



XXIX International Scientific Conference  
**Strategic Management**  
 and Decision Support Systems  
 in Strategic Management  
**SM2024**

Subotica (Serbia), 17-18 May, 2024

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## **USABILITY OF MANAGEMENT ACCOUNTING TECHNIQUES IN CRISIS CIRCUMSTANCES**

**Abstract:** Management accounting has a wide set of various techniques for the purpose of decision-making, planning, coordination, control and motivation through performance measurement, budgeting, responsibility centers, transfer pricing, costing and cost allocation. Over the past two decades, the need to explain the mechanisms of business decision-making by expanding the focus from the internal environment to factors of the external environment such as exchange rate fluctuations, inflation, slowing down of economic activity, volatility of the stock market and others has been clearly manifested.

The strategic aspect and non-financial information, as important aspects of decision-making in crisis conditions, influenced the development of new and improvement of existing management accounting techniques. In the post-corona era, the central focus of management accounting tools and techniques becomes sustainability and accelerated technology adoption, so management accounting practices must be adapted accordingly. The intention of the work is twofold. First, the work tries to point out the environmental factors and influences that are the impetus for necessary changes and adaptability of the management accounting technique in the crisis circumstances. Second, the aim of the paper is a critical review of the current literature on the issue of the use of management accounting techniques in conditions of crisis and unpredictability in various types of entities and industry sectors. Finally, the aim of the paper is to consider whether new and proactive management accounting techniques are applied in crisis conditions or whether the management's focus is on the short-term realization of income and profit.

**Keywords:** Management accounting, decision-making techniques, crisis, changes, SMA.

### **INTRODUCTION**

The constantly evolving business environment confronts companies with numerous challenges that require continuous adaptation and innovation in the way of doing business. Ubiquitous globalization, rapid technological evolution, changes in the regulatory framework, as well as recent events shaking the world economy, such as the Covid-19 pandemic and the wars currently being waged, are factors that have dramatically transformed the way organizations do business today. In this context, the role of management accounting is becoming increasingly important, as organizations seek more efficient ways to manage resources, monitor performance and make decisions due to increasingly complex business challenges. Given the unpredictability and speed of changes in today's business environment, traditional approaches to management accounting are often not sufficient for organizations to achieve sustainable success, which is why there is a constant need to develop new techniques, tools and approaches to management accounting that can adequately respond to modern business challenges. It is critical that organizations provide access to relevant information that enables accountants to see the bigger picture of the business and enables the identification of risks and opportunities.

With the emergence of new technologies such as artificial intelligence, data analytics, and process automation, management accounting gains new opportunities to improve efficiency, accuracy, and adaptability in business

management. Advanced analytical tools enable organizations to gain a deeper understanding of their market, identify trends and predict future needs, while business process automation eases routine business tasks and allows employees to focus on value-added activities. Advances in technology are not the only factor affecting the transformation of management accounting. Changes in the regulatory framework, such as requirements for more transparent and accountable sustainability reporting (ESG reporting), also place new demands on organizations and their accounting functions. Business leaders are aware that success in modern business requires continuous adaptation and innovation, and management accounting plays a key role in supporting this process. Therefore, the development of new management accounting techniques and tools is an essential part of the strategy of organizations that want to remain competitive and successful in today's business environment.

## **1. ENVIRONMENTAL FACTORS AND INFLUENCES AS AN IMPULSE FOR CHANGES IN MANAGEMENT ACCOUNTING TECHNIQUES**

In today's dynamic business environment, factors such as changes in the global economy, crises caused by recent pandemics and wars, technological innovations, legislative regulations and market competition are key impulses for the evolution of the technical aspects of management accounting (Rikhardsson & Yigitbasioğlu, 2018). Executives are increasingly recognizing technology, data and analytics as key drivers of business transformation, and many organizations are deploying business intelligence and analytics (BI&A) technologies to support reporting and decision-making processes. Even before the crisis events that hit the global economy in recent years, the finance function was already in the process of digital transformation. The pandemic and resulting conflicts have further accelerated the digitization process, highlighting the need for rapid development and adaptation of skills and knowledge in the field of data analysis, artificial intelligence, robotics and intelligent process automation. The recent McKinsey Global Executive Survey (2021) found that organizations accelerated technology adoption by three to four years following the Covid-19 pandemic. This change in dynamics encourages organizations to adopt new technologies more and more intensively, thus emphasizing the key role of management accountants in financial management and accounting. Their expertise becomes crucial for the proper management of business in the new digital environment, where analysis, control and compliance are of crucial importance (Heniro, 2022). At times when a certain industry is facing challenges and difficulties, the ability to run a business and management accounting techniques play a key role in its survival. While an industry crisis may seem like an inevitable circumstance, businesses that have sufficient internal strength and management knowledge and skills demonstrate the ability to adapt and find new ways to survive. Therefore, the individual leadership ability becomes crucial in ensuring the survival of the company, providing hope and perspective in challenging times (Pešević, 2013).

