Research Article

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The Relationship between Management Accounting, Strategic Management Accounting and Strategic Cost Management

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Abstract

The object of the paper is to study the relationship between management accounting, strategic management accounting and strategic cost management. The Aim is to define each of them based on a systematic literature review of different accounting literatures in strategic management accounting, to emphasize the relation between them. The paper attempts to offer definitions of Strategic cost management based on different authors throw the years and also to reveal a relationship that exists between Strategic Management Accounting and other disciplines. The enduring value of contextual view of management accounting and its content emphasizes power and relationship between Management Accounting, Strategic Management Accounting and Strategic Cost Management. The methodology used for this paper is descriptive and comparative based on a systematic literature review from different books and journals, especially Scopus indexed journals taken by Elsevier, emerald insight and other trustable library sources. The paper explores a comparative analysis between management accounting and strategic management accounting. Practical limitations of this paper have been mainly focused on having access to Scopus indexed journals. Also, another limitation encountered is related with electronic library which in our country is very difficult and even impossible to have free access in reading and downloading related papers. The intention was to identify similarities and differences between Strategic Management Accounting and Strategic Cost Management and also the relationship that exists between them. The paper concluded that Strategic management has as its primary goal the efficient use of all resources while focusing on the competitive advantage of an organization. Hence, SMA could be considered as an integral part of the strategic management; an interaction of the management and the SMA techniques is important for the more efficient management of an entity.

Keywords: *Accounting, Management, Management accounting, Management Accounting practices, Marketing, Strategic Cost management, Strategic Management Accounting (SMA)*

1. Introduction

The aim of this paper is to inform the reader about the relationship that exists between Strategic management Accounting, management accounting and strategic cost management. It is organized as

follows: first part demonstrates the methodology which is used in this paper. The second part is a literature review focusing in a comparative analysis showing the characteristics of management accounting and strategic management accounting. The third part shows some definitions of Strategic cost management, by identifying some similarities and differences between Strategic Management Accounting and Strategic cost management. The fourth part consists in a brief overview of Strategic management accounting as an integral part of Strategic management. It also reflects the relationship between SMA and other disciplines. The next part finally examines the analysis, results provided by the paper and useful conclusions accordingly.

2. Methodology

To analyse the relationship between management accounting, strategic management accounting and strategic cost management, the author uses a qualitative method, using document analysis. Taking into consideration the purpose of the study, I have carried out a bibliographic search in international reference database such as Scopus, Sciendo, Elsevier as well as institutional libraries. The research was conducted during two months based on the search for specific terms in the article titles and respective abstracts "Strategic Management Accounting" and "Strategic Cost Management". After this collection, I have selected the relevant documentation through a preliminary reading of all the documents and papers within the scope of this research study. Papers are analysed according to year of publication, author, research site and research method. A specific analysis was carried out, using this analysis technique.

3. Literature Review

3.1 Management accounting VS Strategic management accounting

On the one hand, SMA has always been considered as a variation of management accounting and consequently its role remains to provide information for decision making. Wilson's (1995, p. 163) writings demonstrate SMA as the perfect idealized form of management accounting, or to be more precise, SMA is the management accounting after being removed all criticism of 1980s. On the other hand, SMA differs from traditional management accounting at least by two general points:

- SMA is about primarily strategic decisions,
- The information needed in SMA may be partially generated outside the firm.

Table 1 summarizes a number of more detailed differences between the traditional management accounting and SMA. The comparative analysis indicates that traditional accounting is data oriented, i.e., facts and statistics are collected together for reference or analysis, while SMA is information orientation, i.e., facts are provided or learned about something or someone. Traditional management accounting is historical and it refers to the actual accounting data of the firm, while SMA is more prospective because it refers to the future information of the firm. Traditional management accounting indicates a single entity and a single period of time, while SMA indicates a relative entity and a multiple period of time, that depends on the needs that entity should have for its strategic management. Traditional accounting is inward-looking and overlooks linkages that are created inside, while SMA is outward- looking and embraces the linkages that are created. Another difference is that traditional accounting has a manufacturing focus while SMA has a competitive focus. In traditional accounting we have to summarize different existing activities based on existing systems, while in SMA we have to show new possibilities, new challenges, new developments for a better competitive advantage unconstrained by existing systems

