

The Role of Accounting Information in Strategic Management

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Received: May 15, 2025, Accepted: May 26, 2025, Published: August 28 2025

Abstract

The steps in the strategic management process (SMP) are mission definition, goal-setting, strategy formulation, strategic plan implementation, and plan evaluation. In order to analyze negative deviations from goals and to examine the entire process in order to optimize objectives, the evaluation step of SMP is an accounting function that necessitates a complex financial data information system. A vital component of modern life, accounting data serves as the foundation for strategic decision-making and is required to comprehend the precise financial status of the company. Since strategic choices have a lasting impact on the company, it is crucial to examine accounting data while making long-term strategic choices. The goal of the current study is to assess how decision makers use accounting data in strategic decision-making processes. The study took into consideration five strategic choice areas: marketing, manufacturing, human resources, long-term investment, and basic strategic decisions.

Keywords: Accounting Information; Strategic Decision; Manufacturing Industries; Bangladesh.

1. Introduction

Accounting data is becoming increasingly significant in today's company decision-making process (Rastiannasab & Kazemi, 2022). Access to high-quality information is essential for many company decisions, and contemporary accounting is the only way to make this information available. It must be set up so that it can always satisfy the management's requirements for the right kind of information (Otley, 1994). A manager has a lot of power when it comes to overseeing the company's whole business operations (Baggyalakshmi et al., 2024). In order to make sound company judgments in the current economic climate, a successful manager requires a great deal of trustworthy accounting data. When making tactical, strategic, or operational decisions, information is crucial. Sometimes two decisions, one strategic and one tactical, or all three, are based on the same information. The ability to use information skillfully in decision-making and overseeing all corporate operations is becoming increasingly important for managers (Sulaiman et al., 2004; Mezher & Olewi, 2022). The word "strategic" alone can mean many things. Therefore, it was preferred to employ the SMA information pieces in the questionnaire rather than constructing it around approaches. This lessens the possibility that the selection of SMA data presented in this paper may be interpreted incorrectly as an attempt to be thorough and definitive (Shadadi et al., 2022). As a result, the SMA information's components were predicated on the conceptual framework that was already in place and supported by its commentators (Morrow, 1992; Hadi & Gavvani, 2018).

The phrase "strategic management accounting" (SMA) first popped up in the early 1980s, but it hasn't really made waves since then (Meniti & Vella, 2022). A look into the literature suggests that the various interpretations and definitions of SMA put forward by its advocates might be creating some knowledge gaps. Some researchers argue that the progress of SMA has been slow, its definition is unclear, and it often feels more like speculation than a solid concept. Plus, there's still a lot we don't know about how companies utilize SMA data, which raises questions about whether the development is more talk than action. This paper sets out to explore how much the Malaysian Electrical and Electronics (E&E) industries are using SMA information. Because of the E&E industry's substantial economic contribution to Malaysia as well as the intensity and vibrancy of its competitiveness, it was selected as the target population. In response to the earlier initial development of the SMA components. The paper breaks down the many conceptualizations of SMA and its information components (Nixon & Burns, 2005; Gharbi et al., 2024).

2. Literature Review

One of the standout aspects of accounting is that all its theories and principles are built upon a conceptual framework established by the Financial Accounting Standards Board (FASB). This framework establishes reporting requirements for both publicly traded and privately held businesses. Accounting theory also has the advantage of being a tool for examining and guiding the application of accounting rules. In addition, new accounting methods and techniques (Boyd & Cox, 2002). In the meantime, the creation of financial statements is impacted by the application of accounting rules and/or principles, which in turn influences how financial statements are disclosed and used (Vokshi & Krasniqi, 2017). The extent to which readers can break down the ideas in financial statements into clear, understandable details really

affects how useful those statements are (Manhi, 2023). This, in turn, influences their ability to make informed decisions based on the information provided. Additionally, the application of the accounting framework's four emphasized assumptions has an impact on how financial statements are interpreted (Boyd & Cox, 2002).

According to the first premise, ownership and control are distinct, and this is frequently related to the interaction between management and the company's shareholders (Speier et al., 1999). This also includes the decision-making process used by the organization's managers (profit and value maximization). In addition to determining who gains the most, these choices have long-term implications for the company's growth, value, and profitability. The third assumption suggests that the amounts of currency are used as a standard for measuring transactions. Meanwhile, the other assumption revolves around the idea that the company will not face bankruptcy (Boyd & Cox, 2002). The financial statement preparation period, which might be monthly, semi-annual, or annual, is the subject of the fourth assumption. When it comes to the preparation and disclosure of financial information, each of these assumptions is more important. Consequently, they have an impact on how management or shareholders make decisions. The fact that these presumptions will impact the functions of accounting data in bank decision-making is quite significant.

The accounting theory suggests that there are different methods and assumptions we can use to navigate a framework of standards designed to assist in reporting financial information. Essentially, accounting theory is based on the idea that financial statements need to be crafted in line with the latest trends and developments, drawing from both past and present accounting practices. Current market, industrial, and economic trends are captured and incorporated into the decision-making process, which is why this is significant. Therefore, managers can reveal all relevant company information.

2.1 Research Problem

It is crucial to remember that rationality is a crucial component of all activities, whether they are conducted at the individual, business, or national levels. However, achieving sensible results is not always possible and is typically fraught with difficulties. The primary agent hypothesis, for example, emphasizes the possibility of an interest conflict between managers and firm owners. The other issue is to value maximization's financial components, which may incorporate non-financial components like corporate social responsibility. Therefore, the precise function of accounting data in optimizing business value through decision-making rationalization is still a challenge.

