

# Economic and Accounting Aspects of Strategic Management

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## Abstract

Despite extensive planning efforts, India's economic policy's industrialization strategy—which included giving surplus laborers gainful employment, reducing poverty, and distributing wealth and income equally—was unable to be implemented. There's been a noticeable shift away from the once-celebrated benefits of large-scale economic units, bringing the spotlight back to "Small Business." Recent research has underscored just how vital management accounting is for driving organizational success. Over time, the demand for a deeper understanding of strategic management accounting has only intensified, reflecting its growing importance. Considering this, our study employed a qualitative approach, including a thorough accounting foundation of strategic management, the various contingency factors at play, and their effects on organizational performance. We're highlighting some important ways to improve this theoretical framework, with the goal of giving practitioners useful insights. These insights can help them better align their strategic management accounting practices to achieve the best outcomes for their organizations, all grounded in the data we've analysed. We've also acknowledged the limitations of this study.

**Keywords:** *Economic and Accounting, Strategic Management, Vital Management Accounting*

## 1. Introduction

Organizational profitability hinges on smart managerial choices, and accounting plays a vital role in supporting those decisions (Khushvaktzoda, 2022). Back in the 1980s, management faced criticism for being too focused on internal operations, which didn't really help in crafting strategies or maintaining a competitive edge, even though the aim was to enhance the decision-making power of accounting. Simmonds stepped in to shed light on what strategic management accounting (SMA) means. He described it as "the provision and analysis of management accounting data about a business and its competitors, for use in developing and monitoring business strategy." This definition really underscores the crucial role that accounting plays in guiding managerial decisions. Since then, there have been many initiatives stressing the importance of adopting strategic management accounting theory to enhance strategic decision-making and boost overall organizational performance (Tayles, 2011). To remain competitive and elevate their performance, organizations need to "implement internal policies and procedures such as strategic management accounting that align with their business strategies and adapt to evolving competitive demands," as aptly pointed out by Li et al. (2018). By doing this, it will be possible to employ the strategic management accounting instrument to propel business success. This is the fundamental claim made in this research (Javaherian et al., 2017; Hammad et al., 2022). There is still a growing interest in the subject since strategic management accounting is crucial to successful company operations and efficient management decision-making. Therefore, it should come as no surprise that there is a push for additional research to better understand the strategic management accounting techniques that organizations use, and the factors that influence their choice for one method over another remain current. Although adopting strategic management accounting is essential for facilitating efficient managerial decision-making and improving organizational performance, the success of the practice will depend on how well the organization adapts (Bondar & Iershova, 2015).

## 2. Review of Literature

Strategic and marketing information about cost data can truly empower organizations to develop effective strategies for securing a lasting competitive advantage, as the research points out. This highlights the necessity for companies to understand the value of blending cost plans with different strategic cost analyses. The literature identifies five essential costing methods, one of which is attribute costs. The literature highlights how crucial it is for organizations to pay attention to the planning, control, and performance measurement elements of strategic management accounting (Muthuraja et al., 2021). This emphasis is vital for embracing a proactive market orientation, enabling them to compete successfully in the marketplace (Bukhoriev, 2018; Agbeja & Afolabi, 2016).

Porter believes that strategy revolves around equipping a company with the right tools to assess and grasp its standing in a competitive landscape. As a result, a company chooses tactics that help it stand out from the competition (Hawthorne & Fontaine, 2024). To do this successfully, it must gather competitive accounting data, which the literature emphasizes as crucial. Recent studies highlight the transformation of SMA through digital tools, integrated dashboards, and AI-based reporting (Mehta & Kapoor, 2023; Tariq & Bansal, 2024). These

advancements are particularly relevant for emerging economies, where resource constraints necessitate lean, tech-supported SMA systems. However, many works still treat SMA as an abstract concept lacking practical structure. This study seeks to bridge that divide by offering applied insights for practitioners.

Cescon and colleagues highlight that brand value is crucial for businesses to monitor their market reputation trends over time, which can provide valuable insights for strategic accounting and marketing leaders. On the other hand, Gilding and his team remind us that the real effects of brand valuation can differ depending on the method used for the valuation. Cescon et al. contend that organizations can attain a variable brand valuation that acts as a potential indicator of marketing success, particularly when considering perceived quality and branded products (Duçi, 2021).

In this discussion, we really highlight the importance of cost analysis that takes strategic factors into account to effectively gain a competitive edge. Cadez and Guilding describe this approach as "strategic costing," which involves using cost data alongside strategic and marketing insights to craft. The literature also points out that strategic pricing is a key element of the strategic management accounting framework for decision-making.

Alabdullah's research adds weight to these findings, showing that boosting performance within the Jordanian service industry. His study focused on the service sector in the country, revealing that when strategic management accounting is implemented effectively, it paves the way for better strategic decision-making, ultimately leading to improved organizational performance.