Table 1: A comparative analysis of management accounting and strategic management accounting

Management accounting aspects	SMA aspects
Factual	Proposed
Individual entity	Joined Entity
Single duration	Multiple duration
Single judgment	Sequence arrangement
Subjective finding	Fact finding
Productive target	Challenging target
Current enterprises	Prospect enterprises
Active	Dedicated
Registered	Not registered
Overpass connection	Clutch connection
Statistic directions	Reports direction
Established on actual rules	Based on actual rules
Created based on codes and rules	Avoided codes and rules.

Source: Wilson (1995, p. 163), based on Wilson and Chua (1993[5,3]

3.2 *Strategic Management Accounting VS Strategic Cost Management*

Strategic Cost Management (SCM) is a term that came up simultaneously with the term Strategic management accountiong. The initiators were two American authors, Shank and Govindarian, who wrote the first articles on SCM (Shank 1989; Shank and Govindarajan 1989). In the 1996 some articles on SMA issue were published but two of the articles at the time were precisely referred to the SCM issue (Shank 1996a; Carr and Tomkins 1996). Editors of the magazine at the time regarded SCM as part of SMA. One reasonably may ask – what is the difference between SMA and SCM; aren't they one and the same.

In answering that question, a good starting point is to consider how SCM has been defined in the academic literature. Tab. 2 summarizes some of the seminal definitions of SCM. It clearly indicates that the SCM definitions appear to be different from the SMA definitions.

Table 2: Definitions of strategic Cost Management.

Source	Definition
Shank [30] (1989, p. 50)	Strategic cost management according to Shank is explained as a strategic use of cost-related information and mainly one of the four steps of the strategic management circuit. This strategic management context differentiates strategic cost management from managerial accounting.
Wilson [42] (1995, p. 163)	According to Wilson (1995), Strategic cost management aims to reduce unit costs continually in real terms over the long run. Managers only start to manage costs strategically when they identify the significant costs of the enterprise and then apply effort toward reducing them.
Cooper and Slagmulder [8], (1998, p.14)	According to Cooper and Slagmulder (1998), Strategic cost management is the application of cost management techniques so that they simultaneously improve the strategic position of a firm and reduce cost.
Blocher, Chen and Lin [7], (1999, p. 27)	According to Blocher, Chen and Lin (1999), a more complicated cost structure of an enterprise can lead to the creation of a competitive advantage for firms and also based on this often in studies we refer to a most Strategic Cost Analysis.
Anderson (2007, p. 482)	According to Anderson (2007), strategic cost management can be defined as a key goal of a firm, which aims to enable a cost approximation of a product or service with the firm's strategy and maximize its strategic performance.
Guan, Hansen And Moven (2009, p. 377)	According to Guan, Hansen and Moven (2009), strategically managing costs or Strategic Cost Management enables us to use and utilize data related to the costs of an enterprise by identifying the best strategies that lead to a sustainable competitive advantage for each firm.

Source: Author

Early articles by Shank (1989, 1996) and followed by Shank and Govindarajan (1989) clearly outlined three practices that should be followed by SCM. All three topics influence the focus of cost analysis to make strategic choices. Each of the three themes is an indispensable component of Strategic Cost Management analysis, but a full analysis would be if all three topics were included.

