

The Practical Application of Strategic Management Accounting

Yujing Xu*

Beijing Haidian Foreign Language International High School, Beijing, China

*Corresponding author: 18403046@masu.edu.cn

Abstract. Reform and innovation, improved performance and efficiency are key ways for companies to progress. With the help of strategic management accounting, the risks brought by uncertainties can be basically solved successfully. In order to solve the current bottlenecks encountered by Chinese enterprises in the development process, this paper conducts a case study of typical domestic enterprises applying SMA management to investigate the current situation and effects of SMA application. At the same time, the paper further analyzes the performance of typical cases based on the economic perspective. The research results show that SMA management method can help enterprises deal with some risks brought by uncertainty factors, and at the same time can effectively improve the performance of enterprises, which is of somewhat important practical significance to the sustainable and healthy development of enterprises.

Keywords: Practical Application; Strategic; Accounting; Management

1. Introduction

1.1 Research Background and Motivation

Enterprise management in the new economic era should not only focus on production and sales, but a suitable management strategy always is the key to being successful for an enterprise. In this competitive competition circumstance, the successful enterprise always has the prospective view among all the high-level enterprises. Many factors can change a company, including investment, products, management style, and so on. Any enterprise will not go as smoothly as they expect with constant change. Bankruptcy and sudden wealth are only a moment apart. Since the changeable society, countries' economies would fluctuate, not even to mention a little firm. The firm has to fit into the flexible market. Also, there are many promising companies that ends up with bankruptcy, because of the inefficient management over their limited resources and the lack of long-term plan. It is admitted that none of the successful companies can be well developed without a clear strategy that can adjust itself under such changeable circumstances, including the national policies, other competitive peers and social events. So, what I want to study is a kind of strategy that can help a company to fit into the market-Strategic management accounting (SMA) refers to something that assesses the competitor's information, the political policies affecting the market, present trends in prices, market shares, and costs. It is not the thing only with money, but it is an external analysis of a firm. The quality, time, and cost play important role in the analysis of a firm by using SMA. The enterprise will focus on those factors by reallocating all the available resources to become the dominant role in the market. Strategic planning and SWOT (strength, weakness, opportunity, threat) analysis are the popular means to assist the implementation of SMA [1]. This article would like to analyze this concept for the sake of finding the effect of applying SMA in Chinese economics, including the benefit and shortage of SMA. By finding sever business examples to achieve this goal. At the same time, I would like to summarize the appropriate way of applying SMA in China. To combine the actual situation of Chinese enterprises and the present economic state, I will try to depict the blueprint of SMA in China. For reason, I am not only getting interested in the SMA but also Chinese are lack the study of SMA on the local business. So this paper will study this field to allow more companies to acheive the highest profit with the application of SMA.

1.2 Literature Review

So far, the study of SMA has been spread into the class of college. In the CNKI (China National Knowledge Infrastructure) full-text database, with "strategic management accounting" as the key word, the period of the journal and the scope of the journal are not limited. As of February 26, 2021, a total of 2109 related literatures have been obtained, and then 22 articles were extracted from this batch of literature. They are the examples of Chinese industry that applies SMA. At first, these articles include general conceptual opinions analyzed from the perspective of the SMA for certain industries. However, there was no targeted detailed analysis, so this paper used this as a criterion to find more reference articles. After that, this paper searched for articles that were analyzed with data or real problem by the economics methods, but there were very few that could provide the results of the application of SMA. Finally, we screened more case articles with applied results and relevant analysis. Hence, this paper's literature review include those three levels of articles, which will introduce several economic analysis methods related to SMA to better understand the various case studies in this article. The first one is the Enterprise environment analysis. In order to completely adapt to the influence of environmental changes on all elements of the organization, businesses must respond swiftly to the impact of the environment. The PEST analysis approach is one of the ways to analysis the internal environment of a company. It primarily assists analysts in integrating political, economic, social, and technological components [2]. The second one is the Value Chain Analysis. According to Baidu Encyclopedia, it is a methodical strategy of assessing a company's operations and interrelationships in order to uncover resources that provide a competitive edge. Thirdly, Cost Driver Analysis. According to Baidu Encyclopedia, cost drivers are the factors that contribute to the occurrence of expenses. Its purpose is to identify the cost drivers of each value activity, to explain the reasons for the creation and modification of each value activity's cost position, and to give a practical method for improving value activities and strengthening cost management. The fourth one is Boston matrix study. The essence of this technique is to figure out how to adjust the enterprise's product variety and structure to changes in market demand, and then make targeted production and marketing strategy decisions as a result. The fifth one is application analysis of life cycle theory which likes a living body, it will go through the process from prosperity to decline, from birth to death [3].

