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STRATEGIC REPORTING OF INDUSTRIAL ENTERPRISES: CONCEPT, COMPOSITION, STRUCTURE

The article investigates the views of scholars on the problem of forming strategic reports and gives propositions on solving this issue at national industrial enterprises. In particular, the author clarifies the content of the term "strategic reporting" and identifies the groups of strategic reports. The forms of strategic reports in the context of the above groups of strategic reporting to be used at national industrial enterprises are offered.

Keywords: strategic accounting; strategic reporting; industrial enterprises.

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СТРАТЕГІЧНА ЗВІТНІСТЬ ПРОМИСЛОВИХ ПІДПРИЄМСТВ: ПОНЯТТЯ, СКЛАД, СТРУКТУРА

У статті досліджено погляди науковців на проблему формування стратегічної звітності та надано рекомендації щодо вирішення даного питання на вітчизняних промислових підприємствах. Зокрема, уточнено зміст терміну «стратегічна звітність», виділено групи стратегічної звітності та у розрізі зазначених складових запропоновано форми стратегічних звітів, які доцільно складати на вітчизняних промислових підприємствах.

Ключові слова: стратегічний облік; стратегічна звітність; промислові підприємства.

Табл. 1. Літ. 20.

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СТРАТЕГИЧЕСКАЯ ОТЧЕТНОСТЬ ПРОМЫШЛЕННЫХ ПРЕДПРИЯТИЙ: ПОНЯТИЕ, СОСТАВ, СТРУКТУРА

В статье исследованы взгляды ученых на проблему формирования стратегической отчетности и даны рекомендации по решению данного вопроса на отечественных промышленных предприятиях. В частности, уточнено содержание термина «стратегическая отчетность», выделены группы стратегической отчетности и в разрезе указанных составляющих предложены формы стратегических отчетов, которые целесообразно формировать на отечественных промышленных предприятиях.

Ключевые слова: стратегический учет; стратегическая отчетность; промышленные предприятия.

Problem statement. Increased globalization in the world economy and hyper-competition caused the need to shift the emphasis from operational management of industrial enterprises to the strategic one, which led to the necessity for significant changes in the information support of management. This can be explained by the retrospective nature of the traditional approach to reporting and its focus on internal facts of economic activity that prevents the adoption of balanced and informed strategic decisions. Taking all this into consideration, the problem of development of a new paradigm of reporting (and strategic reporting of industrial enterprises as its important part) is of particular relevance.

Literature review. The world's leading accountancy organizations and advisory bodies, which include the International Federation of Accountants (2012), the Global Reporting Initiative (2011), the Federation of European Accountants (2012),

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the World Business Council for Sustainable Development (2012), the World Resources Institute (2012), the United Nations Conference on Trade and Development (2012), the International Corporate Governance Network (2011) and the International Integrated Reporting Committee (2013) recommend to solve this problem by implementing integrated reporting into the enterprises' practice. This kind of reporting involves a combination of financial indicators and information on public environment and its social aspects. Based on the proposals of these organizations, Financial Reporting Council enacted "The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013" on October, 1, 2013. This Act establishes mandatory integrated annual report for the enterprises that operate in the United Kingdom of Great Britain. Also it allots strategic report as a part of the integrated annual report. (Financial Reporting Council, 2013).

The analysis of economic literature demonstrates a small number of works devoted to the issues of forming strategic reporting. Most economists (Abeysekera, 2013; Eccles and Krzus, 2010; Kostyrko and Licnicha, 2012) solve this problem by specifying the list of issues of strategic information that should be reflected in an integrated report. And only A. Khorin and V. Kerimov (2009) devoted their work to the problem of forming reports, which covered information for the needs of strategic management. These scholars recommended including the following reports into the list of forms of strategic reporting: the report about the enterprise value, the report on business prospects, the report on risks, the balance of corporate capital and the report about the financial results of a corporation. I. Alekseeva and E. Evstafieva (2009) added to this list the report on financial flows. But there still remain a number of issues that need further clarification.

The research objective. The goal of the article is to develop an integrated approach to understanding strategic reporting that will meet informational needs of different user groups.

To achieve the goal the following objectives must be solved:

- to clarify the meaning of the term "strategic reporting";
- to give propositions on the composition and structure of strategic reporting at national industrial enterprises.

Presentation of the research material, including methodology description and key research findings. Taking into consideration the relative novelty of strategic accounting for the practice of national and foreign enterprises, there is a limited number of studies in economic literature, devoted to investigation of the meaning of the term "strategic reporting". Some scholars define this term as a united system of data on the strategic aspects of financial and property status of a commercial organization (Hudenytsya and Shishov, 2008). Others interpret it as reporting based on the data of budgeting, financial planning, forecasting and the indicators of valuation (Khorin and Kerimov, 2009). In our opinion these definitions deserve attention. But at the same time they do not allow understanding the contents of strategic reporting and its specificity. That is why the author offers to define the term "strategic reporting" as a set of indicators of strategic accounting, reflected in formal reports, which can give a strategic evaluation of the company, formulate its mission, strategic goals and strategies, ensure the completeness of monitoring of their implementation and make appropriate adjustments in case of necessity.