1. Value Chain Analysis. In the context of Strategic Cost Management, the cost management process effectively requires a broad focus. Following Porter (1985) this cost perspective is considered as a value chain. The value chain is the set of activities that are related to one another and are part of the business process of a firm, ranging from the purchase of raw materials and auxiliary materials to the process of distributing the finished product to the consumer, and even recycling until the start of a new value chain cycle.
   One needs to bear in mind that the value chain differs from value added. Value added begins with payments to suppliers for the purchases that firms make and ends with cashing in, for sales that firms make. The added value, therefore, is the difference between sales and purchases and the main purpose is to maximize the difference between sales and purchases. Value added analysis starts very late and ends very quickly, and the start of cost analysis with acquisitions loses all opportunities to exploit links with the firm's suppliers. According to Shank (1989) such opportunities can be very important for a firm.
2. Cost driver analysis. So, what elements or factors cause the cost? Shank and Govindarajan suggest that cost estimation is not limited to traditional cost drivers such as labor, which give a basic picture of reality and as a result lead to incorrect decisions.
   According to Shank (1996) in conventional management accounting there is only one cost driver – the production volume. The higher the production volume, the lower the unit costs and vice versa. Volume-dependent management accounting cost concepts are: fixed cost in alternative with flexible cost, standard cost in alternative with marginal cost, the analysis of cost-volume-profit with breakeven point and flexile budgets. Whereas, according to the strategic management literature (Riley, 1987), cost drivers are divided into two major groups: (1) "structural" cost drivers and (2) "executional" costs drivers. For "executional" cost drivers, it doesn't always exist the theory that the greater the volume of production the better the cost position. And secondly, not always a complex production line is better than a simple production line. The "structural" cost drivers category has about five strategic choices regarding of the organization's underlying economic structure (Shank 1989): scale (how big is an investment to be realized); purpose (degree of vertical integration); experience (how many times the firm has implemented the product that is being reproduced; technology (what technological processes are being used at each step of the firm's value chain; and complexity (how wide is a range of products or services to be offered to customers).
   The potential list of "Executional" drivers includes the following (Shank 1989): workforce involvement (management as a participant); workforce commitment to continuous improvement; total quality management, TQM (benefits and achievements in terms of product quality); effective capacity utilization; efficiency of extending production performance efficiency of product design or formulation; utilizing links with suppliers and customers along the value chain.
3. Analysis of competitive advantage. One of the important topics for strategic management and SMA is precisely the analysis of competitive advantage. According to Porter (1980) in order to have a competitive advantage in the market we must compete with: (1) the lowest cost and (2) the product differentiation. Lower cost positioning and product differentiation are complementary to the competitive strategy. But competition in a market is always dynamic as business conditions in different countries and markets change.
   The essence of "the lowest cost" strategy is to come up with the lowest cost products in the market in order to be the market leader in terms of cost, otherwise known as the cost leader, and to have a strategic position in it. A reduction in a firm's costs can be achieved by

continuously analysing costs and controlling costs, reducing costs related to research and development, services and advertising.

The essence of "the product differentiation" strategy is to create a product that is conceived by consumers as unique. Product differentiation phenomena include brand loyalty, superior customer services etc.

Table 3 depicts the comparative analysis of SMA and SCM.

Table 3: A comparative analysis of strategic management accounting and strategic cost management

Strategic Management Accounting	Strategic Cost Management
SIMILARITIES	
- Work on data from the management accounting system, related to costs - designed for strategic decision-making - focus external to the firm	
DIFFERENCES	
Origins / Channels	
UK, *Management Accounting Research*, British textbooks	US, *Journal of Management Accounting Research*, US textbooks
Underlying Theories / Concepts	
Attributes (as used by Lancaster) Economics (Baumol's theory)	The two generic strategies, the value chain (Porter) ABC (Kaplan)
Objective	
Broad: contributing to strategic decision-making	Specific: determining and maintaining the firm's competitive position
Method / Techniques	
Consumer Life Period, Activity Based Cost, Critical Price or costing, Trademark Evaluation, Consumer Covenience, The cost of Life series or cycle, Benchmarking, the cost of attribution, Chain evaluation Cost, Strategic estimation costing or pricing, objective Costing, The analyse of Capacity Pricing and Convenience, Estimation cost of consumers or assets etc.	Value chain; Analysis of cost drivers and activity drivers; Competitive position

Source: Shank, 1989, p.48.