1.3 Research Contents and Framework

This article mainly summarizes and analyzes the actual situation of SMA in various enterprises, judges the application effect from an objective point of view through different economic analysis methods, and finally summarizes the advantages and disadvantages of SMA application in Chinese enterprises. Help me achieve my goals. The whole article will be divided into three parts. The first part is the introduction, the explanation about SMA and the purpose and motivation of my writing. The second part is the sorting and analysis of 9 literatures, which are classified and discussed according to the content of the articles. The first category is a suggested enterprise case, the second is an application case of precise analysis. The last part is the conclusion, through different cases to get the real application of SMA result.

2. SMA-Based Case Study

2.1 HST Group Corporation

Harbin State-owned Assets Supervision and Administration Commission linked with HST Group Corporation, a significant state-owned company group. Its primary business is the development of infrastructure in a variety of disciplines. The article differs from others, because it only investigated the budget management of the company in the perspective of SMA. When looking at the primary ways of comprehensive budget management used by the group firm, it can be broken down into three categories: one is planning ahead of time. The company's management should adjust policies based on the project's relevance to the company's core business. The group company's finance department

will establish general plans for the entire amount of working capital, as well as capital estimations based on the project execution plan. Many uncertainties and hazards for the project are avoided in this approach. The second consideration is management. The project may be separated into multiple sub-projects based on autonomous functions during the development phase, and the money can be settled in batches. The third step is to handle the aftermath of the occurrence. Ex-post budget management relates to the state of operations following the completion of a project, and it is from this that the "output/input" effect is computed [4].

2.2 Company A

Company A (Lithium Battery) specializes in the R&D, manufacturing, and distribution of lithium battery material series goods. The operational issues of company A are mostly classified into two categories. For starters, as the demand for lithium batteries grows, so does market rivalry. The lithium battery business's technology is updated frequently, and product replacement is much faster than in the old industry. Competitors are acquiring market share at a rapid rate. The second factor is a rise in financial risk. The company's asset-liability ratio exceeded 70% due to the rapid increase of fixed assets. Excess inventory also ate up a lot of cash flow. The article analyses the industry of lithium from 2015 to 2020 and combine with the situation of the firm. Based on that, there are some adjustments related to the company. First and foremost, align the corporate strategy with the company's growth. The downstream businesses of a firm increase the scope of production. In addition, there is a larger market demand. The strain of market competitiveness grows with the obvious increase in new entrants. As a result, at this point, Company A's business goal is to enhance production capacity, generate more high-quality clients, and rapidly gain market share. The company's debt ratio will be excessively high due to fixed asset investments and debt financing liquidity demands. As a result, business A primarily draws outside investors by expanding capital and shares, injecting new equity funds, and boosting debt financing in a little amount, resulting in an increase in the firm's stock price. Company A intensified its marketing efforts after a three-month adjustment period, and product inventory swiftly expanded. The manufacturing and sales volume has reached 95 percent by the end of October 2020. The above strategy modification has shown to be beneficial [5].

2.3 AVIC Capital Holdings Limited

AVIC Capital is an enterprise integrating production and finance in China. Its main business includes industrial and equity investment. At present, AVIC Capital has three subsidiaries, which have built a financial holding trading platform, and use subsidiaries to carry out securities business, trust business, etc. In terms of the corporate-level environment, the AVIC Capital Strategy Committee builds a strategic database using a set strategic management accounting information system, and can conduct real-time investigation and tracking based on the company's current living environment and status, as well as the level of its peers, and summarize the data to form a SWOT matrix. AVIC Capital has made corresponding progress and achievements in strategic management accounting. The main reason is that the managers of the enterprise can have sufficient understanding and cognition of strategic management accounting, which promotes the internal development of the enterprise under their impetus [6].

2.4 Securities Companies

The securities brokerage sector is the primary source of revenue for securities companies, however Chinese capital market has seen a slump (in 2015), and a big number of investors have incurred significant losses, dampening some investors' investing excitement. Under the sluggish state of the securities companies, the article explain the importance of applying SMA and mentioned some suggestion that can help with the development of securities companies. To begin, this paper to correct the internal structure. To improve the company's management level, we must first understand the company's advantages and disadvantages, and then gradually apply strategic management accounting to the management of securities businesses and the development of the financial sector. Create a

management environment in the second step. This makes it easier to implement and spread the notion of strategic management accounting. Finally, improve talent development and construct a solid strategic management structure. Different strategies should be used by securities firms to introduce and grow a group of high-quality strategic management accounting professionals. Simultaneously, aggressively investigate a set of strategic management systems appropriate for the long-term development of securities firms [7].

