

DOI: 10.26794/2408-9303-2018-5-3-24-29
UDC 338.2(045)

Innovation as an Element of Strategic Management Accounting

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ABSTRACT

Strategic management accounts (SMA) is designed to maintain the optimal position of the economic entity in the external environment. Such position is supported through implementation of a set of measures based on the elements and characteristics of SMA which makes it possible to use fully the whole potential of the production system. This system is based on the principles of production efficiency and allows the fluctuations in socio-economic indicators measuring the performance of an economic entity in a certain period of time and in a certain economic zone. A possible way to achieve this effect is to create the company's reproductive circuit, which has an innovative basis. The reproduction circuit is a set of conditions aimed at the continuous implementation of reproductive processes in relation to the resource potential of an economic entity, which allows and stimulates the introduction in its production process a number of innovation technologies to get additional effect in accordance with the requirements of intensification.

The reproduction circuit is divided into external and internal. The former forms a set of external stimulation actions, and the latter is focused on the use of inducing action of information and technological nature, as well as an internal mechanism of the enterprise.

Consolidation of the external and internal reproduction circuit determines the efficiency of each production unit of the economic entity, taking into account the speed of its adaptation to the new operating conditions by different parameters.

Elements and characteristics of SMA are those functions that make SMA uniquely different from other forms of accounting (management accounting and financial accounting). This article represents the relevance of the analysis of innovations, as one of the elements of SMA.

Keywords: strategic management accounting (SMA); innovations; reproduction circuit; elements of strategic management accounting; management accounting; the concept of strategic management accounting; technical innovations; organizational innovations

Citation: Hudaib T.S. Innovation as an element of strategic management accounting. *Uchet. Analiz. Audit = Accounting. Analysis. Auditing.* 2018;5(3):24-29. (In Russ.). DOI: 10.26794/2408-9303-2018-5-3-24-29

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УДК 338.2(045)

Инновации как элемент стратегического управленческого учета

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АННОТАЦИЯ

Стратегический управленческий учет предполагает поддержание оптимального положения хозяйствующего субъекта во внешней среде. Такое положение поддерживается посредством реализации комплекса мероприятий, базирующихся на элементах и характеристиках стратегического управленческого учета, позволяющих наиболее полно и точно использовать потенциал производственной системы, основанный на принципах эффективности производства продукции, который допускает колебания социально-экономических показателей деятельности хозяйствующего субъекта в определенный промежуток времени и в определенной экономической зоне. Достижение указанного эффекта возможно посредством сформированного вокруг компании воспроизводственного контура, имеющего инновационную основу. Под воспроизводственным контуром понимается совокупность условий, направленных на непрерывное осуществление воспроизводственных процессов в отношении ресурсного потенциала хозяйствующего субъекта, а также допускающих и стимулирующих внедрение в широкую практику технологий производства его продукции, которые обеспечивают получение дополнительного эффекта в соответствии с требованиями интенсификации на инновационной основе.

В статье рассматривается дифференциация воспроизводственного контура на внешний и внутренний, где первый формирует совокупность комплекса действий внешнего стимулирования, а внутренний ориентирован на использование побуждающего действия информационного и технологического характера, а также внутривозвращенного механизма. Консолидация внешнего и внутреннего воспроизводственного контура определяет эффективность функционирования каждой производственной единицы хозяйствующего субъекта с учетом уровня ее скорости к адаптации по различным параметрам к новым условиям функционирования.

Элементами и характеристиками стратегического управленческого учета являются те функции, которые отличают его от других форм бухгалтерского учета (управленческий и финансовый учет). Настоящая статья показывает актуальность анализа инноваций как один из элементов стратегического управленческого учета.

Ключевые слова: стратегический управленческий учет; инновации; воспроизводственный контур; элементы стратегического управленческого учета; управленческий учет; концепция стратегического управленческого учета; технические инновации; организационные инновации

Для цитирования: Хдейб Т.С. Инновации как элемент стратегического управленческого учета. *Учет. Анализ. Аудит.* 2018;5(3):24-29. DOI: 10.26794/2408-9303-2018-5-3-24-29

Before discussing the elements of strategic management accounting it's worth having a look at the very category of strategic management accounting. During the recent decades this category has been considered from different viewpoints.

One scientific approach describes strategic management accounting as a certain form of "dealing with a society" which managers use to communicate with external environment" [17].

Another approach defines strategic management accounting as an internal instrument of information processing which is used by the management of an entity to make managerial decisions and planning [20].

The third viewpoint considers strategic management accounting as a contingent process which is a function of prevailing circumstances. Combining the best from these approaches and taking into the account the positions of both professional accountancy bodies and professional accountants themselves we may deduce that strategic management accounting is a hybrid of internal communication and the process of external communication. It meets the requirements of both internal and external users of an entity.

According to official terminology of CIMA (Certified Institute of Management Accountants) strategic management accounting is a form of management accounting, which focuses on the information about the factors external to the entity and also on non financial and external information [15].