SMA incorporates a variety of techniques and many scholars define SMA by influencing the techniques that it incorporates such as: Consumer Life Period, Activity Based Cost, Critical Price or costing, Trademark Evaluation, Consumer Convenience, The cost of Life series or cycle, Benchmarking, the cost of attribution, Chain evaluation Cost, Strategic estimation costing or pricing, objective Costing, The analyse of Capacity Pricing and Convenience, Estimation cost of consumers or assets and different structures of strategic performance analysis. Some scholars and commenters reject the idea that activity-based costing is part of SMA, Different academics and critics declines the idea that activity based costing is part of Strategic management accounting, and but in fact after the discovery of SMA, much researches have been made precisely by studying the techniques of SMAs and especially activity-based costing. SCM is more limited than SMA because it aims to work on the firm's cost structure to improve and strengthen its competitive position.

3.3 *Strategic management accounting as an integral part of strategic management.*

So far, the main focus was on theoretical arguments about SMA (for more arguments, see Bromwich, 1990). However, after defining SMA and outlining the differences with the traditional management accounting and SCM, it is needed to position it within the broader framework of organizational strategic management. The Hunger and Wheelen's (1996) four-stages model of strategic management will be used to underpin that discussion (environmental analysis, strategy formulation, strategy implementation and strategy evaluation).

As already discussed, strategic management has as its primary goal the management of all the resources of an economic life, focusing mainly on its competitive advantage of an organization. Managers deal primarily with the external affairs of a company and are market oriented by continually seeking information about them. With the constant turbulence of the market, the role of strategic management is becoming increasingly important. To be efficient, that process requires information, which is different at each of its four stages.

Various professional groups within a firm strive to continually complete the information required for the needs of strategic management. As early as about 40 years ago, Simmonds discovered that management accounting had to be strategically oriented in order to continue to play a very important role in a company and its management. It is obvious that if accountants fail to provide that information themselves, other groups will do it. Accountants cannot take on the role of strategy formulator; they need to work continuously with individuals in other areas who possess other kind strategy information (e.g., marketing or business planning or economics, etc.) in order to support strategic management.

The four stages of strategic management are briefly discussed in what follows below and each stage is matched against some broad SMA techniques, showing that they were truly designed to serve to the information needs at the respective stage. Fig.1 is designed to support the discussion.

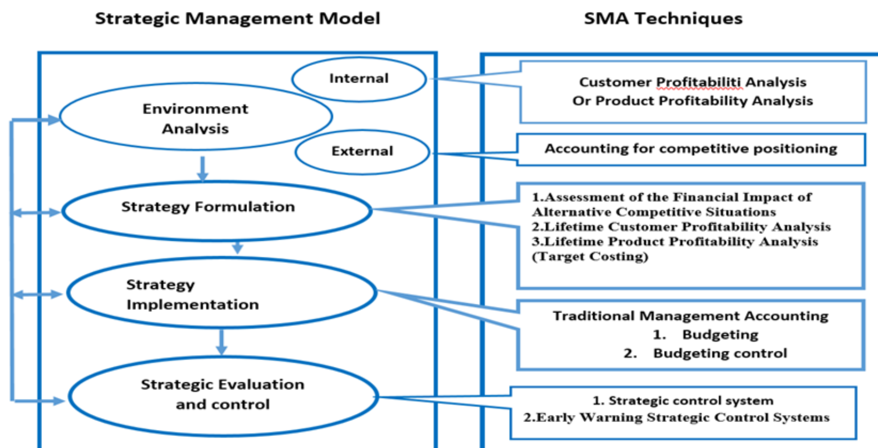

Figure 1: Strategic Management Accounting as an integral part of Strategic Management.
Source: Hunger and Wheelen's (1996)

4. Stage 1 – Environmental Analysis

Usually, the strategy has to be decided by making assumptions about the future. An organization must have developed assumptions about the future before formulating a strategy. But in the meantime, one has to consider the fact that predicting the future is a very complex task. Hussey (1998) explained that predicting future events means trying to make incomplete and indirect information as comprehensible as possible. Environmental analysis helps organizational management to avoid unexpected situations and to ensure a longer life for the organization.