Determination of composition and structure of strategic reporting is another methodological problem. There is a lack of economic research on this issue. That is why the author proposes to use the informational focus of strategic reporting as the basis for the identification of its groups. In the author's opinion this approach will let the management of industrial enterprises figure out the level of satisfaction of all users' needs of strategic information and to clarify the composition of strategic reporting forms in case of necessity (Table 1).

Table 1. Structure and composition of strategic reporting, developed by the author

Groups of strategic reporting	The structure of strategic reporting
Strategic reporting for those users not eligible to participate in strategic management of the enterprise	Strategic report of the enterprise
Strategic reporting for those users who have the right to participate in strategic management of the enterprise	Strategic report on external and internal environment of the enterprise
	Strategic report on enterprise capital (tangible, intangible, financial assets)
	Strategic report on business processes of the enterprise (innovation, investment, operation, and after-sale service)
	Strategic report on enterprise value

Among the users who are not eligible to participate in strategic management of the enterprise the author should name retail and minority shareholders, middle and lower level management, workers, creditors, potential investors, society and government agencies. These users have access to such forms of strategic reporting as "The strategic report of the enterprise". According to "The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013" this report must cover the following issues:

- fair review of company's business, and description of key risks and uncertainties faced by a company;
- balanced and comprehensive analysis of the development and performance of the company during the financial year, and the position of the company at the end of that year, consistent with the size and complexity of business;
 - analysis using financial key performance indices;
 - analysis using other key performance indices, including information relating to environmental matters and employees' matters;
- key trends and factors likely to affect future development, performance and position of the company;
- information on social, community and human rights, including information about any policies of the company in relation to those matters and the effectiveness of these policies;
 - description of the company's strategy;
 - description of the business model;
- a gender breakdown at the end of the financial year showing the number of persons who were:
 - directors of the company;
 - senior managers of the company;

- employees of the company (Financial Reporting Council, 2013).

According to the "The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013" this report may also cover additional information considered to be of strategic importance to the company. That is why the author offers to include forecast indicators into the strategic report of industrial enterprises. This will allow the users of strategic reporting (including potential investors, creditors etc.) find out more about the development trends of national industrial enterprises. Information mentioned above is summarized in strategic reporting with the help of such instruments of strategic accounting as balanced scorecard and forecast balance.

In turn, strategic reporting for those users, who have the right to take part in enterprise strategic management, must represent strategic information in a more detailed form and cover those aspects of enterprise activities, which are commercial secret.

This will allow majority shareholders (or a sole shareholder), general director and other directors of the enterprise obtain all necessary information for strategic management. It must be noticed that the choice of the form and implementation of the recommended strategic reports, presented in Table 1, depend on the chosen orientation of enterprise strategic management (activity-based management, value-based management, management based on key performance indices etc.).

Let's consider each of the proposed reports in more detail. Strategic report on the external and internal environment of the enterprise provides information about the results of comprehensive evaluation, factors and events that influence the enterprise's mission and formulation of its strategic goals. Indicators of this report are generated by such instruments of strategic accounting as PEST-analysis, SWOT-analysis, SNW-analysis, DEA-analysis, Porter's five forces and BCG Matrix.

The strategic report on enterprise capital (tangible, intangible, financial assets) allows management evaluate the impact of strategy, which is recommended for implementation, on its performance. This form of strategic reporting is based on the information obtained through such instruments as the derivative balance sheet and the balanced scorecard.

The strategic report on enterprise business processes (innovation, investment, operation, and after-sale service) provides top managers with information on the impact of the strategy, recommended for implementation, on the size and efficiency of expenses. Indicators of this form of strategic reporting are created with the help of such instruments of strategic accounting as: AB-costing, calculation based on the full life cycle of products, value chain, model "just in time" and total quality management, master budget and balanced scorecard.

The strategic report on enterprise value summarizes the indicators of discounted future revenues from sales, discounted future costs of direct payments to suppliers and contractors, future internal labor costs, marketing, management, advertising, future investment costs and discounted costs of innovation and business expansion, future tax payments, future net income, shareholder value added, cost and market value of business and future aggregate dividends. This information helps to find out the impact of the strategy, which is recommended for implementation, on the enterprise value. Indicators of this form of strategic reporting are created with the help of such instruments of strategic accounting as EVA-, MVA- and SVA-analyses.

It must be mentioned that all these reports can also help control the completeness of strategy implementation and further adjustments of strategic goals in case of necessity.

Conclusions and further research perspectives. Based on implementation of the research results the author developed an integrated approach to understanding the strategic reporting. This approach will satisfy strategic information needs of majority shareholders (or a sole shareholder), general director, other directors of an enterprise and those users who are not eligible to participate in the strategic management. Implementation of these proposals into practice at national industrial enterprises will help to simplify the process of making strategic management decisions and ensure their prudence and reasonableness.

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