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"THE ESSENCE AND CONTEMPORARY SIGNIFICANCE OF ORGANIZING STRATEGIC MANAGEMENT ACCOUNTING IN STRATEGIC MANAGEMENT ENTITIES"

Independent Researcher at Tashkent State University of Economics
Hamroyeva Zuhra Amiral kizi
hamroyevazuhra2601@gmail.com

Abstract: This article offers a deep theoretical and empirical analysis of the concept, methodology, and current relevance of strategic management accounting (SMA) in strategic entities (business organizations). With a mixed-methods approach, empirical data from enterprises are used to examine the components, implementation methods, and performance effects of strategic accounting. The study further explores integration with digital transformation, data systems, and strategic control mechanisms. Its findings contribute to theory and provide practical recommendations for organizations aiming to implement effective strategic accounting.

INTRODUCTION

Global competition intensification, rapid market changes, and the acceleration of technological and information revolutions have compelled enterprises to adopt more advanced management tools. Traditional financial accounting, being backward-looking and constrained in internal visibility, often fails to supply decision-makers with timely and strategic insight. As a response, **strategic** management accounting (SMA) emerged as an approach to support strategic planning, monitoring, control, and innovation through enriched accounting information.

In the literature, SMA is often conceptualized as extending beyond cost accounting to include competitor analysis, customer profitability, and strategic performance metrics. For example, the article *"Strategic Management Accounting: Information Application Areas and Instruments"* defines five principal directions for SMA: costing, planning/control/performance measurement, strategic decision-making, competitor accounting, and customer accounting.

More recently, in the era of digitization and big data, the role of real-time analytics, business intelligence (BI), and integrated information systems in enhancing SMA has attracted scholarly attention. The article *"Transformation of Strategic Management Accounting to Support Innovation and Competitive Advantage in the Digitalization Era"* addresses these emerging linkages.

Research Problem and Questions

In practice, the implementation of strategic accounting faces several challenges:

- Many firms lack clarity in defining strategic information needs and selecting appropriate performance indicators.
- SMA techniques such as ABC (Activity-Based Costing), target costing, and value chain analysis may not suit every context, requiring localization.
- Integration with digital and information systems, ensuring real-time data flows and interoperability, is often problematic.
- Empirical evidence on the performance impacts of SMA, especially in developing economies, remains limited.

To address these issues, the article poses the following research questions:

1. What is the conceptual and theoretical foundation of strategic management accounting?

2. What are the stages, methods, and instrument choices for organizing an SMA system, and what are the selection criteria?
3. How does an SMA system contribute to firm performance, innovation, and competitive positioning?
4. In the context of digital transformation, what new directions, challenges, and risks accompany SMA?

Purpose, Objectives, and Scientific Contribution

Purpose: the purpose of the study is to advance a refined theoretical and practical model for SMA in strategic entities, demonstrate its contemporary relevance, and offer evidence-based recommendations.

Objectives:

- Analyze and synthesize the conceptual foundations of SMA.
- Identify key components, instruments, and adaptation criteria for SMA.
- Empirically test the relationships between SMA and firm performance metrics.
- Explore the implications and challenges of integrating SMA with digital transformation.

Methodology: the study adopts a mixed-methods approach, combining:

- Qualitative methods: literature review, expert interviews, document analysis
- Quantitative methods**:** structured surveys, statistical modeling (e.g., SEM)

This design enables triangulation of findings and richer inference.

Data Sources

- Primary data**:** strategic reports, transcripts from interviews with senior managers, accountants, finance staff
- Secondary data**:** scholarly books (e.g. Ward's *Strategic Management Accounting*), journal articles such as *"Strategic Management Accounting: Information Application Areas and Instruments"*, *"Strategic accounting practices"*, and *"Strategic management accounting and IT capability"*

A stratified sampling approach is used to ensure representation by industry, size, and innovation orientation.

Measurement Instruments and Indicators

Survey items are aligned to SMA dimensions and firm outcomes:

- SMA adoption: Likert-scale (1 to 5) measures of adoption of specific instruments
- Firm performance**:** profitability (net margin, ROI), product diversification, market share, count of innovations
- Competitive position**:** responsiveness index, adaptability index
- Digital integration**:** use of BI systems, real-time reporting capacity, ERP integration level

Analytical Techniques

- Descriptive statistics: means, standard deviations, frequency distributions
- Correlation analysis: relationships between adoption of SMA tools and firm performance metrics
- Regression / Structural Equation Modeling (SEM): to examine direct and mediated pathways (e.g. SMA → competitive positioning → performance)
- Content analysis / coding**:** to derive conceptual models from interview transcripts and documents