Environmental analysis involves the internal and external analysis of a company. The direct external environment includes variables outside the entity that do not have direct control over management, and can be subdivided into two other sub-divisions. An example is the industry in which the firm operates. Industry includes all the factors that directly affect a company such as competitors, customers, suppliers, shareholders, creditors, governments, etc. All other factors that

have less direct impact on the company form the indirect external environment. Such factors include: economic, socio-economic, legal, political and technological which do not directly affect management.
The internal aspects of the environmental analysis relate to a specific product in a specific market. As these are direct factors, financial and non-financial information on the products and markets (customers) and competitors is required (Ward, 1992). SMA helps organizations by identifying which customers or products are profitable and which competitors are a serious threat to the firm.

4.1 Accounting for the Competitive Position

A competitive strategy aims to create a sustainable profitable position by confronting all the forces that determine competition in an industry. Competitive advantage can only be created by comparing it with that of a competitor in the market. Competition as a position is extremely dynamic because it is a never-ending battle between competitors. Furthermore, any competitive movements could be influential for long periods of stability (Porter, 1998).

Before the formulation of the strategy, an assessment of the existing competitive position must be made. Simmonds (1981), who has been designated as the first competition accounting advocate, suggests that the collection and analysis of strategic data must be accomplished by someone skilled in management accounting in order to be as accurate as possible. Simmonds's ideas were followed by Guilding (1999) who emphasized that the impact that an entity has on competitively focused accounting is more efficient than limiting it to management accounting only. Guilding compiled a list of five specific competitors-focused accounting practices that are:

- cost estimation of competitors;
- monitoring competitive positions;
- assessment of competition based on the financial statements published by them;
- cost strategy;
- pricing strategy.

The most commonly cited practice is evaluating the cost of competition (e.g., Bromwich, 1990; Ward, 1992; Porter, 1998). Proponents of this practice believe that if the costs of a competitor are well known then there is greater publicity in choosing the right strategy.

Competitive position monitoring further deepens the analysis process by considering other important variables. The advocate of this practice (Simmonds, 1981) argued that increasing the cost of a competitor when dealing with brand investments or new product developments is not very favourable. He repeatedly emphasized that competitive position is also assessed by analysing various movements such as: market share, market volume, market prices, competitor sales and profits. Moon and Bates (1993) held that competitive advantage and its resources are easily identifiable even by analysing a competitor's published financial statements.

Recent practices are cost strategy (Shank and Govindarajan, 1992) and pricing strategy (Simmonds, 1982). Both authors are of the view that strategic issues should be considered in cost analysis or pricing decisions.

4.2 Customer Profitability Analysis

Traders generally have a slogan that states customers are always right and that all customers are important. Recent research has shown that quite the opposite is happening in modern times. If we study the cost of customers, we would conclude that some of the customers (about 70% of them) are not profitable for a company (Hope, 1998). According to Ward (1992) the introduction of SMA levels precludes the notion that profit comes from all customers.

A customer's profitability is defined as the total sales revenue of a customer after deducting all costs incurred to serve that customer. Determining the revenue generated from a customer is quite

simple, while estimating the cost for the same customer is more difficult mainly because of the overhead costs. Schnoebelen and Skillern (1996), Drury (1998), and Hope (1998) suggest activity-based costing to solve this issue. However, Smith (1997, 2000) and Ward (1992) are of the opinion that total costs should not continue to be distributed evenly across all customers. Ward (1992) opines that the analysis should be based on avoidable and incremental costs. Cost sharing should not be done on fixed costs and variable costs but an assessment should be made that avoidable costs should be considered more. This helps the decision-making process to be more effective.

4.3 Product Profitability Analysis

The profitability of the product is very similar to the customer profitability. Both raise the problem of excessive costs. Product cost has consistently been one of the major problems of all companies, so they have used sophisticated cost allocation systems over the years. For years various management accounting literature has supported the idea driven by Cooper (1990) that decisions are based on the additional costs. After observing 150 different cost accounting systems in the US, researchers came to the conclusion that as a basis for making the decision-making process, companies generally use full traditional costs. Cooper and Kaplan (1988) suggested a more sophisticated method of allocating costs for each product, the activity-based costing (ABC) method.