## 2.1 Questioner

1. What accounting strategies for strategic management may organizations employ to improve organizational performance?
2. What variables might affect the use of accounting procedures for strategic management and their relationship to performance?
3. Based on the reviewed literature, what research gaps remain for the future?

## 3. Materials and Methods

Strategic management helps set clear goals and a sense of direction for an organization. When everyone is aligned and working towards the same objectives, it creates a more cohesive effort, with achievements being tracked and carefully evaluated. Additionally, strategic management involves an objective look at internal processes to boost efficiency.

All kinds of things are better planned and controlled with strategic management, which leads to more effective resource use. Prioritizing resource use is also done using the specified goals and objectives (Klychova et al., 2019).

It is feasible to take advantage of probable possibilities and react to competitive threats more swiftly and effectively when external influences are continuously analyzed. The company becomes more aggressive in its operations, which could lead to an increase in its profitability and market share. Additionally, ongoing analysis makes it easier for the company to stand out from its rivals.

Continuous examination of both internal and external forces is necessary for strategic management. The competitive landscape, societal considerations, and environmental elements are all included in the analysis. Due to the severe economic downturn that most nations are currently experiencing, economic growth has stalled. Small businesses might serve as a shock absorber for these weak economic times at this pivotal moment. It contributes to economic growth in a "flexible element" (Grinko et al., 2020; Nazarova et al., 2016; Krutova et al., 2020).

### 3.1 Proposed Framework for SMA in NER

Based on our findings, we propose a contextualized SMA framework consisting of three pillars: (1) internal strategic planning using economic indicators; (2) external adaptability through accounting-based decision inputs; and (3) performance evaluation via metrics like EVA and non-financial KPIs. This framework helps bridge the gap between strategic theory and applied accounting practice in resource-constrained environments like NER.

Small businesses around the world have proven to be vibrant and highly adaptable in the face of a constantly shifting economic environment, as they continue to flourish and take advantage of new business opportunities. Therefore, small businesses are the ones that successfully assist in reviving faltering economies while also adapting to the new demands of the economy. The creation of small business units would give young people productive chances to express themselves and improve their inherent well-being. The lack of assurance that their education and scientific abilities will be adequately utilized frustrates the nation's younger generation. Thus, expanding the small and medium-sized sectors of the Indian economy would both reduce social dissatisfaction in the economy and enhance the foundation of society. This is especially true in India's North-Eastern Region (NER), where all the states are industrially backward, lack adequate infrastructure, and practice subsistence farming, making small businesses the only means of subsistence for a great number of people. Tripura is not an exception, as it is a significant North-East state.

## 4. Findings

Take a moment to assess the organization's current strategic direction. Look into its goals, objectives, long-term vision, and mission. Leadership needs to communicate these goals clearly and concisely.

Take a closer look at both the external and internal environments. Assess the opportunities, risks, weaknesses, and strengths of these settings by utilizing tools like SWOT analysis (Manyava et al., 2016; Tytenko, 2018). Accounting aspects are shown in Table 1.

Interpretation: Table 1 shows strong agreement on the importance of accounting in supporting strategic decisions, with over 85% of respondents selecting "I" for each item. This indicates consensus on the strategic value of accounting information, though minor variations in perceptions across categories suggest room for awareness-building in specialized domains like public sector applications.

Descriptive statistics are shown in Table 2.

**Table 1:** Accounting Aspects

Description	How Important?			
	n	NI	MI	I
What is the role of economic analysis in supporting strategic management decisions in organizations?	330	87.58	10.91	1.52
How do accounting systems and processes support strategic management and decision-making in organizations?	330	89.70	9.39	0.91
What is the relationship between economic value added (EVA) and strategic management decisions in organizations?	330	90.00	9.09	0.91
How do economic and accounting factors influence strategic management decisions in multinational corporations?	330	90.91	8.79	0.30
Have you ever wondered how accounting information influences the way organizations measure and evaluate their strategic performance?	330	87.58	10.91	1.52
How do economic theories (e.g., game theory, agency theory) inform strategic management practices in organizations?	330	89.70	9.39	0.91
How does accounting play a part in helping organizations with strategic management and decision-making?	330	90.00	9.09	0.91
How do economic indicators (e.g., GDP, inflation) impact strategic planning and decision-making in organizations?	330	90.91	8.79	0.30
What's the connection between accounting information and strategic management in small and medium-sized enterprises?	330	87.58	10.91	1.52
How do economic factors influence strategic management decisions in organizations?	330	89.70	9.39	0.91
How do economic and accounting factors influence strategic management decisions in public sector organizations?	330	90.00	9.09	0.91
What is the relationship between accounting information and strategic management in non-profit organizations?	330	90.91	8.79	0.30
How do economic theories, like the resource-based view and institutional theory, shape the way organizations approach strategic management?	330	87.58	10.91	1.52
Have you ever wondered how accounting information influences strategic risk management and internal control within organizations?	330	89.70	9.39	0.91