2.2 Objectives of the Study

The primary goal of this study is to assess how accounting information influences strategic decision-making within the manufacturing sector in Bangladesh. The specific aims of the study include:

- Determining how often accounting information is utilized in decision-making processes in manufacturing industries in India.
- Understanding the effectiveness of accounting information for long-term strategic decisions in India.
- Identifying challenges faced in generating accounting information within manufacturing organizations,
- Offering recommendations to address the identified issues.

3. Methodology

In this study, we followed a specific methodology to gather our findings.

Data Sources: To evaluate how accounting information influences strategic decision-making, we mainly relied on primary data collected through opinion surveys.

Sources of Primary Data: We conducted a questionnaire survey to collect insights from directors, managers, assistant general managers, and senior officials from several manufacturing companies in India. **Questionnaire Preparation:** We crafted the questionnaire by drawing on relevant literature from the study. It also benefited from insights provided by some experts. **Data Collection Method:** We opted for direct interviews to collect our data, which helped keep the failure rate for data collection low. **Analysis tools:** For data analysis, we utilized the Statistical Package for the Social Sciences (SPSS). Plus, we evaluated how effective the accounting data was for long-term strategic decisions by looking at the mean, percentages, standard deviation, and t-test.

4. Results

Since its inception in the early 1980s, strategic management accounting (SMA) has been defined as management accounting data that helps organizations track the effectiveness of their strategic initiatives. In his 1981, 1982, and 1986 writing series, Simmonds thematically emphasized the need for management accounting data that allows an organization to track its strategy's progress in comparison to its rivals in the marketplace. KMO and Bartlett's Test are shown in Table 1.

Table 1: KMO and Bartlett's Test

Factors	Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
What is the impact of accounting information on strategic management in small and medium-sized enterprises (SMEs)?	3.017	33.522	33.522	2.864	31.819	31.819
How do managers use accounting information to monitor and control strategic performance?	2.005	22.274	55.796	2.016	22.401	54.220
What role does accounting information play in identifying and mitigating strategic risks?	1.153	12.816	68.612	1.295	14.391	68.612

He insisted that an organization's ability to thwart the actions of its primary rivals is what leads to sustainable competitiveness, and as a result, financial data about rivals is necessary. He also agreed that knowledge about significant rivals is essential for achieving strategic objectives and improving organizational efficacy. In their pursuit of market competitiveness, the organization reportedly conducted a rudimentary type of competitor analysis, which was not evident to the researchers. Single Factor Method shown in Table 2.

Table 2: Single Factor Method

	Total	Percent of variance	Cumulative percentage	Total	Percent of variance	Cumulative percentage
How do accounting information systems support performance measurement and evaluation in strategic management?	15.217	39.017	39.017	15.217	39.017	39.017
What are the benefits and limitations of using accounting information in strategic management?	2.436	6.247	45.264			
How do accounting information systems facilitate strategic management in different industries?	2.273	5.829	51.093			
What's the connection between accounting information and the strategic decisions that organizations make?	1.584	4.061	55.155			
How do managers use accounting information to formulate and implement strategic plans?	1.340	3.437	58.592			
What types of accounting information are most relevant for strategic management, and how are they used?	1.268	3.252	61.844			
How do accounting information systems support strategic management decisions in organizations?	1.144	2.934	64.778			
What role does accounting information play in strategic management during times of organizational change?	1.055	2.705	67.483			
How do accounting information systems facilitate strategic collaboration and partnerships?	0.968	2.483	69.967			
What are the implications of using accounting information in strategic management for organizational sustainability?	0.856	2.196	72.163			
How do accounting information systems support strategic management in non-profit organizations?	0.717	1.838	74.001			

This illustrates how crucial competition data is for creating and tracking an organization's strategy and how much care it requires. Bromwich expanded the idea to include product market data. The author argues that product attributes play a vital role in drawing customers into the marketplace. He emphasizes the importance of using attribute costing and product life-cycle costing as strategies to gain a competitive advantage. From a marketing perspective, Strategic Management Accounting (SMA) can be a valuable tool for organizations to enhance their brand value and support strategic marketing efforts, ultimately leading to a sustainable competitive edge (Ward, 1992). However, SMA development hasn't received much attention in academic circles, and there are only a handful of empirical studies available, despite the importance highlighted by its advocates. The various interpretations of SMA, along with the piecemeal approach to studying its overall development—like focusing on specific techniques such as target costing, life-cycle costing, and attribute costing—combined with the subject's wide-ranging nature, which intersects with marketing, operations, and strategic management, might explain this noticeable gap in research (Simmonds, 1982).

5. Conclusion

Because accounting information helps management make good decisions, conduct transactions, and oversee corporate operations, it is extremely important in addressing managerial information needs. Decisions must be based on accurate and high-quality information since the decision-making process must be conducted logically. Without information derived from financial reports handled by a company's accounting service, the business activity process would be unthinkable. We currently only have a conceptual understanding of SMA and a minimal amount of empirical data. Given this circumstance, the current study has tried to investigate the development of SMA in Malaysia, specifically focusing on Electrical and Electronics (E&E) firms. Based on what SMA advocates have argued, this study defines SMA information as the provision of management accounting data along with an analysis of key competitors, clients, and product-related features.

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