The ABC method is considered to be the most accurate method for determining the incremental cost of a product by providing information on the product cost, which is very important for decision-making (Drury, 1998). Apart from being a very accurate method, the ABC method performs a careful re-check of the costs incurred. The concept of "Direct Product Profitability" is a very essential concept when analysing a product. This concept is usually associated with the American company Procter and Gamble (Ward, 1992). It was the first company to turn product profitability analysis from an in-house review into a strategic marketing tool by influencing the external environment.

5. Stage 2 – Strategy Formulation

Once the information is gathered in the first phase, the strategy formulation should begin. The key step in formulating a strategy is to set strategic objectives. Strategy implies the mission of achieving objectives while strategy formulation indicates the development of long-term plans for achieving strategic objectives in an entity. To succeed, we must maximize competitive advantage and minimize competitive disadvantage. To design a proper strategy, we need to predict the expected future behaviour of existing customers and existing competitors.

5.1 Assessment of the Financial Impact of Alternative Competitive Situations

Competition analysis aims to compile a list of competitors with their respective characteristics and the actual strategies used by them. This list helps predict competitors' future behaviours and inference about future strategies they can use. Ward (1992) stated that few industries dominate the market. And using modern technologies, alternatives to strategic initiatives such as price reductions, increased advertising levels, etc. can be envisioned and the outcome for each of the businesses involved can be realized. Such a model tells a company how to respond to key initiatives or how to avoid risky initiatives. Of course, no model can ideally predict all the answers, but at least predicting competitive strategies is of the utmost importance because it makes managers aware of the opportunities and threats they face.

5.2 Lifetime Customer Profitability Analysis

A company pursuing market development or diversifying strategies by seeking new customers does not adequately consider customer benefit analysis. If the company is looking for new customers, first,

it must study the revenue that these customers intend to bring and the costs of absorbing those customers (Jung and Riegler, 1999), and, second, it must have in mind that benefits from the customers change over time. Recent studies have claimed (e.g., Walker et al., 1995; Hope, 1998; Zeithaml, 2000) that a customer's benefits increase with increasing the longevity of commercial relationships.

As the costs of attracting new customers are high, they have a negative impact on the short-term benefits of the company (Jacob, 1994). Companies need to study which customers are likely to be loyal. Every company aims to maximize long-term benefits. When targeting a new customer, he should consider whether his investment costs are intended to achieve high future profits. A company should make initial investments based on what the returns will be intended to be achieved during the customer life cycle. One of the techniques considered as superior for measuring return is Net Present Value or NPV (Brigham and Gapenski, 1996).

5.3 Stage 3 – Strategy Implementation

The implementation stage is the stage that converts strategy into reality. The effort made for the first two phases is unrealized if management does not develop a strategic plan. Corboy and O'Corrbui (1999) claimed that in the UK up to 70% of all businesses do not implement the strategy, which reflects the seriousness of the problem
One of the main reasons for this deficiency is the poor communication, very often the staff do not know how the strategy will be implemented and individual responsibilities are not known.

5.3.1 Budgeting

Budgeting is among the primary issues of management accounting. Any strategy that is drafted should also have a monetary planning. Exactly the cash valuation is called Budget. Budgeting is one of the areas of most interest for management and convenience. Annual budgeting is needed to support the effectiveness of the work

5.3.2 Budgetary Control

Budgetary control is also a very important element of management accounting. The purpose of this audit is to check the compliance of the plans drawn up with those implemented with the aim of successfully achieving the objectives. This process is very important and the manager's attention goes mainly where we deviate from the plan with the fact. The three main problems encountered are:

- focus on short-term annual performance.
- excluding non-financial objectives
- excluding a comparative analysis with competitors (Goold and Quinn, 1990).

6. Stage 4 – Strategy Evaluation

According to Hunger and Wheelen (1996), evaluation and control are two very important elements of a corporation because they monitor actual performance activities and compare with planned ones. The adversary of the idea of strategic control emphasizes that it only brings information when it is not important to make significant changes in strategy implementation (Pučko, 1999). Various authors argue for a broader concept of strategic control, the differences between what is actually accomplished and the plan that is designed will change individual behaviours and question assumptions in support of the plan (e.g., Lorange et al. al., 1986; Goold and Quinn, 1990; Asch, 1992). Therefore, control aims at matching strategic plans.