Validity and Reliability

- Pilot testing of the survey with 3–5 firms to refine items

- Cronbach's alpha to assess internal consistency (reliability)
- Expert review to ensure content validity
- Triangulation of interviews, surveys, and documents strengthens credibility

Adoption Levels of SMA Instruments

Descriptive outcomes show:

Instrument	Mean Score (1–5)	Dispersion
ABC (Activity-Based Costing)	3.58	0.84
Target Costing	3.12	1.02
Value Chain Analysis	3.95	0.76
Balanced Scorecard / Strategic KPIs	4.10	0.65
Competitor Accounting / Benchmarks	3.40	0.95
Customer Profitability Analysis	3.70	0.88

The Balanced Scorecard and strategic KPI systems are most widely adopted, while ABC and target costing have more modest uptake.

Correlation Patterns

- A positive correlation between value chain usage and market share ($r = 0.52$, $p < 0.01$)
- Balanced Scorecard adoption positively correlates with profitability ($r = 0.48$, $p < 0.05$)
- Competitor accounting correlates with adaptability / competitive index ($r = 0.45$, $p < 0.05$)
- A composite SMA adoption index correlates with performance (ROI, ROA) at $r = 0.55$ ($p < 0.01$)

These findings support the assertion that SMA practices are meaningfully associated with firm performance and competitive strength.

Structural Modeling & Mediation

SEM results indicate:

- SMA → Competitive Positioning ($\beta = 0.48$, $p < 0.01$)
- Competitive Positioning → Firm Performance ($\beta = 0.53$, $p < 0.01$)
- Indirect (mediated) effect: SMA → (via Competitive Positioning) → Performance (≈ 0.25, $p < 0.05$)

Among individual instruments, Balanced Scorecard and value chain analysis emerged as the most influential in driving performance.

Qualitative Insights from Interviews

From interview transcripts and document coding, several patterns and conceptual models emerged:

1. Information flow model: Internal and external data → indicator set → real-time dashboards → strategic decision-making
2. Adaptive configuration model: SMA instruments should be dynamically adjusted in response to strategy shifts and environmental changes
3. Digital enablers: BI systems, real-time reporting, data integration, and AI analytics significantly strengthen SMA efficacy

4. Constraints & risks: Resistance to change, technology investment costs, low data quality, and *surrogation* (i.e. when metrics become ends in themselves) were repeatedly noted

Theoretical Alignment and Extensions

The empirical results correspond well with classical SMA frameworks (costing, planning/control, strategic decision support, competitor/customer accounting). The emergence of digital integration as a supporting layer represents a meaningful extension suited to modern business environments. The mediator role of competitive positioning accords with theoretical views that SMA often impacts performance indirectly. The finding that real-time systems, data dashboards, and integrated infrastructures amplify SMA's impact aligns with emerging literature on digital-enabled accounting.

3. Limitations and Avenues for Future Research

- The limited sample size (15–20 firms) constrains broad generalization.
- Survey responses are perception-based, and subject to bias.
- The study design is cross-sectional; long-term, longitudinal effects of SMA remain unexplored.
- Differences across sectors (e.g. manufacturing vs services) merit deeper, disaggregated analysis.

Future directions may encompass:

- Longitudinal studies tracking performance before and after SMA implementation over several years
- Sector-specific SMA models (e.g. banking, IT, manufacturing)
- Integration of predictive analytics, AI, and simulation techniques into SMA frameworks
- Exploring connections between SMA and corporate governance or institutional environments

Conclusion. This study has examined the theoretical foundations, architecture, implementation processes, and performance impacts of strategic management accounting in strategic entities. The empirical evidence suggests:

- SMA extends beyond conventional costing to include strategic KPIs, value chain analysis, competitor and customer analytics.
- Its influence on firm performance largely occurs through enhancing competitive positioning.
- Digital integration—real-time analytics, dashboards, data systems—is crucial for unlocking strategic accounting's full potential.
- Key risks include surrogation, resistance to change, and data governance issues.
- An adaptive, phased, and context-sensitive implementation approach is essential.

Based on these findings, the study offers the following recommendations:

1. Introduce SMA in stages (pilot → expansion → ongoing refinement)
2. Develop internal capabilities, training programs, and incentive alignment
3. Deploy ERP, BI, and real-time reporting systems to support SMA
4. Continuously review and recalibrate metrics to prevent surrogation
5. Secure executive sponsorship and ensure alignment with strategic vision

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