



WWJMRD 2021; 7(10): 75-78
www.wwjmr.com
International Journal
Peer Reviewed Journal
Refereed Journal
Indexed Journal
Impact Factor SJIF 2017:
5.182 2018: 5.51, (ISI) 2020-
2021: 1.361
E-ISSN: 2454-6615
DOI: 10.17605/OSF.IO/H5EK3

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The Role of Strategic Management Accounting in Business Continuity and Sustainability in Developing Countries

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Abstract

Every organisation strives for continuity and sustainability in the competitive market. While organisations must ensure to have Business Continuity Management (BCM), it is also important to make sure it is deep rooted in core Strategic Management Accounting (SMA) techniques and principles. The main importance of SMA is demonstrated in its examination for support strategy as well as alignment to support better positioning. This paper is conceptual in nature and it fulfils its purpose by conceptualizing the influence of SMA on assuring business continuity and sustainability. In this paper, the SMA general roles taken into consideration includes setting financial goals risk management and acquisitions. Of the numerous techniques, customer profitability analysis, competitive position monitoring, budgeting, costing, benchmarking and activity-based costing have been explained. The components of Business Continuity Management have also been examined in-depth. The role of SMA in Business Continuity have been thoroughly examined

Keywords: Strategic Management Account, Business Continuity Management, Sustainability, Cost benefit, Business Objectives

Introduction

In recent times, it has become increasingly important for businesses to continue to serve its customers and bring more value to them while the business continues to make profits and build a reputation that will last for a long time [1, 2]. To be able to achieve this, the business needs to be competitive enough to remain relevant due to the fact that it is important to have business continuity plans in case of events such as disasters or even unforeseen terror attacks [3, 4]. However, it is not just enough for a business to exist, but to be strategically relevant to its environment, customers, and industry. The provision and management of accounting data about business as well as its competitors in order to develop and monitor business strategy is called strategic management accounting [5, 6]. The role of strategic management accounting in business continuity and sustainability cannot be over emphasised. The purpose of this paper is to carry out a conceptual examination of strategic management accounting, business continuity, and sustainability.

Literature

Conceptualizing Strategic Management Accounting

The concept of strategic management accounting is not new and has been in existence as far back as the 1980's but mostly common with big corporations [5, 7, 8]. It plays a significant role in an organisation especially when it involves financial goals and decisions, risk management as well as acquisitions that would in a way impact a business lifeline or continuity.

Importance and Purpose of Strategic Management Accounting

Hart and Roslender had previously identified three distinct concept of strategic management accounting, as part of its importance [9]. These include

1. Examination of generic strategic tools to see how management accounting information can be of help in terms of support strategy

2. Alignment of management accounting with marketing in order to support better strategic positioning
3. Using all terms of a number of modern management accounting techniques, especially when it contains strategic element.

These clearly explains the capability of strategic management accounting both within an organisation as well as outside as the organisations relates to its competitors. It becomes important to examine its role to further see how it affects every day business.

The General roles of Strategic Management Accounting

There are numerous roles that affects and impact the future of an organisation. These roles may be general for organisations but same time, specific to them, as explained by Merrimack [10] which include:

1. Setting financial goals: it involves the utilisation of an accountants in-depth knowledge of figures and the ability to further use the data for financial projections
2. Risk management: it involves how accountants are able to get to the heart of financial transactions involves in any proposed plan in order to make them well prepared to further analyse associated risk
3. Acquisitions: it involves how accounts are able to assess a situation involves other companies, especially when mergers and acquisitions are highly considered, taking into considerations, area of concern as well as opportunities

In as much as these roles impact organisations in different ways, it is important to understand strategic management accounting techniques and practices in order to properly implement each distinct one where it is most applicable.

Strategic Management Accounting Techniques

There are a number of techniques that does exceptional things to yield exceptional results, as further explained [8]. These techniques include

1. Customer Profitability Analysis: It involves a situation where SMA takes into consideration the revenue stream as well as the service cost involved with different groups
2. Competitive Position Monitoring: it basically involves the review of the company's performance in its market position context and also market position of key competitors. It may also estimate its competitors cost per unit on the basis of data that is available to further examine competitors financial statement which shows both strength and weakness
3. Budgeting: it involves examination of both value and capital budgeting. Value budgeting deals with financial value to equity created by a brand. Capital budgeting focuses on long term capital investment selection
4. Costing: this involves doing costing based on activity, product attributes, life-cycles, quality, targets, and value chains. All these combines to determine if an investment in either an improved product or new one is worth it.
5. Benchmarking: this deals with identification of different level of performance and underperformance using data gathering targets as well as comparators. It also go along in helping, especially in the determination of best practices to further improve performance.

6. Activity Based Costing: it involves both costing and monitoring of activities, using tracing resources consumption and eventually costing the final outputs.

The distinct techniques have diverse utilisation and information they produce, each targeted at providing strategic driven decisions for an organisation. It is no doubt that strategic management accounting is all encompassing and relevant, however, the question that one needs to ask is how does this impact business continuity and sustainability, especially when considering developing countries which in itself have unique characteristics that define them. This further calls for the examination, analysis as well as understanding of business continuity and sustainability.

