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## EXTERNAL AND INTERNAL STANDARDIZATION OF STRATEGIC ACCOUNTING AT INDUSTRIAL ENTERPRISES

*The article explores the scholars' views on the issue of standardization of strategic accounting and offers recommendations on solving the problem at national industrial enterprises. In particular, the list of external standards in strategic accounting has been clarified. Principles of corporate standards development, their composition and structure are identified.*

**Keywords:** strategic accounting; standardization; standard; strategic management.

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## ЗОВНІШНЯ ТА ВНУТРІШНЯ СТАНДАРТИЗАЦІЯ СТРАТЕГІЧНОГО ОБЛІКУ НА ПРОМИСЛОВИХ ПІДПРИЄМСТВАХ

*У статті досліджено погляди науковців на проблему стандартизації стратегічного обліку та надано рекомендації з її вирішення на вітчизняних промислових підприємствах. Зокрема, уточнено перелік зовнішніх стандартів стратегічного обліку, виокремлено принципи побудови його корпоративних стандартів, а також визначено склад та структуру останніх.*

**Ключові слова:** стратегічний облік; стандартизація; стандарт; стратегічне управління.  
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## ВНЕШНЯЯ И ВНУТРЕННЯЯ СТАНДАРТИЗАЦИЯ СТРАТЕГИЧЕСКОГО УЧЕТА ПРОМЫШЛЕННЫХ ПРЕДПРИЯТИЙ

*В статье исследованы взгляды ученых на проблему стандартизации стратегического учета и даны рекомендации в части её решения на отечественных промышленных предприятиях. В частности, уточнен перечень внешних стандартов стратегического учета, выделены принципы построения его корпоративных стандартов, а также определен состав и структура последних.*

**Ключевые слова:** стратегический учет; стандартизация; стандарт; стратегическое управление.

**Problem statement.** The ability to satisfy consumers' demands in the field of product quality and production processes compliance with generally accepted requirements are the most important factors in guaranteeing strategic stability of national industrial enterprises under the increased globalization. Mentioned above is one of the main reasons of active implementation of such international standards as ISO 9000:2005 "Quality management systems – Fundamentals and vocabulary", ISO 9001:2008 "Quality management systems – Requirements", ISO 9004:2009 "Managing for the sustained success of an organization – A quality management approach" and ISO/TR 10013:2001 "Guidelines for quality management system documentation" into practice of majority of Ukrainian enterprises. Some provisions of these documents stipulate the creation of effective system of strategic management by standardizing its component parts (including strategic accounting). For that reason,

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the study of problematic aspects of strategic accounting regulation is of a particular relevance.

**Literature review.** The study of specialized literature demonstrates almost complete absence of economic works on this problem. In particular, the Institute of Management Accounting (USA) was the only one who made an attempt to summarize the best practices of strategic accounting with the help of next standards: "Measuring the Cost of Capacity", "Implementing Activity-Based Management: Avoiding the Pitfalls", "Tools and Techniques for Implementing ABC/ABM", "Tools and Techniques for Implementing Target Costing", "Theory of Constraints (TOC) Management Systems Fundamentals", "Implementing Target Costing", "Implementing Capacity Cost Management Systems", "Designing an Integrated Cost Management System for Driving Profit and Organizational Performance", "Implementing Activity-Based Costing", "Accounting for the Lean Enterprise: Major Changes to the Accounting Paradigm" (Institute of Management Accounting of the USA, 1996, 1998, 1999, 2000, 2006). Provisions of these documents are advisory. They are used by enterprises in developed countries in order to elaborate their own corporate standards in strategic accounting. However, there still remain a number of issues that require further investigation.

**Research objective.** The goal of the article is to elaborate an integrated approach to strategic accounting standardization that will ensure high quality of the strategic management system at national industrial enterprises.

To achieve of the goal the following problems must be solved:

- to clarify the list of external standards on strategic accounting;
- to identify out principles of internal standardization of strategic accounting;
- to offer the composition and structure of corporate standards of strategic accounting at national industrial enterprises.

**Key research findings.** The analysis of the documents which were elaborated by specialists of the Institute of Management Accounting of the USA (1996, 1998, 1999, 2000, 2006) helped to figure out gaps in external standardization of strategic accounting objects. In particular, these standards are focused on the practical use of instruments of strategic cost accounting, leaving other objects out of sight. Taking this into consideration, the author recommends to standardize the use of instruments of strategic accounting of the enterprises' environment, their value, business processes (innovation, investment, operation, after-sales services) and capital (tangible, intangible and financial). This approach will help to improve the practice of strategic accounting at national industrial enterprises. Also it will contribute to bringing their system of management in compliance with the relevant international standards ISO of series 9000 and 10000.

Another important component of ensuring high quality of strategic management at industrial enterprises is the development and implementation of corporate standards on strategic accounting. The analysis of specialized literature reveals the existence of works that solve this problem in an indirect way. In its turn, the investigation of current practices at industrial enterprises demonstrates the impossibility of internal standardization implementation of strategic accounting without solving the following issues: figuring out the principles of corporate standards of strategic accounting, determination of their composition and structure.