2.5 Commercial Banks

Chinese commercial banks are in a state of lack of information systems with imperfect management information (in 2019), and the implementation of SMA can help commercial banks improve their internal management structures.

The following actions must be taken in order to increase commercial banks' operating efficiency. To begin, update and improve the management information system in its entirety. To get a thorough inspection result, integrate the management systems relevant to various departments of the commercial bank. The total contribution profit is calculated and examined, which is useful for the commercial bank's information department's business analysis. Second, promote the new accounting workflow aggressively. This can be accomplished in two ways: the first is to gain a thorough understanding of the basic activities of my country's commercial banks. In the Information Society, the Commercial Bank Accounting System is used. Divide accounting subjects into subcategories. The second step is to broaden the accounting scope. By sharing and processing data resources, the accounting procedure of my country's commercial banks can be optimized. Third, gather data from the internal management system on a regular basis. Commercial banks' information operational systems should be unified. Finally, commercial banks' performance evaluation systems should be improved. Commercial banks can analyze each department's work more thoroughly [8].

3. Case study from an economic perspective

3.1 XJ firm

The XJ firm is a typical distributor of rolls produced by rolling mills. The main raw materials require pig iron, scrap steel, alloy, and other materials, the main customers are major domestic and international iron and steel enterprises. It is the cutting edge of the industry. According to a Boston matrix study of XJ's strategic position, the industry's present relative market share is around 80%, and the roll industry's sales growth rate has been hampered by the steel industry's tightening trend. As a result, the XJ firm may be classified as being in the third quadrant: cash cow products with a large-scale positive cash flow. On the one hand, acceptable remedies must be taken to protect the firm's leading position in the industry as much as feasible; on the other hand, the company must go to the second quadrant and improve its investment value. On the application analysis of life cycle theory, roll goods are mostly mature; the market size is stable, sales volume is stable, costs are low, profit margins are very high, and industry rivalry is pretty strong. However, organizations' capacity to innovate will suffer as a result of their concentration on sales and profits. As a result, the primary challenge facing XJ Company at this point is to actively pursue product and market enhancement in order to extend the whole product line's life cycle while maintaining steady earnings. The changes of XJ company can be concluded in the follow. To begin, to split the existing sales market using mature technology advantages and innovation capabilities. Differentiate products, address client wants, and identify product lines in the growth stage. Second, by developing new goods, consumers, and markets, the steel industry's influence and restrictions on the firm will be reduced, industry barriers will be broken, and the enterprise's advantages will be fully exploited. Finally, launch a unique sales approach, transforming traditional product sales into a full "product + service" offering, and providing high-quality services to clients [3].

3.2 Company A

Another company A (Subsidiary of China Petrochemical Corporation) is a subsidiary of China Petrochemical Corporation and operates in the petroleum industry. The company emphasis is on economic benefits, and scientific and technological innovation capability has been steadily expanded, which has made significant contributions to the stable production and growth of oilfields. The old management accounting system is still in use at Company A. With the advancement of science and technology, as well as the degree of informatization, the sector is becoming increasingly competitive. The product life cycle has been drastically shortened, and customer requirements have become increasingly complex. The shortcomings of the traditional management accounting system are gradually revealed, limiting firms' economic gains. The bottleneck has grown. SMA is implemented in this research using environmental analysis methodologies. First and foremost, in terms of the external environment, the petrochemical industry should adhere to the "Thirteenth Five-Year Plan's" overall deployment requirements. The major goal is to change the model of industrial development. This helps to promote the petroleum business in my country. In a challenging economic context, the chemical sector has undergone structural changes, upgrades, and transformations. In 2016, the economy of the Dongying region (local area) grew steadily and quickly, and its growth rate was among the highest of all cities in the province. The city's secondary sector GDP has continued to expand due to significant industrial expansion.