Conceptualizing Business Continuity and Sustainability

Business continuity explains how an organisation is able to respond and still function in times of emergency, as critically explained by Long (2017) saying "*Business continuity is the advance planning and preparation undertaken to ensure that an organization will have the capability to operate its critical business functions during emergency events*" [11]. Events in this regard can include, pandemic, financial crisis, workplace violence, business crisis as well as natural disaster. The sustainability part helps meet challenges and solves current problems without compromising the future of the business [12, 13].

Business continuity is usually implemented in form of management and so a Business Continuity Management program comes into play. However, it becomes also important to integrate sustainability into the a BCM program to further provide leverage to still function as an organisation and furthermore meet its current challenges without depriving itself of its future gains [14]. It becomes necessary to understand the components of Business Continuity Management.

Components of Business Continuity Management

There are quite a number of components of a business continuity management with each component as important as the other. Rock critically explained 9 critical components which includes [15]:

1. Business Continuity Plan (BCP): this is described as a written document with specific instructions that outlines every aspect of a company in terms of how prepared it is, response and also recovery. A good plan may include object of plan and why the company needs it, what makes up a disaster and other related considerations.
2. The Recovery Team: a continuity plan is useless without a team in place to execute it. This is because the team is responsible for planning and further execution of emergency procedures.
3. Risk Assessment: this is the centre of all due to the fact that it is important for an organisation to be able to assess the company's distinct risk. Risk assessment helps an organisation especially when it comes to determining vulnerabilities and how they relate to disruption of operations
4. Disaster Response Procedure: at the completion of a risk assessment, it becomes important to know what procedures would be taken in the event of a disaster. Different disasters may require different approach and steps, this means steps should not be general but must be specific to disaster type.

5. **Technology:** it is an integral part of the continuity plan as it is important to identify and also implement technologies that would facilitate business continuity. Such technologies may include data backup and recovery solutions, cloud storage and related software.
6. **Asset Backup:** this is also important have a location for asset backup including backup equipment in order to safeguard physical properties
7. **Lines of Communication:** it is important to have the ability to keep communicating in terms of emergency. Lack of communication may delay recovery.
8. **Test and Mock Recovery:** it is important to always put an organisations business continuity plan to test on a regular basis. Results from regular test can be further used to its strength and weakness.
9. **Plan Updating:** constant evaluation and update of company's continuity plans must be done regularly, which can be facilitated by determine how business continuity plan should be reviewed, scheduled recovery meetings for recovery teams, and performing risk assessment

A clear understanding of business continuity management is the step that serves an anchor towards understanding what role strategic management accounting plays in business continuity and sustainability, taking into consideration, developing countries.

The Role of Strategic Management Accounting in Business Continuity Management

In developing a business continuity management, an organisation needs to be financially capable to execute a plan that works for the organisation and not just a general plan. Strategic financial management professionals provide such valuable information, this forms a point of integration for Strategic Management Accounting and Business Continuity Management [16].

According to the Chartered Global Management Accountant strategic management accounting plays 3 main roles in business continuity management [17]. These are

1. Cost benefit analyses

As further explained by CGMA (2016), a sound cost benefit analyses are essential for business continuity due to the fact that cost of ensuring process resilience and technology facilitation can quickly go out of control. A systematic way or process in which business use as an analysis tool to make critical decision relating to which action to proceed with to forgo [18].

2. Aligning investment with business objectives

It is also important align investment with business opportunities in order to be able to meet organisational goals. This becomes achievable when there is a clear understanding of revenue generation businesses, project criteria for success or failure and the type of support as well as understanding the business unit has by financial management professionals [19, 20, 21, 22, 23]

3. Identification of organisational changes impacting investment

As further explained by CGMA, finance departments have taken leads roles when it comes to establishing organisational regulatory compliance processes which are also sustainable over time [18]. These may also include: internal control culture creation, establishment of business unit ownership of internal control and internal control integration.

Discussion

Strategic Management Accounting has been established to focus more on the financial information that provides a clear indication that affect organisational decisions while Business Continuity Management lays emphasis on creating a favourable and practical procedure to manage disasters and further integrating sustainability in order for the organisation to still meet current and future demands. However, Strategic Management Accounting practices are rooted in Business Continuity Management. This means for Business Continuity Management to be successful, Strategic Management Accounting practices have to be strategic and right to have the desired impact and effect, especially on organisational decisions that put an organisation on a pathway to meet its organisational goals and business objectives. The success of Strategic Management Accounting on Business Continuity Management, creates the sustainability the keeps the company relevant and also competitive. This further explains the significance of the role Strategic Management Accounting plays on Business Continuity Management.

Conclusion

In conclusion, this conceptual paper has evaluated the dynamic role of Strategic Management Accounting in Business Continuity Management. This influence is a vital one which has the potential of either creating continuity and sustainability of the organisation, or the eventual death of that organisation. The Strategic Management Accounting techniques must be defined and clear of its intentions while Business Continuity Management must ensure its plan is rooted in core Strategic Management Accounting practices that would practically bring sustainability. The two strategies are interrelated and it may be difficult to separate one from the other.

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