Another topic that is becoming increasingly important in the light of current global challenges is the topic of sustainability. A recent report (WSG, 2022) by the Accountancy Commission of Singapore, in partnership with Workforce Singapore and SkillsFuture Singapore, highlights the need for talent with diverse skills to contribute to the accountancy profession at a time of accelerated digital development and trends shaping the sector. The areas of ecology, society and governance represent one of the areas of growth in the short and medium term due to greater emphasis on non-financial reporting. The role of management accountants comes at times when organizations need to work out the strategies of their upcoming plans and budgets, such as, for example, in environmental sustainability, management accountants must help financial directors evaluate environmental policies (Heniro, 2022).

In an environment that is prone to sudden changes, classic management accounting techniques are no longer sufficient for organizations to manage their resources effectively and achieve a competitive advantage. Given the challenging and unpredictable business opportunities, increasing emphasis is placed on the development and application of new management accounting techniques - Strategic Management Accounting (SMA). The term SMA was established by Simmonds (1981), who defined it as "collection of information and analysis of management accounting data about the company and its competitors, for the purposes of developing and monitoring business strategy". These new techniques not only complement traditional methods, but provide organizations with the necessary tools for adaptation and innovation in facing complex business situations, such as economic crises, technological changes and social instability (Naeemi et. al, 2020). Tyles (2011) emphasized that the key difference between SMA and conventional management accounting is that the conventional management accounting system does not take a long-term, future-oriented view; nor does it have a marketing or competitive focus, as does SMA. In this context, research and development of new managerial accounting techniques become key factors for successful management of organizations in the 21st century. The effectiveness of management in the modern crisis economy mostly depends on the ability of the organization's accounting and analytical system to provide quality information about the current state and the need to improve internal business processes in conditions of uncertainty and risk (Bobryshev et. al, 2020). The topic of developing innovative techniques in management accounting is not new, it was also discussed by Zawawi & Hoque (2010) arguing that the new economic environment forces companies to adopt innovative techniques of management accounting (Management Accounting Innovation-MAI), which should be further investigated. Chenhall & Moers (2015) also argued that management control systems should incorporate innovations in management accounting, in order to cope with the uncertainty of the external environment and make management control more effective. In their work, Petera &

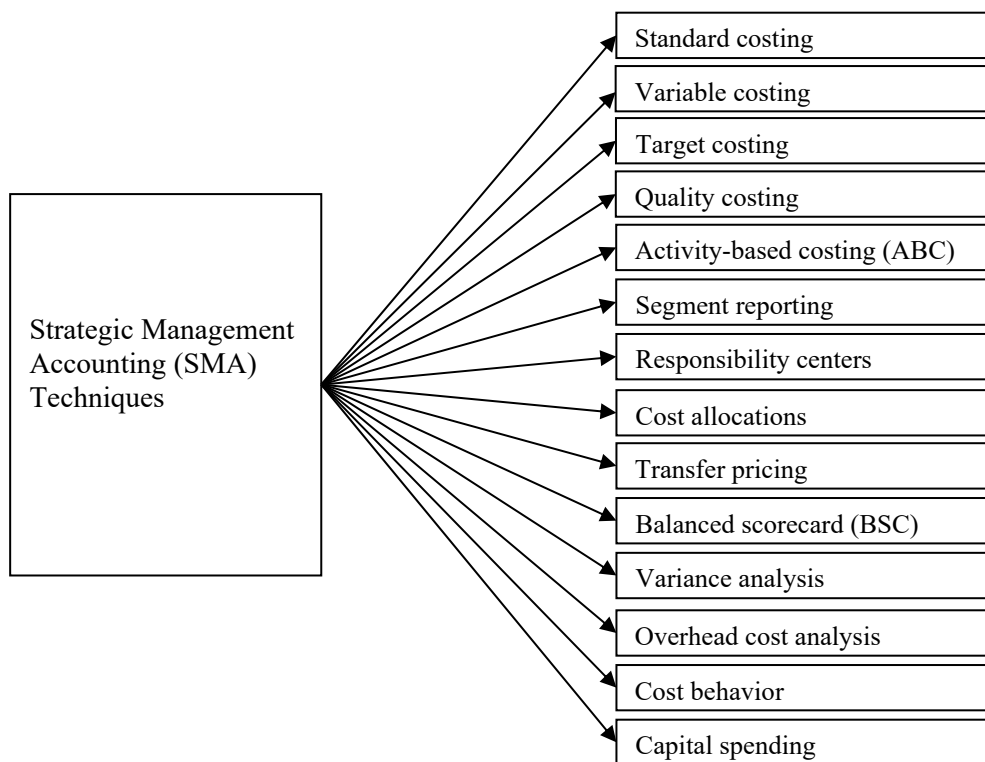
Šoljaková (2020) conducted research in which they proved that companies consider SMA techniques useful and want to implement them more in the future.

