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Some Aspects of Organizing Strategic Management Accounting in Crisis Management

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ABSTRACT

At the present stage of social development economic entities face various problems that threaten not only their stability in the market, but also their survival. Such problems can take many forms, ranging from financial scandals and setbacks to epidemics, natural disasters, clashes between employees and even terrorist attacks. These problems are beyond companies' control, but when if necessary they can respond to changes in the external and internal environment. This is the case when such changes, even conditionally, fit into the strategy of their operation, and the information about such changes is submitted for making strategic management decisions in a timely manner. Strategic management accounting is a key to the readiness of a company to address the challenges of tomorrow. Strategic management accounting of today is more than merely a block of information designed for long-term planning. Strategic management accounting is primarily organizational activity which examines the environment of a company. The information collected is used to analyze the possible strategic alternatives and coordinate actions to implement them.

Crisis management today is a consequence of various crisis phenomena that arise both in the external and internal environment of the company. Crisis management involves the strengthening of the company's ability to respond to various forms of crisis flexibly and quickly. The purpose of organizational crisis management is to make timely decisions based on strategic management accounting information.

Keywords: management accounting; strategic management accounting; crisis management; environment of the company; information; strategic accounting; planning

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Отдельные аспекты организации стратегического управленческого учета в условиях антикризисного управления

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АННОТАЦИЯ

На современном этапе общественного развития хозяйствующие субъекты сталкиваются с различными проблемами, которые угрожают не только их устойчивости на рынке, но и выживанию. Такие проблемы могут принимать различные формы, начиная от финансовых скандалов и неудач, до эпидемий, стихийных бедствий, стычек между сотрудниками и даже террористических атак. Компании не могут контролировать эти проблемы, но при необходимости могут реагировать на изменения внешней и внутренней среды, если такие изменения, пусть даже условно, вписываются в стратегию их функционирования и информация о таких изменениях своевременно представлена для принятия стратегических управленческих решений. Стратегический управленческий учет является ключом к обеспечению готовности компании к решению проблем завтрашнего дня, и в настоящий момент включает в себя больше, чем просто набор информации, предназначенной для создания долгосрочного планирования. В первую очередь стратегический управленческий учет – это организационные мероприятия, в рамках которых исследуется среда функционирования компании и на основе собранной информации анализируются возможные стратегические альтернативы и координируются действия по реализации таких альтернатив.

Кризисное управление сегодня – это следствие различных кризисных явлений, возникающих как во внешней, так и во внутренней среде функционирования компании. Управление кризисом – укрепление способности компании гибко и быстро реагировать на различные формы кризиса. Цель организационного кризисного управления – принять своевременные решения, основанные на информации стратегического управленческого учета.

Ключевые слова: управленческий учет; стратегический управленческий учет; антикризисное управление; среда функционирования компании; информация; стратегический учет; планирование

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INTRODUCTION

A process when there is a threat of causing damage to a company and its stakeholders as well as to the society, environment, state, etc., is known as a crisis. Academic sources claim that the history of crisis management started with large-scale industrial and environmental disasters in 1980s [20]. Following the general approach to crisis management most definitions of crisis in an entity include three elements: it threatens an entity; the event is unexpected and an entity does not have much time to make a decision [17, p. 231–275].

On the other hand, a crisis is regarded as a process of transformation within which the old system of running a business cannot continue its existence [21].

Crisis thinking means the ability of thinking about the worst scenario simultaneously offering multiple solutions related to such scenarios.

Trial and error under these circumstances may turn ineffective that's why the company's management should keep a list of detailed action plans in different emergency (crisis) situations and be vigilant. Thus, entities and individuals should always be prepared to respond to emergencies promptly which requires accurate, complete and relevant information [4].

Crisis management involves addressing threats before, during and after their emergence. In the broader sense crisis management is a management function involving skills and methods necessary to detect, evaluate and overcome a grave situation, particularly from its emergence up to the start of recovery procedures [18].

METHODOLOGY

The paper is based on an integrated approach to the subject of research. To identify certain aspects of organizing strategic management accounting in the context of crisis management there were used the methods of system analysis and synthesis along with induction method.

RESULTS

For long both foreign and national academics tried to define the ideal crisis management approach. J. Kauffman claimed that "organizations facing a crisis should at least do the following: respond quickly; tell the truth; and provide a constant flow of information, especially to key publics" [11, p. 421–432]. The research made by Fines in 1985 enlarged this approach and added two new elements of crisis management: advanced planning and training. But for the purpose of this article the

practical concept offered by V. Coombs in 1999 is of the most interest. According to his concept effective crisis response strategy includes two key elements: compassion and information [6]. V. Coombs believes that crisis managers must provide crisis-related information to stakeholders and at the same time demonstrate compassion for victims. But reporting this information is not an easy undertaking. The organization of strategic management accounting is a possible way to solve the problem of providing such information. Undoubtedly strategic management accounting is a rather complex and multifaceted category because it combines the elements of both management accounting and strategic management.