The second step is to examine the internal environment, which begins with a look at the current state of production and operations. In the six years from 2010 to 2016, the cost of oil per ton for Company A has risen. The expense of mining has increased as the difficulty of mining has increased. Furthermore, the international oil price has plummeted dramatically in the last year, putting the company's production and operation status in jeopardy. Let us discuss human resource analysis. The company's total personnel quality is low, with only 14% of employees holding a bachelor's degree or higher. This is not in the company's long-term competitive advantage's best interests. Second, the company's employee age structure is unreasonably uneven, with many employees under the age of 30. Employees under the age of 40 account for only 10% of the total number of employees, while the number of employees over the age of 40 is as high as 60%. Examine the results of scientific research. Currently, there is a significant difference between enterprise mining technology and that of international corporations. It is mostly manifested in the inability of independent research and development to innovate, as well as the imperfect development of scientific research systems [9].

3.3 Silk company

A major silk company is a large silk firm in the Yangtze River Delta that produces two types of silk: low-quality silk for general processors and high-quality silk for branded processors (only 5) Due to inadequate product quality, the company's market share is declining year after year. The value chain of company A is from the processing of raw material silk to the textile industry, through silk processing to start the production of clothing and finally sell it. The profit sharing ratio of the products supplied by Company A to regular processors in the full value chain is larger than that achieved by selling to brand processors, according to financial indicators. The following are the reasons: first, to consider the profit margin of branded products. Second, the brand processors that Company A is up against have a lot of clout. As a result, continuing to create the products marketed to the brand processors in the original manner is impossible. So, value chain analysis method can help enterprise decision makers analyze problems more comprehensively. Company A will convert production and vertically integrate after conducting a wind financial analysis. To begin with, by switching manufacturing, Company A can immediately move to the production of non-branded products, but this may result in other issues. One is that the exit's fixed expenses will be lost, such as the equipment needed by Company A to process the brand processors and the expenditures of workforce placement. Vertical integration allows businesses to get closer to their customers, increasing Company A's profit share ratio across the whole value chain. Enterprise A has a comparative advantage in implementing this plan. It must not only have a certain economic scale, but also have sufficient capital requirements.

It has the characteristic that the unit cost of the product decreases with the increase of output in a certain period of time. An enterprise If you want to enter a new industry, you need to take greater risks and pay the relevant preparation costs for entering the industry, including equipment, technology, etc. Company A has a rich source of raw materials and strong capital [11].

3.4 Zhejiang Huace Film & Tv Co., Ltd

Strategic management accounting is widely employed in many manufacturing and financial organizations that focus on cost control, but it is less common in the film and television media industry. This article begins by examining the current state of strategic management accounting in businesses, focusing on Huace Film and Television Co., Ltd. Figure 1 and Table 1 respectively carry out PEST and SWOT analysis on Huace Film, and describe in detail the internal and external environment it faces.

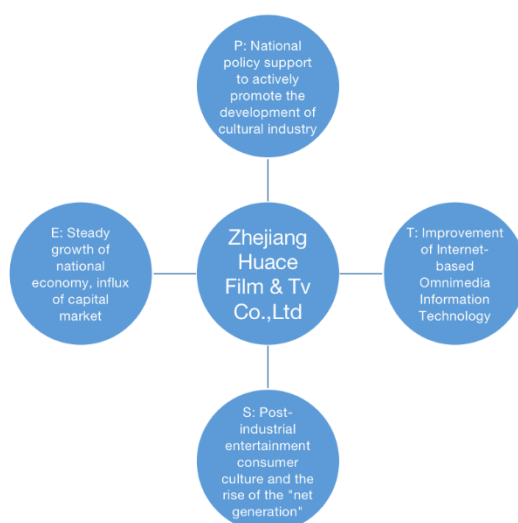


Figure 1 PEST analysis of Huace

Table 1. SWOT analysis of Huace Film

	strengths	weaknesses
Internal Organization	1.Highly qualified management personnel 2.Resource integration and process 3.Huge overseas channels 4.High profit margin and strong profitability 5.A certain link of the industrial chain is deeply cultivated	1.Less investment in hardware research and development 2.Lack of experience in film distribution 3.The scale of production is too large, the quality control is insufficient 4.The source of operating income is relatively single 5.Inventory accounts for a large proportion of total assets
	Opportunity	Threaten
External Environment	1.Develop virtual reality (VR) technology 2.Broaden the overseas business layout 3.Expand the types of film and television business 4.The market demand for TV dramas is increasing 5.Continuous improvement of the intellectual property protection system	1.The development of the film industry is lacking 2.Production costs continue to rise 3.Competition in the TV drama market has intensified 4.The risk of piracy infringement is increasing 5.Government regulatory risks

Figure 2 shows the product life cycle diagram. As can be seen from Figure 2, the product life cycle presents an inverted "U" shape.

