ORGANIZATION OF A STRATEGIC MANAGEMENT ACCOUNTING IN AN INNOVATIVE ECONOMY

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ABSTRACT

An efficient and practical strategic management accounting system to meet the needs of the main information user groups is determined by systematic and comprehensive approach to its organization at a business entity level. The proposed approaches to organization of a strategic management accounting, taking into consideration specifics of organizational and management structures of a business entity, contribute to transition to a whole new level of organization of its activities, determine the most effective form of organization of work of specialists in strategic management accounting. Strategic management accounting as a part of management accounting and analytical system contributes to reducing uncertainty in shaping the economic behavior of business entities and requires reconstruction of the entity's specific presence to achieve the desired results. The complex of organizational and methodological quality assurance of strategic management accounting in accordance with the competences of specialists has been developed, will promote development of intellectual potential and spreading strategic management accounting as a practical activity.

Keywords: Strategic Management Accounting, Accounting and Analytical Management, Accounting Organization, Impact Assessment, Quality.

JEL Classifications: M5, Q2

INTRODUCTION

In an innovation economy, each of the business entities faces a significant increase in the complexity and number of management tasks caused by changes in the processes in the external and internal environment. Quality transformation is experienced by business entities themselves, which have become open systems, capable of interacting with the external environment in a cost-effective way.

In conditions of innovative economy paradigm creation for improving efficiency of functioning and ensuring long-term development of business entities, various forms of cooperation between them are urgent, which requires introduction of innovative management methods, fundamentally different goals of activity, and therefore – a relevant information support.

Strengthening the role of scientific and technological progress and knowledge, informatization, increasing competition on the markets, intensification of social and cultural ties have led to the fact that most of the potential threats or opportunities of a business entity is determined not so much by its internal performance indicators (production efficiency, profitability of products, quality, etc.), but processes that occur in the external environment (changing consumer needs, emergence of new products and technologies, etc.).

Achieving long-term functioning and development of a business entity in the context of developing an innovative paradigm of the economy is conditioned by the effectiveness of strategic activity management, which objectively increases the requirements for its information support and increasing the role and importance of professionals in accounting in the decision-making process.

The processes of globalization of the world economy, innovation and internationalization of all kinds of world markets raises to a new level the problem of updating, development and comprehensive improvement of the general methodology of economic research on the basis of taking into account new approaches to knowledge acquisition both in the economy and other branches of science The current stage of research development is determined by establishment of integrated interdisciplinary relationships.

REVIEW OF PREVIOUS STUDIES

Research on the development of strategic management accounting in management concepts based on historical and systematic analysis suggests that successful functioning and development of business entities, as complex and open systems, is determined by how the strategy is consistent with the goals and values, available resources and capabilities, organizational structure.

Development of a strategic direction of the management accounting is due to the following reasons:

First, instability of the external environment puts additional demands on the strategic management system, namely: a shift of emphasis from past events to the analysis of the future; increasing the speed of response to environmental change to the flexibility of production and management; continuous monitoring of the external and internal environment in order to develop management actions to ensure survival of the business entity and prevent crisis situations (Honggowati et al., 2017).

Second, complexity of organizational management structures requires an information mechanism to coordinate management procedures within the system itself (Huynh et al., 2020); Kumar & Paramanik, 2020);

Third, availability of a large amount of information does not fully ensure the principle of its relevance in the process of ensuring strategic management decisions (Arunruangsirilert & Chonglerttham, 2017).

Fourth, there is a tendency to synthesize and integrate different fields of knowledge and human activity (Trigeorgis & Reuer, 2017; Sharma & Sharma, 2020).

Strategic management accounting: is a management accounting area that is equally oriented to both the external and internal environment of a business entity and is intended for information support of a business entity activity strategic management (Potyshniak et al., 2019).

Fully meets the requirements of the accounting concept of strategic management, which is to coordinate the process of forming accounting and analytical information to ensure functions of strategic management: planning, analysis, control, organization (Cooper et al., 2017).

METHODOLOGY

Life cycle cost accounting as a strategic management accounting tool becomes relevant for practical use, due to the following facts: increasing market dynamics and development of scientific and technological progress have led to a shortening of the life cycle of many types of products. There was an increase in the cost of developing, preparing and launching new products.