6.1 Strategic Control Systems

This type of systems aims to ensure the implementation of the strategy as planned. The criteria used are the strategic plans and objectives set. When a deviation is noticed, reactions occur and the strategic management process is recycled (Schendel and Hofer, 1979). The problem with this type of system is that goals are generally long-term while people tend to be motivated by short-term goals. In order to strike a balance of relationships, it is suggested to establish short-term measures to advance the long-term strategy in order to strike a balance between short-term strategy and short-term operations (Goold and Quinn, 1990). It is precisely in support of this issue that Kaplan and Norton (1992) developed a Balance Scorecard (BSC) model that is easily gaining popularity in practice. This model complements the traditional management system, which had the inability to align a company's long-term strategies with its short-term actions.

6.2 Early Warning Strategic Control Systems

The Strategic Early Warning Control System is intended to provide information about unexpected developments in the environment. The system serves as a signal that indicates if a company's assumptions are still correct and strategies have to be changed due to environmental changes. This notion of strategic control is well known by strategic management theorists, while accountants have only today, begun to understand its importance.

Since the SMA is seen as an integral part of the management accounting, an interaction of the management accounting stages and the SMA techniques is important for the more efficient management of a subject.

7. The Relationship Between SMA and Other Disciplines.

7.1 Strategic Management Accounting and Management

SMA was born to improve existing accounting related to the criticisms made about it. Each organization aims to make the most efficient use of its resources through strategic management in order to achieve a competitive advantage in the market. As the market is constantly impacted by changes, it is observed an increasing role of strategic management and managers to serve to the enterprise. On the other hand, for an accountant to have a very important role at the entity s/he should not be focused only on figures but should have a strategic focus.

In the 21st century, the phenomenon of globalization significantly affected the local and global economies and influenced the perception of management accounting. Today management accounting plays a bigger role in an enterprise because it also provides information on strategic decision making. The global environment that surrounds us today, is characterized by intense competition. In order to compete in the market and have a competitive advantage, organizations need to make strategic choices. Being a strategic accountant, the manager should also be involved in negotiations and help managers collaborate with clients, replace products in the market and make enough cash to fund a given strategy.

In order for a management accountant to strengthen his strategic role s/he will need to focus on SMA. Management accountants spend many hours focusing on SMA in order to expand the traditional accounting space. According to IFAC (1998), management accounting has evolved from focusing on reducing losses to creating value by using resources efficiently. Whereas according to Hilton (2004) management accounting plays a very important role in creating value through the management of resources, activities and people contributing to the planning and decision-making process.

7.2 *Strategic Management Accounting and Marketing*

SMA is also related to the marketing discipline. SMA needs to get a great deal of information from marketing in order to realize a competitive advantage in the market and to perform a competitive position analysis, in terms of prices and costs. This is in order to make the choice between the two possible strategies "the lowest cost" or "the product differentiation" (Porter 1985).

SMA also had to deal with customer study, and especially customer value chain analysis, to see what is the special thing in a differentiated product that attracts the customer. This information SMA must obtain precisely from marketing and sales functions. So, SMA should have an external focus that is mainly characterized by market research. In these markets, organizations compete not only to gain customers, but also for lower cost, higher quality and faster delivery of products to consumers. So, they compete entirely for all the variables of a market.

7.3 *Strategic Management Accounting and IT*

SMA is also related to the discipline of Information Technology. Today, according to Huang and Hu (2007) Information technology is been converted into the power of every company because only over it, flows the information and the promotion of work processes in an enterprise or big corporate. Some of the advantages, brought by Internet and IT developments, are the expanded functionality, the increased accuracy and the higher speed of data processing.

However, this is not the whole story. According to Sangster (1994), through information technology it has become possible to change the description of managerial accounting and the aspect of the accountant in it. This has led to an increase in the activity and also quality of production through the computerization of work and projects in various organizations and industries. Today they have to possess knowledge in computers and data processing. Furthermore, they need to make predictions and projections developing new assumptions, being creative and adaptable to changes, being excellent consultant and having strategic orientation.