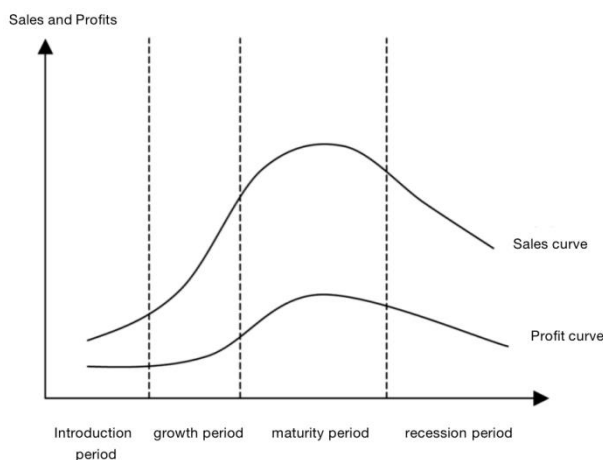


Figure 2 Product life cycle curve

To improve the operational efficiency of Huace Film and Television through value chain analysis, we must first develop our own value chain model, then evaluate our own business connections, make necessary adjustments, and optimize production management. Efficiency goals are divided into basic activities and auxiliary activities in the comprehensive value chain model of Huace Film and Television. The core business activities of Huace Film and Television are well known, and the types of businesses involved are also widely known, mainly including the sales of online dramas, movie sales, theater box office and advertising, income from brokerage services and other sources.

4. Conclusion

The results of this paper, through the analysis of the above cases, show that companies that implement SMA management methods do improve their business performance to a certain extent. However, it should be noted that for companies implementing SMA, the following factors need to be considered in the operation process. First, it is necessary to have an in-depth understanding of the actual situation of the company. Analyze the strengths and weaknesses of the company according to the market situation, understand its own value chain, and take effective actions. Looking to the future, in the direction of development, the company needs to continuously develop its own strengths and exploit its advantages to develop new industries. Secondly, we analyze the whole industry and competitors according to the external environment, so as to make timely adjustments to the company's own products. At the same time, the improvement of the internal environment of the company is also particularly important, which can be managed by strengthening scientific management methods, introducing high quality students, encouraging innovation, etc., and thus achieving a reasonable enterprise economy. In conclusion, SMA, as an important emerging business management activity for enterprises, needs to continuously improve its theoretical knowledge and accumulate experience in the actual operation process, so that it can effectively plan and control the business operation activities, and use reasonable measures to timely solve the problems in enterprise management, safeguard the vital interests of enterprises, and promote sustainable development of enterprises.

References

- [1] Strategic Management Accounting Definition: An introduction hotspotfinance. Hotspotfinance. (2018, February 23). Retrieved February 20, 2022.
- [2] Yang Xiongfei. (2006). On the application of strategic management accounting in modern enterprises. Friends of Accounting.

- [3] Wang Yun. (2019). The application of strategic management accounting in enterprise management. *Tax* (26), 2.
- [4] Tian Lujang, & Liu Wenyu. (2016). Research on the innovation of strategic management accounting for large enterprises based on comprehensive budget management—taking hst group as an example. *China Market* (39), 10.
- [5] Liu Zhanbing. (2016). A Preliminary Exploration of Strategic Management Accounting to Improve Enterprise Value—A Case Study. *Modern Economic Information* (23), 1.
- [6] Wu Xiaoou. (2019). A case study of the application of strategic management accounting in enterprises-taking financial holding companies as an example. *National Business Conditions and Theoretical Research*.
- [7] Yu Xin. (2015). The application of strategic management accounting in securities companies. *China Management Informatization*, 18(2), 1.
- [8] Ren Huiming. (2021). Applied Research on Strategic Management Accounting of Commercial Banks in My Country. *Economic Management (Full Version)* (2019-3), 167-169.
- [9] Wen Xuejie. (2018). Research on the Application of Strategic Management Accounting in Enterprises—Taking a Petroleum Company as an Example. *China Business Review* (26), 3.
- [10] SHEN Bin. (2013). Research on the Application of Strategic Management Accounting in Enterprises: A Case Study of a Large Silk Company. *Times Finance*, 000(008), 40+72.
- [11] Chen Ying. (2019). Analysis and Enlightenment of Strategic Management Accounting in Enterprises: Taking Huace Film and Television as an Example. *Journal of Fujian Financial Management Cadre College* (2), 8.