Instability of the economic situation has led to the need to determine almost completely the main financial indicators of a product at the stage of its design and development.

The philosophy of the life cycle costing method is based on the need for a differentiated approach to cost management at different stages of a product life cycle, therefore, strategic management accounting and analytical information generated through the use of this tool provides the following opportunities to justify the costs for product development estimate the production costs at a design stage, which allows not only to obtain the most appropriate scenario of cost management, but also to make necessary adjustments in case of possible changes in the external and internal environment of the business entity at implementation stage improve logistical support by collecting expected cost information, develop an optimal program of resource consumption, estimate the impact of the costs on the economic performance of a business entity, develop an effective investment policy based on expected costs associated with engineering and production, identify potential hazards such as rising costs and disrupting product development schedules.

However, application of the method of costs accounting by life cycle stages in the accounting practice of business entities is limited by the lack of methodological guidance, illustrative examples of specific calculations of the costs by life cycle stages of a product by separate units in the process of production and / or by separate components of costs.

RESULTS AND DISCUSSIONS

When organizing a strategic management accounting at a business entity, it is important to take into account specifics of the strategic management accounting system, which are characterized by the following.

The scope of the processing management information: strategic management accounting should be organized on a systematic basis using problem (differentiated) accounting. Accounting on a systematic (regular) basis involves gathering, processing information about external and internal environment for implementation and ongoing control of strategic management decisions.

On a systematic basis the strategic management accounting tools are documenting, grouping, internal management reporting, plan-fact analysis, methods of correlation, factor, horizontal and vertical analysis, methods of financial coefficients, comparison method, analytical tables, graphical method.

When planning a strategy or controlling for corrective action, a problematic (differentiated) accounting is applied. The content of problem accounting depends on the assigned management tasks, determined by user request. Problem accounting tasks are solved on the basis of actual data using SWOT analysis, PEST + M-analysis, budgeting, sensitivity analysis, plans evaluation and revision, strategic cost management concept, integrated analysis, peer review methods, balanced scorecard, SPACE analysis, method of hierarchical analysis, etc.

Methodological approaches to organization: strategic management accounting is an integrated system defined by both communication links for generating information flows and the nature of information. Therefore, its organization should take into account the relationship with the accounting system, management accounting, the existing system of accounting and analytical management decision-making, as well as relationships with other structural units to generate necessary information for management.

The main stages of strategic management accounting organization at a business entity are presented as follows.

Analysis of the current management accounting system at a business entity: organizational and functional aspect.

Feasibility study of creating a strategic management accounting subsystem.

Development of structure, substantiation of personnel, software and technical provision of strategic management accounting.

Building a model of functioning of a strategic management accounting.

Monitoring the status of the strategic management accounting subsystem.

In the first stage, the current state of management accounting is determined, its structure is analyzed, accounting policy in the field of management accounting when organizing accounting by responsibility centers, analysis of accounting by types of activities, personnel support of management accounting is carried out.

The data obtained allow to see the whole picture of the state of the management accounting at a business entity. At this stage, we propose to evaluate the effectiveness of functioning of the current management accounting system on the basis of methodology. This method of evaluating effectiveness of functioning of the current management accounting system is designed to establish a quantitative assessment of the quality of organization of management accounting at business entities of different organizational and legal ownership and industry affiliation and is based on both economic indicators and indicators that have no direct economic background.

In order to make a comprehensive evaluation of the effectiveness of functioning of the current management accounting system at a business entity, we propose the following sequence of actions (Table 1).

Table 1
STAGES OF COMPREHENSIVE EVALUATION OF THE EFFECTIVENESS OF FUNCTIONING OF THE CURRENT MANAGEMENT ACCOUNTING SYSTEM AT A BUSINESS ENTITY (AUTHOR'S DEVELOPMENT)

Stage	Scope of actions	Type of analysis
1. Evaluation of the organizational and tooling component	Analysis of the personnel component. Analysis of the state of organizational support of management accounting. Analysis of the use of management accounting tools.	Questioning
2. Evaluation of the technical component	Analysis of the technical state of management accounting (software). Management accounting regulation.	Questioning
3. Evaluation of the scientific component	Analysis of relevance of received information. Analysis of quality, accuracy and data comparability provided by management accounting. Determining the level of development of certain aspects of management accounting (budgeting)	Questioning
Stages 1-3 - assessing effectiveness of the current management accounting system by non-financial indicators		
4. Estimation of economic indicators of efficiency of the current management accounting system	Determination of freed up resources as a result of implementation of the management accounting system. Definition of a business entity financial activity	calculation of economic indicators
5. Comprehensive assessment of the current management accounting system	Development of measures aimed at improving a management accounting system at a business entity. Identification and rectification of weaknesses in a management accounting system.	Study of indicators obtained during implementation of stages 1-5

Economic indicators of assessing quality of the current management accounting system at a business entity are presented in Table 2.