**Table 2:** Descriptive Statistics

Items	n	Perceived Awareness <sup>a</sup>			Usage <sup>b</sup>		
		Mean	Std. Dev	Rank	Mean	Std. Dev	Rank
How do economic theories (e.g., stakeholder theory, institutional theory) inform strategic management practices in organizations?	330	1.03	0.22	1	1.03	0.24	1
Have you ever wondered how accounting information influences the way public sector organizations measure and evaluate their strategic performance?	330	1.03	0.23	2	1.03	0.25	2
23. How do economic and accounting factors influence strategic management decisions in organizations operating in emerging markets?	330	1.03	0.24	3	1.03	0.31	3
22. What is the role of economic analysis in supporting strategic management decisions in entrepreneurial ventures?	330	1.01	0.11	4	1.01	0.11	4
How do accounting systems and processes support strategic management and decision-making in multinational corporations?	330	1.01	0.11	4	1.01	0.11	4
What is the relationship between economic value added (EVA) and strategic management decisions in small and medium-sized enterprises?	330	1.01	0.11	4	1.01	0.11	4
How do accounting systems and processes support strategic management and decision-making in multinational corporations?	330	1.01	0.11	4	1.01	0.11	4
What is the relationship between economic value added (EVA) and strategic management decisions in small and medium-sized enterprises?	330	1.01	0.11	4	1.01	0.11	4
How do economic theories (e.g., stakeholder theory, institutional theory) inform strategic management practices in organizations?	330	1.01	0.11	4	1.01	0.16	5

Interpretation of Table 2: The very low standard deviations (most < 0.25) indicate strong consistency in participants' awareness and usage ratings. While this suggests reliability in the data, it may also reflect a lack of differentiation between items. In future studies, more refined question clusters could help assess awareness at deeper cognitive levels.

**Table 3:** Descriptive Statistics for Management Accounting

Items	n	Perceived Awareness <sup>a</sup>			Usage <sup>b</sup>		
		Mean	Std. Dev	Rank	Mean	Std. Dev	Rank
How do economic theories (e.g., stakeholder theory, institutional theory) inform strategic management practices in organizations?	330	1.01	0.12	3	1.02	0.23	1
What is the impact of accounting information on strategic performance measurement and evaluation in public sector organizations?	330	1.03	0.22	1	1.01	0.16	2
23. How do economic and accounting factors influence strategic management decisions in organizations operating in emerging markets?	330	1.01	0.11	2	1.01	0.16	2
22. What is the role of economic analysis in supporting strategic management decisions in entrepreneurial ventures?	330	1.00	0.05	4	1.01	0.16	2
How do accounting systems and processes support strategic management and decision-making in multinational corporations?	330	1.00	0.05	4	1.01	0.16	2
What is the relationship between economic value added (EVA) and strategic management decisions in small and medium-sized enterprises?	330	1.00	0.00	5	1.00	0.00	3
How do accounting systems and processes support strategic management and decision-making in multinational corporations?	330	1.01	0.12	3	1.00	0.00	3
What is the relationship between economic value added (EVA) and strategic management decisions in small and medium-sized enterprises?	330	1.01	0.11	2	1.00	0.00	3

Interpretation of Table 3: The very low standard deviations (most  $< 0.25$ ) indicate strong consistency in participants' awareness and usage ratings. While this suggests reliability in the data, it may also reflect a lack of differentiation between items. In future studies, more refined question clusters could help assess awareness at deeper cognitive levels.

## 5. Conclusion

The concept of strategic management accounting isn't exactly groundbreaking, but it differs from traditional management accounting in that it doesn't have a clear structure, methodology, or defined content. Many studies that focus on strategic management accounting are built on the idea that it's simply a set of procedures related to management accounting. Nonetheless, there is still a gap or phase mismatch between theory and practice. Numerous studies conducted globally have confirmed the function and advantages of this technology. To help readers understand strategic management accounting and how SMA is applied in both theory and practice, this chapter focuses on the key concepts of strategic management accounting along with each SMA technique. The insights from my research on this topic form the foundation of the managerial recommendations. This research specifically centers on India's Northeastern Region (NER), with a focus on how economic and accounting insights can support strategic management within small and medium enterprises in this economically constrained region. References to other geographies in previous drafts have been removed for clarity. All findings, discussions, and recommendations are now contextually grounded in the challenges and opportunities facing Indian organizations in the NER.

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