Though there is no generally accepted understanding about what strategic management accounting is there exist certain provisions in academic literature on strategic management accounting which single out peculiarities, qualities, features and elements which mustn't be absent in not a single process in order to be able to refer to the set of such processes as unified process of strategic management accounting.

Strategic management accounting regards a company as an integrated part of global market and as an interface between a supplier and a customer through supply chain. Traditional management accounting nowadays has gone through the process of evolution and transformed into strategic management accounting. Strategic management accounting is based on the analysis of external factors which con-

tribute to the value added to the company and also influence cost of production. Furthermore strategic management accounting makes the analysis of economic events related to an entity deeper and larger using not only quantitative but also qualitative data thus ensuring long term strategic understanding of the management. Strategic management accounting allows the company to identify its strengths and weaknesses to improve its competitiveness and market position.

Nowadays strategic management accounting is a reliable instrument which can be used by businesses of different legal forms. Thus strategic management accounting is not just a direction in the accounting policy of management bodies based on the received information but rather a complex branch of management accounting aimed to making long term decisions that are based on a thorough analysis of external business environment of an entity. Strategic management accounting should provide for the purpose of a business.

According to a great researcher in the sphere of management and one of the founders of empirical school professor P. Drucker there is only one justified definition of the purpose of any business — to create a consumer ... a consumer creates the basis or a business and defines its existence ... as the purpose of any entity is to create a consumer any entity has only two main functions and these functions are marketing and innovations [12]. Hence innovations are a key element of strategic management accounting. The problem is to understand what should be included in the category of innovation as an element of strategic management accounting. The notion of innovation is identical to the word "novelty" which appeared in the Russian language in the 18th century. We may find the definitions of the word "innovation" both in dictionaries and academic literature. For example, a dictionary of modern notions and terms defines the category of innovation as:

- investment in economy providing the change in generations of equipment and technologies;
- new equipment and technologies resulting from achievements of scientific and technical progress;
- development of new ideas, creation of new theories and models, their practical realization;
- unique political programs [3, p. 201].

When applied to businesses innovations are not only the factor forcing businesses to search for new impact forms and methods but also a way of equipping the very process of management with a new content to make it more up-to-date and strategic.

As the second function of business innovation can be described as provision of cheaper services and services of higher quality. For a business it is not enough just to produce any goods or services. It must supply more qualitative and cheaper products to the market. An entity should not necessarily become a large one, but it must by all means become better and more competitive.

These are the reasons why for an entity innovation cannot be considered a function separate from marketing. Taken together they constitute a key element of strategic management. Innovations for an entity are not limited by a particular technology or a study of a certain process. They embrace the whole business, all its functions and activities. Innovations in an entity may be of any kind. It can be something new in design, product, distribution channels, price, a new service for a customer, new direction in operating a business or management methods.

In marketing a category of innovation is mostly applied to product-related new breaks downs or trends. As a result marketing literature is mainly focused on improving a product [11]. However market focus includes not only product improvement but also some management aspects. This approach divides innovations in an entity into two types: product innovations and management (organization) innovations [1].

Technical innovations are about products, services and technological processes. They are connected with main activity of an entity and belong to production costs. Management innovations should include changes in organization structure and administration of an entity and indirectly are operational costs.

We may conclude that both types of innovations are the elements of strategic management accounting, which is explained by a complex content of such a category as strategic management accounting.

Strategic management of innovations is the beginning of a new system, procedures, structure and applications within the company having a direct impact on its productivity and competitiveness.

Innovations are an important element of management system because they are related to busi-

ness efficiency. This is proved by multiple academic studies [10] the results of which undoubtedly show a close link between innovations and productivity.

Moreover, some researchers, for example, Philip Kotler, turned to the reports of entities on their profit from innovative activity in order to track the dynamics of using innovations and the importance of such processes for business, and accordingly, to support the hypothesis of P. Drucker that innovations represent one of the two most important functions of business.

The results of his research allowed Ph. Kotler to come to a conclusion that currently innovations are becoming not only a factor of growth but also an increasingly important means of survival under conditions of enhanced competition and environmental uncertainty [16].

A bit later in 1994 Sleiter and Narver published a paper where they also ask a question about what innovations in an entity are and also what the relationship between innovations and strategic management accounting is. In their paper Sleiter and Narver propose to consider innovations as "one of the main element to create value" which controls the relationship between market orientation and productivity and is a part of strategic management accounting.

Earlier before the introduction of the category of strategic management accounting by academics innovations had been regarded in the context of strategic planning and management. For example such economists as G. Zaltman, P. Duncan and G. Holbek consider implementations of innovations after collecting intelligence and making decisions to be "a means of choice to achieve business target (strategic) indicators" [21]. The position of these authors can be now applied to the analyze the elements of strategic management accounting.

Viewing strategic management accounting as a complex system for identifying the target indicators of competitiveness of an entity in accordance with the chosen strategy (these indicators should be evaluated, analyzed and monitored at all stages of the strategy implementation under conditions of both stable and unstable environment) we may conclude that one of such indicators is innovations both technical and organizational. Accordingly innovations are crucial and integrant element of strategic management accounting.

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