Table 2
ECONOMIC INDICATORS OF ASSESSING EFFICIENCY OF THE CURRENT MANAGEMENT ACCOUNTING SYSTEM AT A BUSINESS ENTITY (AUTHOR'S DEVELOPMENT)

Indicator	Type of	Effect description
1. The ratio of the cost of implementation of specialized software products that allow to keep management accounting at a business entity and economic benefits.	Economic	The effect that is determined by financial indicators of a business entity
1. Labor productivity of those employed in management accounting 2. Cost savings due to introduction of a management accounting system	Resource	The effect that is expressed in creating conditions for rational consumption of all kinds
1. Sales growth rate due to functioning of the management accounting system 2. Market share	Market	The effect of using the management accounting system, which is determined by increasing competitiveness of the company on the market, as well as increasing occupied segments of market infrastructure

The ratio of the cost of implementation of specialized software products that allow to keep management accounting at a business entity and economic benefits. In other words, this indicator evaluates the ratio of the results of the management accounting system to the costs caused by creation and operation of this system.

One of the basic functions of management accounting is the provision of information to managers at different levels. Implementation of special software is aimed at automation of accounting processes, creation and prompt presentation of accounting and analytical information. Therefore, an indirect link between the costs of software acquisition and the expected economic benefit becomes apparent.

In the second stage, a feasibility study of creating a strategic management accounting subsystem, evaluation of financial support.

In the third stage, on the basis of the obtained results, the structure, personnel, technical and regulatory support of strategic management accounting is developed and approved. Compliance of structural units and specialists responsible for keeping strategic management accounting to the following requirements is defined:

competence, information security and methodological preparedness. The actions of employees in the strategic management accounting should be independent of a particular financial and economic service. Strategic management accounting collects information from various sources and units of a business entity, so it is important to establish effective communication links between units of a business entity. As strategic management accounting information is intended for senior management of a business entity, information should be quickly communicated to users in the necessary form.

The fourth stage involves a graphical interpretation of strategic management accounting, which defines: interconnections and interdependencies with other systems of the business entity; forms and indicators of the relationship between the strategic management accounting and the management; generation of information flows. The modular structure of strategic management accounting is a flexible system that allows to collect tools from each module, organize their application in a certain way and adapt to strategic business development goals in order to achieve competitive advantages, to the scale of activity of the business entity or other essential characteristics specific to a particular business entity. Thus, if the scale of activity of a business entity is taken as the starting point of modeling the system of strategic management accounting, then accounting by centers of responsibility, generation of internal corporate reporting, evaluation of strategy, etc., come to the fore.

If the competitive advantage "cost leadership" is taken as a starting point for modeling a strategic management accounting system, then it is advisable to model information support for strategic cost management by deviation (involving standard costing, regulatory cost accounting and flexible budget analysis) or cost management based on their radical reduction (further improvement of management accounting methodology is required).

The fifth stage is aimed at optimization and protection of strategic management accounting information at a business entity, its quality assessment, automation, analysis and control over achievement of strategic goals and objectives.

RECOMMENDATIONS

Systematic approach is taking a leading role in the development of theoretical positions of strategic management accounting. On the one hand, its use in a certain way solves the problem of finding an idealized object, which is achieved by forming a theoretical basis of strategic management accounting without deep abstractions, on the basis of a clear structuring of its elements and objects. On the other hand, its use in creation of a theory causes integration of elements of strategic management accounting into a coherent system, while forming new properties of this type of accounting.

Application of a systematic approach proves possibility of developing a coherent concept of strategic management accounting, which has a theoretical grounding. Creating a theory on a systematic basis does not imply unification of strategic management accounting, but eliminates disorder of its elements and makes it possible to consider strategic management accounting as a tool for achieving the main result - raising the awareness of management personnel to ensure efficiency of management business entities.