## 2. TOOLS AND TECHNIQUES OF MANAGEMENT ACCOUNTING - SMA TECHNIQUES

Strategic management accounting (SMA) encompasses a wide range of techniques that enable organizations to develop and implement strategies aimed at long-term success. These techniques include cost analysis, competitive analysis, strategic planning of costs and activities, as well as the use of key performance and success indicators to monitor and evaluate the achievement of strategic goals. SMA provides management with the tools and information needed to make decisions that support the organization's long-term sustainability and competitive advantage. Various organizations apply management accounting techniques to achieve management objectives. Some of the goals are (Rostami, 2015):

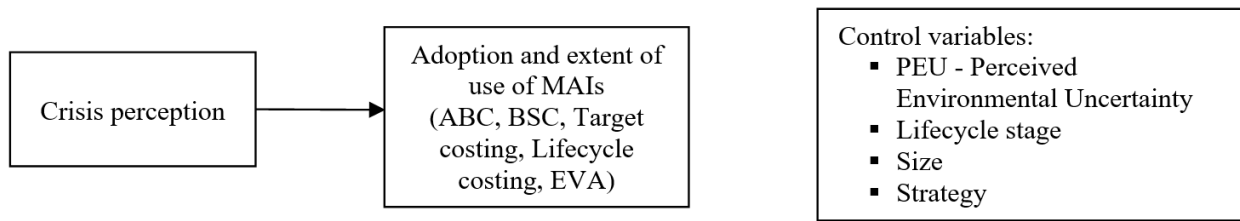
- Developing a long-term strategy and program
- Deciding on resource allocation
- Focusing on social responsibility
- Increasing the quality of services
- Helping managers in making decisions
- Motivating managers and employees
- Performance measurement and evaluation

In order to achieve the aforementioned goals, it is important to choose appropriate techniques with long-term goals and plans. According to previous studies, some of the SMA techniques are shown in figure number 1:



**Figure 1: SMA techniques**  
**Source:** Armitage et. al., 2016; Rostami, 2015

After considering management goals and identifying key management accounting techniques, Pavlatos & Kostakis (2018) directed further research towards developing a specific model. This model, composed of three key components - perception of crisis, adoption and use of innovations in management accounting (MAI) and control variables, provides a framework for understanding and analyzing the impact of crisis situations on the application of management accounting. Through a detailed investigation of these aspects, it is expected that a deeper insight into the decision-making processes and the effectiveness of the use of management accounting techniques in organizations facing crisis situations will be created. The model is defined as follows:



**Figure 2: Research model**  
**Source: Pavlatos & Kostakis 2018**

Data analysis conducted by Pavlatos and Kostakis (2015) showed that the extent of use of MAI is very high and that innovative tools are considered very important for the functioning of enterprises. The Balanced Scorecard (BSC) has a higher rate of adoption and use, compared to other innovative management accounting tools. Statistical analysis showed that business units usually adopt more than one MAI, which confirms the findings of Chenhall and Moers (2015), who believe that management control systems include innovative tools in management accounting, which results in providing more complex control of business activities. The analysis of the data also showed that those business units that were most affected by the crisis had a harder time adopting and using MAI, compared to those companies that were less affected by it. Crisis situations negatively affect companies' operations and increase business uncertainty, which limits the use of innovative management accounting techniques.

## CONCLUSION

In a dynamic business landscape where changes are happening constantly, management accounting plays a key role in adapting organizations to new challenges and taking advantage of emerging opportunities. Analyzing the environmental factors and influences that influence changes in management accounting techniques, it is clear that digitization, technological progress, regulatory requirements and social changes are the key drivers of innovation in this area. Organizations that recognize these factors and actively work to develop new management accounting techniques and tools have a significant advantage in creating a competitive advantage and achieving sustainable success. Taking into account all of the above, it is clear that management accounting not only follows changes in the business environment, but also actively contributes to shaping the future of organizations. Through continuous research, innovation and application of new techniques, management accounting becomes a key factor in developing business strategies, optimizing performance and achieving long-term growth. Through literature and research analysis, this paper explores in more depth the factors and influences shaping approaches to management accounting, identifying key impetuses for change in the field.

Looking at the current state and future directions of management accounting development, this paper provides a basis for further research and development in the field of management accounting techniques and tools. The identified gaps in existing studies point to the need for new research endeavors that would advance the understanding of this key discipline in business. The integration of the latest technologies and methodologies into the practice of management accounting represents an important step towards a more agile and efficient business, opening opportunities for the development of innovative approaches and tools. Further research on this topic can focus on identifying the most effective strategies for adapting organizations to new trends and changes in the environment, as well as studying the impact of those strategies on business performance and competitive advantage. Also, research can focus on the role of leadership and management in the process of implementing new management accounting techniques, as well as ways of developing an organizational culture that supports innovation and change.

There is room for research on how the integration of ESG factors (Environmental, Social, and Governance) affects management accounting and determining how organizations can use these factors to improve their performance and achieve sustainable growth. In addition, future research can focus on studying the interaction of management accounting with other functions within organizations, such as marketing and human resources functions, to better understand the overall impact of management accounting on business processes and decision making.

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