The solution of the first problem is implicitly represented in the work by S. Nikolaeva and S. Shebek (2003). These scholars identified such fundamental principles of corporate standards as individuality, consistency, uniformity and orientation on international standards of quality. In particular, the principle of individuality stipulates the elaboration of corporate standards in accordance with the peculiarities of enterprise functioning. The principle of consistency stipulates the sequence in elaboration of corporate standards. This principle helps to avoid the development of poorly thought-out documents. The principle of uniformity suggests using a single framework of corporate standards for their development. In its turn, the principle of orientation on international standards of quality stipulates the creation of prerequisites for successful certification of enterprise management system in compliance with the requirements of ISO 9000 and 10000 (Nikolaeva and Shebek, 2003).

Accepting the recommendations of these scholars in general, the author emphasizes the debatable nature of the last two principles. In particular, the usage of the principle of uniformity in terms of corporate standards of strategic accounting is controversial because of specificity and heterogeneity of its objects. Applying the principle of orientation on international standards of quality is debatable too. In the author's point of view the contents of this principle should be extended by harmonization of corporate standards of strategic accounting with the number of other standards of accounting, control and management (including industry standards, international financial reporting standards and standards on business processes). This approach will help to bring the management of national industrial enterprises in accordance with the requirements of these documents to ensure the competitiveness of national industrial enterprises at the global market.

The author proposes to supplement this list with such principles as importance and flexibility. Application of the principle of importance stipulates standardizing only main aspects of strategic accounting. This will help to avoid overloading of employees at industrial enterprises with redundant information. In its turn, implementation of the flexibility principle into the process of corporate standards elaboration in strategic accounting will help to make all necessary changes in them promptly.

Determination of the list of corporate standards of strategic accounting is the next problem that must be solved. Analysis of economic literature shows that S. Nikolaeva and S. Shebek (2003) worked out an indirect solution for this issue during studying general approaches to the elaboration of corporate standards at enterprises. These economists recommend using the management matrix which combines the functions of management (planning, organization, control, decision making and communication) and its objects (base units, resources, processes, performance). Implementation of this approach in relation to corporate accounting standards is debatable because of the variety of elements of this matrix that play the role of objects of internal standardization in strategic accounting. Thus, its implementation into the practice of national industrial enterprises will break the principle of importance. In its turn it will lead to accumulation by management accountants of unnecessary information and increasing their labour intensity.

The Institute of Management Accounting of the USA also provided indirect recommendations on solving this problem (Institute of Management Accounting of the

USA, 1996, 1998, 1999, 2000, 2006). In particular, its specialists propose to use their standards of strategic accounting to provide internal standardization of enterprise work. However, the reasonableness of this approach seems to be questionable because of the relative newness of strategic accounting and ignorance of the majority of Ukrainian specialists of the specificity of this kind of accounting at national industrial enterprises. Taking this into consideration, the author proposes to elucidate in these standards a number of provisions on organization of strategic accounting and its methods in general. Next documents are the most priority corporate standards of strategic accounting:

- organization of strategic accounting at an enterprise;
- strategic cost accounting;
- strategic accounting of capital (tangible, intangible and financial);
- strategic accounting of environment;
- strategic accounting of business processes (innovation, investment, operation, after-sales service);
- strategic accounting of enterprise's value.

It is important to notice that this list can be edited in accordance with the peculiarities of strategic management of an industrial enterprise and specific information needed for its executive clerk group.

Developing the structure of corporate standards of strategic accounting is another issue to be resolved. The solution of this problem is implicitly represented in the work "Corporate standards: from concept to instruction, practice of elaboration" by S. Nikolaeva and S. Shebek (2003). These economists propose to use the following structure for all corporate standards: name, scope, term, terms and abbreviations, responsibility, methodology description, guidelines and application, delivery to users, amendment, supplement (Nikolaeva and Shebek, 2003). This approach is rather debatable concerning the corporate standards of strategic accounting. It is impossible to elaborate a common structure of these documents because of peculiarities of strategic accounting. The separation of the section "Methodology description" is controversial, too. The implementation of this approach into practice of national industrial enterprises will break the flexibility principle. In this case management accountants will lose a certain freedom of actions, which allows them achieving certain objectives through operational optimization and rationalization of their actions depending on changes in business environment of an enterprise.

The validity of this point of view is also confirmed by the results of the analysis of external standards of strategic accounting worked out by the Institute of Management Accountants of the USA (1996, 1998, 1999, 2000, 2006). The study showed that these documents contain the next common sections: title, rationale, scope, review of the instrument or object of strategic accounting, the role of financial professional, conclusion, appendix, glossary, bibliography, exhibits. In its turn, these standards also include additional sections, the contents of which depend on the specificity of the object of regulation.

Thus, basing on the results of the study, the author recommends to include the following elements into the structure of standards of strategic accounting:

Title.

Normative references.

Terms and definitions.

Content (by section).

Appendix.

Bibliography.

**Conclusions and prospects for further research.** Based on the results of the research an integrated approach to external and internal standardization of strategic accounting at industrial enterprises has been developed to provide the effectiveness of their strategic management. Implementation of these proposals into the practice of national industrial enterprises will help to simplify the process of making strategic management decisions. Also, it will facilitate the passage of the certification process for compliance with international standards of quality and a number of other management standards.

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