8. Analysis and Results

The analysis of this paper is to examine the relationship that exist between Strategic management accounting, management accounting and strategic cost management.

As a result we can identify that SMA differs from traditional management accounting at least by two general points:

- SMA is about primarily strategic decisions, used to maintain a firm's competitive position, while the traditional management accounting is focused on the operational and managerial level of performance.
- The information needed in SMA may be partially generated outside the firm, while the traditional management accounting generates the information inside the firm. The information in traditional management accounting is generated from inside and also is gathered and analysed to be communicated to all the interested groups inside the entity.

In their 1989 book, Shank and Govindarajan put forward the idea that the error is not about cost or the method of calculating the cost but in decision-making because in solving a problem one must always consider the dimension of the strategy. Shank and Govindarajan suggest that the best way to avoid neglecting this strategic dimension is to consider the three points mentioned above. In one of his papers Shank (1996, p. 193) mentioned the importance of these three points:

> *In relation to the strategy in which cost information is visioned, each of the points means a way of research and analysis, contrasted with the conventional attitude of managerial accounting. Each is considered a necessary element of SCM analysis, but a sufficient and complete analysis must include all three.*

Finally, according to Shank, SCM is not considered a complement to management accounting but it is thought that in specific decision-making situations it will be a substitute for management accounting:

> *The transition from cost accounting to marginal cost analysis is the primary achievement over the past 30 years, while the transition from Marginal Cost Analysis to Strategic Management Accounting is the major challenge of the future. (Shank 1989, p. 48).*

The analysis shows that Strategic management accounting is a broader concept than Strategic cost management. SMA has a more strategic orientation. On the one hand is the generation, interpretation and analysis of management accounting information and on the other hand competition activities provide a dimension for comparison. SMA incorporates a variety of techniques and many scholars define SMA by influencing the techniques that it incorporates.

To conclude, cost analysis is used to serve the strategy that is considered the main pillar for Strategic cost management, unlike Strategic management accounting which focuses mostly on management accounting and its techniques, its stakeholders, although the purpose is be prepared for the strategic decisions of a firm.

The four stages of strategic management are very important and each stage is matched against some broad Strategic management accounting techniques, showing that they were truly designed to serve to the information needs at the respective stage.

9. Discussion

The main discussion of this paper is to reveal if it exists a relationship between management accounting, strategic management accounting and strategic cost management. Based on systematic literature reviews and after analysing the characteristics, the elements and all necessary aspects of each of them it is concluded that it exists a relationship between them, even though there are present similarities and differences which have been taken into consideration during the period in which the paper is conducted.

10. Conclusions

SMA differs from traditional management accounting because it refers to the prospective view but not to the historical one as management accounting does. SMA is focused on multiple periods, while management accounting is focused in single periods. SMA has an outward-looking extending and it has a competitive focus meanwhile to accounting that has a manufacturing focus. SMA differs also from SCM. Generally, SMA aims to contribute on decision making and uses attributes and economics theories while SCM aims to contribute to the competitive position and uses value chain and ABC theories.

SMA is a multidisciplinary field as it relates to many other disciplines such as accounting from which it was born, from management as it has taken the focus of strategic management to expand the concept of accounting. On the other hand, SMA is also related to marketing because in order to have SMA we need to do an external environmental study including market and competitors, markets, prices, values which are elements of marketing. SMA is also related to IT which is very indispensable for making all the registration of selling and buying procedures, of wages, of suppliers, of competitors, of market etc. All these registrations are realized by using computer, internet and IT developed systems.

SMA has brought criticism-based accounting improvements and has certainly brought innovation to the way that accounting will be in the future. The SMA is an evolution of the existing management accounting due to the continuous improvements and contributions it has brought.

Strategic management has as its primary goal the efficient use of all resources while focusing on

the competitive advantage of an organization. It consists of four stages: Environmental analysis; Formulation of the Strategy; Strategy Implementation and Strategy Evaluation. Each of the four stages is related to SMA techniques. Hence, SMA could be considered as an integral part of the strategic management; an interaction of the management and the SMA techniques is important for the more efficient management of a subject.

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