In any case, regardless of the chosen model of functioning of strategic management accounting, the first and important step of setting the accounting will be appointment of persons responsible for its formation. Such functions can be entrusted to economists in accounting and analysis of economic activity, working in any of its structural units: planning and economic department, financial department, accounting department, strategic planning units, functional structural units.

However, companies planning to implement a comprehensive strategic accounting system are advised to clearly identify responsible persons or form a dedicated team. Such team is usually accountable to the executive body of a company and consists of highly qualified professionals fully involved in the process, whose task is to ensure achievement of the common goals.

CONCLUSIONS

The paradigm of innovative economic development is characterized by acceleration of scientific and technical process, internationalization of the world markets, creation of a global institutional environment for functioning of business entities, acquisition of special importance to obtain and use in the process of economic activity of information resource, brings to a new level the problem of improving the information component of decision making by business entities through deepening of theoretical and methodological strategic management accounting.

Based on the structural approach, a model of dialectical cognition of a strategic management accounting system is proposed, which determines its place in the overall management system of a business entity activity and is the basis for further modeling of its architecture.

The architecture of the strategic management accounting system is represented by two subsystems: conceptual and providing that expands the understanding of the strategic management accounting system and helps to improve organization of accounting in formation and use of data processing methods, adjusting technology of the system functioning.

The specific feature of the approach is inclusion of external environment objects in the external component of the system of strategic management accounting, the information on which is taken into consideration in order to expand the information space when creating conditions for preventive protection against external threats and use of opportunities in ensuring strategic management decision-making.

The organizational and methodological foundation of strategic management accounting is determined by general scientific methodological approaches and practical needs based on application of scientific methods. Therefore, the essence of the concept of "organization" in strategic management accounting is revealed through the following aspects: a system as an internal ordering, coherence, interaction of more or less differentiated parts of the whole, determined by the internal laws of its structure, process as a set of processes and actions leading to formation and improvement of mutual relationships and relationships between parts of the whole as influence.

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PRIVATE SECTOR INVESTMENT AND FINANCE: FIRM-LEVEL ANALYSES

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ABSTRACT

Given the economic implications of firm investment, this paper investigates a sample of listed non-financial Jordanian firms in terms of their investments in fixed assets and their capital structure. Based on a total of 76 firms, and the time-period 2007-2017, the results are not that encouraging. During the past few years, Jordanian firms have not been investing. Moreover, while their leverage ratios are low, the results indicate that debt financing positively affect their investment behavior.

Based on the empirical results, future research should look into the reasons why Jordanian firms maintain low levels of debt financing. In other words, is the prevailing low levels of debt due to their choice, or is it due to the banks being too conservative in their lending behavior?

Keywords: Stock Exchange; Firm Investment; Leverage, Tobin's Q.

JEL Codes: G30; G31; G20.

INTRODUCTION

Economic growth and development have always caught the attention of economists. This on-going effort has led to the development of several macro-level and micro-level theoretical and empirical papers. At the micro-level, two issues that still attract research papers are the investment and financing behavior of firms. Indeed, firms' investments in real assets, and their financing choices, are of great significance to their financial performance and growth.

Corporate finance analyzes a number of long-term and short-term financial decisions. These include the investment behavior of firms and their capital structure. Within this context, and at the theoretical level, the interplay between firms' leverage and their investment behavior could well be looked at in terms of what is called the underinvestment and overinvestment theories.

Myers & Majluf (1984) argued that some companies forego good growth (investment) opportunities as a result of their already existing high debt levels. It is also argued that firms with high leverage ratios tend to invest less in real assets regardless of their growth opportunities. Such firms suffer from liquidity problems (Aivazian, 2005). The interplay between leverage and investment, on the other hand, could be looked at in terms of overinvestment. As a result of the conflict of interest between shareholders and managers, the latter tend to invest and expand their firms, even at the cost of their shareholders. However, to maintain their interest, shareholders force managers to issue more debt. In other words, debt could be used as a controlling mechanism of overinvesting managers (Aivazian et al. 2005).

At the theoretical level, and notwithstanding the fact that the relationship between capital structure and investment behavior of firms can be positive or negative, the literature contains so many papers that examine the determinants of firm investment, and the determinants of the capital structure choice itself.