategic management accounting can live matched to its promise in the future or not (Shah: 2011) therefore strategic management accounting practices and the use of engineering technique are still a challenge for practitioners in the accounting field (Roslender & Hart: 2010).

CRITICISM OF STRATEGIC MANAGEMENT ACCOUNTING

Strategic management Accounting has spread rapidly in the practice, accounting management spent most of their time and efforts to collect and estimate the cost, volume and competition price data and calculates strategic position of a company and its competitors as a basic business strategy Markowitz (Simmonds: 1981). This is denied by (Lord, 1994: guilding et al, 2000: and Shank, 2007) which states that the practices of strategic management accounting has not been adopted widely.

Other findings show the rate of adoption of strategic management accounting is low and there is an indication decreases from time to time even many companies do not implement ABC as one of the strategic management accounting technique (Innes et al, 2000), while Anderson (2007) stated that the strategic management accounting has been successful because a lot of the techniques of strategic management accounting are applied in the organization, although it is not always with the leadership / the involvement of accounting functions. There are indications that management accounting has been recognized by other fields such as Balance

Score card, cost management, process analysis, Key Performance Indicator (KPI) that enter into the management area and the various implementations of strategic management accounting technique in software which is actually a successful implementation of strategic management accounting but it goes into the area of information technology.

CONCLUSION

The absence of a clear concept of the strategic management accounting makes it difficult to determine the parameters of the successful implementation of strategic management accounting.

Some factors that hinder the acceptance of strategic management accounting, in developing countries are as follows:

1. Lack of professionals that causes the features and the benefits of each the traditional management accounting and the strategic management accounting. Accounting data is hardly provides the information necessary for further activity or decision.
2. Information about competitors is obtained from estimation that may differ from reality.
3. The information is given based on difficult speculation and comparability.
4. The cost of data collection may be greater than the benefits.

The strategic management accounting is the future of management accounting. The strategic management accounting is the answer to all the critics that is expressed traditional management accounting. The strategic management accounting connects between strategic management and management accounting. The strategic management accounting is a key component of the overall skill base of current professional accountants. The segment highlights the management accounting tools and the techniques of value chain analysis and project management which have become increasingly important in the contemporary operating environment.

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