However, in order to be of strategic importance management accounting should be able to help a company achieve three strategic purposes: quality, value and time, providing the information which put together every-day activity of managers and strategic goals of the organization, allows managers to effectively involve more and more clients, suppliers and dealers into achievement of strategic goals and makes it possible to form a long-term understanding of organization strategies and actions. This is an approach which determines the modern contents of strategic management accounting.

Thus instead of adapting passively to particular competitive, technological and organizational conditions strategic management accounting helps managers to choose operating strategies by means of information support.

Academic literature offers multiple approaches to the definition of strategic management accounting. In 2005 the Chartered Institute of Management Accounting (CIMA) defined management accounting as follows: "a form of management accounting where emphasis is placed on information which relates to factors external to the entity, as well as non-financial information and internally generated information" [9].

K. Simmonds defines strategic management accounting as 'the provision and analysis of information about a business and its competitors for use in developing and monitoring the business strategy' [20, p. 26–29]. Z. Hoque regards strategic management accounting as a process of identifying, gathering, choosing and analyzing accounting data for helping the management team to make strategic decisions and to assess organizational effectiveness [10].

Bromwich M., who is considered to put the foundation of conceptual basis of strategic management

accounting, defines it as “a provision and analysis of financial information on a firm’s product, competitors’ costs and cost structure and the monitoring of an enterprise’s strategies and those of its competitors in these markets over a number of periods” [5, p. 27–46].

Nevertheless regardless of the contents of strategic management accounting for the purposes of crisis management strategic management accounting is in the first place mechanism of timely providing the management with the information they need to make effective management decisions.

Such information support is carried out by providing different types of information: external (about competitors, employees, clients, business partners, etc.), non-financial information and information generated internally including financial information.

As the information of strategic management accounting is of extremely high importance for the purpose of crisis management, this information should be regarded as a production resource and hence information support of management should meet certain requirements. For any company the requirements to management information support would be completeness, objectivity and speed of collecting and analyzing information. Additional criteria are relevance, targeting, comparability, timeliness and consistency of its provision. If the information for strategic management accounting lack the above features it is of no practical importance for managing the company under crisis conditions. But if it does it substantially increases the chance of making an appropriate decision on its basis.

We believe that the timeliness of strategic management information provision is of the most practical importance at the initial stages of crisis processes in a company. The reason is that most crises give early signals.

One of the most known world specialists in crisis management Steven Fink claims that in order to understand and call any situation critical from a business viewpoint it is necessary to realize that a crisis is any prod normal (derived from Greek “*prod-romos*” — fore-runner, symptom) situation [7]. In other words a crisis is a precursor of the events which may take place in future. That is why the timely provision of information about crisis precursors may make it possible if not to prevent the crisis but at least to minimize its consequences both for the company as a whole and some of its stakeholders.

Preventive information of strategic management accounting may come from different sources such as profit forecasts, reports on variance analysis, performance statistics, etc. Some information may be derived from technical data, feedback analysis, operation systems or from certain interested parties that demonstrate signs of concern in organizational processes, policy and decisions [19, p. 341–353].

The detection of a crisis symptom will be effective only to the extent the information is transferred to a person authorized to take measures under crisis conditions [13, p. 101–113].

When a signal of a crisis event is detected the task of strategic management accounting is to identify internal and external dangers which may threaten the sustainability of the company. After detecting all risk factors the risk assessment and the forecast of how realistic a potential crisis is are made.

Moreover the system of management accounting of a company should be able to provide the information on strategic, tactic and operative level under different conditions.

All the information mentioned above is of great strategic importance for a company and if it is lost it will have serious consequences for crisis management.

The timely provision of tactic strategic management accounting information becomes even more important when a company faces a crisis. Such information encompasses the data about the activity of the whole organization. It is designed for budgeting, planning, monitoring purposes and decision making at the level of management control within the organization. This information is often quantitative, for example, working hours, materials used, sales and production. It is usually presented in monetary terms, but may include some non-financial elements. Some tactic information of strategic management accounting is collected on a regular basis every week or month and is presented in a form of reports. Periodicity of providing such information is determined individually for every company and depends on its policy and the chosen strategy of crisis management.

Operative information of strategic management accounting is also very important for crisis management. Such information is necessary to adjust everyday plans and monitor the variances from normal production processes under crisis conditions.

Many business managers state that that information is an important part of running a business that is why

its irrelevance or incompleteness may result in a loss of income, opportunities, clients and even a bankruptcy of the company.

CONCLUSIONS

To achieve the main objective of crisis management — financial recovery of a company — the use of only financial accounting data is not enough. In recent decades information has become an important part of crisis management. The most complete and accurate information about a company's activ-

ity can be collected exclusively within strategic management accounting. Under conditions of financial crisis and increasing competition making correct management decisions heavily depends on timeliness, completeness and fairness of strategic management accounting information. However, it is not an easy thing to find a universal approach to provision of accounting information under crisis conditions because the order of information provision is largely defined by the strategy of a particular company's performance.

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