

The Analytical Function of the Accounting System as the Basis for Strategic Planning in Corporate Management

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Abstract: In the modern business management system, the importance and role of accounting and control activities in the process of making strategic management decisions is growing. The general trend towards financial and economic instability and the emergence of new financial risks leads to difficulties at the micro level in the management of companies, therefore there is a growing need for more flexible and adaptive accounting. This study is devoted to substantiating the role and importance of accounting in strategic management of companies, in particular in the processes of making strategically important decisions, in the current unstable financial and economic conditions of growth. The article examines the modern substantive essence of accounting from the point of view of the company's strategic management actions. The relevant functions of accounting are systematized. The role of the accountant's accounting and control work in ensuring the reliability, relevance, and accuracy of data for strategic management decisions in conditions of crisis and instability is considered. The potential risks of improper auditing of financial statements or ignoring the verification of the proper preparation of enterprise reports are identified. As a result, it is established that the negative consequences of existing risks are reflected in problems related to investment, financial planning, and the financial stability of firms. In conditions of significant financial and economic shocks and fluctuations, accounting practice is an integral part of improving the quality of financial management and reporting, and optimizing the strategic management paradigm. The leading role of accountants in providing enterprises with reliable, complete, accurate, relevant, and timely financial reporting is justified. This allows not only to make more informed strategic management decisions, but also to prevent possible financial and economic risks of activities and wrong decisions with significant losses. The practical significance of the research lies in the possibility of its implementation to improve the efficiency and effectiveness of financial activities of enterprises by increasing the reliability, accuracy, relevance, and timeliness of reporting, analyzing the reasons for its non-compliance, and controlling financial results.

Keywords: accounting paradigm, management accounting, financial reporting, strategic decision-making, reporting reliability, strategic financial management, strategic planning.

Introduction

In modern market dynamics, an enterprise is viewed as an element of the international, national, and regional economic system that actively interacts with stakeholders, partners, and government institutions at various levels. In this regard, the importance of synergy between strategic, financial, and accounting tools of management is growing. In modern management practice, it is important to effectively combine the principles and tools for regulating

existing financial and resource potential in order to achieve strategic, tactical, and operational development goals. At the same time, the accounting, analytical, and control work of an enterprise must be adapted to the goals of the company in a timely manner. This task in practical accounting is complicated by the difficulties of communication between different management subsystems, frequent legislative changes that require accountants to introduce operational innovations, and the processes of digitization and automation of accounting operations.

Rational decision-making related to the risks of future losses, financial instability, and financial auditing is a component and prerequisite for effective and efficient strategic management. In this context, financial capital is the object of management by economic entities, including its volume, sources of formation, and use in various areas. The results of management decisions are reflected in cash flows (daily operational management), the formation of profits and losses, assets and liabilities (tactical and strategic management). This information is accumulated and stored in the accounting system as a tool for information and analytical support of strategic management. Thus, accounting should be considered as one of the important means of providing initial information about financial and economic activities for understanding current performance and forming future strategic guidelines for the development of the enterprise.

Literature review

The issue of the role, significance, and functions of accounting in the paradigm of modern strategic enterprise management is quite controversial for a number of reasons. There is a growing number of scientific publications in academic literature on various aspects of the role of accounting in decision-making, and new trends are emerging in accounting related to global trends towards sustainable development, the introduction of corporate social responsibility in business, and the use of technology. Elements of the latest mechanisms for digitizing and automating transaction recording processes and their impact on strategic decisions are highlighted in the works of Ukrainian researchers [1, 2, 3]. One of the popular areas is the information potential of the digital economic space in the context of changes in accounting [4, 5, 6, 7].

A number of scientific publications present developments in algorithms for the digitalization of accounting processes for financial management and propose technological means of digitalization and electronic document management for accounting purposes [8, 9, 10, 11].

Individual studies by leading Ukrainian scientists have made a significant contribution to highlighting the impact of accounting processes on the management system of business entities [12, 13, 14, 15]. The work of Florou et al. [16] lays the foundation for a system for identifying discrepancies in accounting practices, their assessment and analysis for further effective strategic decision-making. It should be added that the scientific and practical value of such a system lies in the fact that it allows companies to detect dishonest and unethical behavior of employees, accounting violations, and prevent significant financial losses and risks to their reputation.

The works of foreign scientists focus on identifying priority areas for improving the efficiency of accounting and control systems [17, 18]. The publications also examine the issues of digitization and automation of financial reporting algorithms in enterprises [19, 20, 21]. In particular, Al Refiay et al. [22] recognize that financial accounting information is the basis for analyzing factors influencing the initial stages of business creation, including competitor analysis and identification of alternative business development options. According to Appelbaum et al. [23] and Appelbaum and Nehmer [24], the emergence of resource planning systems and their integration with accounting systems has provided enterprises with opportunities to store data and improve their decision-making capabilities. The collection of “big” data from various sources allows management accounting professionals to use data analysis methods to answer questions about the current business situation, forecast future growth, and select optimal solutions. These trends have changed the nature of accounting professionals' responsibilities from simply presenting aggregated historical values to measuring enterprise performance and providing managers with information for decision-making [25]. As Alnajjar [26] notes, accounting information systems significantly influence the management of an enterprise's organizational effectiveness through decision-making and the development of strategies to achieve the goals and objectives necessary to improve the efficiency of companies. The latest trends in accounting that significantly improve decision-making include the role of integrated reporting in management control and stakeholder management [27], the use of artificial intelligence methods as built-in modules of audit support systems [28], and business analytics of accounting data as a tool for creating business value [29]. Integrated reporting combines financial performance indicators and information about firms' sustainable practices and corporate governance to improve the effectiveness of business decisions. Despite the latest trends (big data, cloud computing, artificial intelligence), as Janvrin and Watson [30] correctly point out, the main purpose of an accounting system is to create and provide decision-makers with the necessary information.

Despite significant theoretical and practical achievements, the practical impact of accounting functions on strategic management decision-making has been studied rather fragmentarily, without a comprehensive understanding of the consequences of such impact on the formation of firms' profits and losses.

In view of this, the purpose of this article is to substantiate the role of accounting in strategic management decision-making in the current volatile and unstable financial and economic conditions of business entities.

Research methods

The theoretical and methodological basis of the study is formed by a set of priority principles for conducting systematic research based on a holistic approach to systematizing the role of accounting in strategic management decision-making. To identify the role and functions of the accounting system in strategic management, methods of analysis and synthesis were used. Functional analysis made it possible to organize the main functions of direct or indirect influence of accounting on the management activities of an enterprise, identify the relationships between the digitization of accounting procedures and strategic management systems of an enterprise. Structural analysis is the basis for identifying the structural elements of financial reporting as the result of financial accounting. The method of system analysis systematizes the main elements of accounting. The comparative analysis method was used to determine the specific impact of various accounting functions on strategic decision-making and the resolution of strategically important issues. Deduction and induction are used to develop recommendations and proposals for improving management practices in interaction with accounting processes as interdependent and interrelated elements of firms' economic activities. To clarify the substantive essence of accounting from the point of view of the company's strategic management actions, abstract-logical and dialectical methods of scientific cognition of processes and phenomena were used to form theoretical generalizations and conclusions. The formalization method was used to identify the main vectors for improving the system and structure of functions, tasks, and priorities of accounting and control work in the paradigm of strategic enterprise management.

To explain the role and importance of accounting in strategic management decision-making and to determine the relationship between accounting and management accounting systems. The financial accounting method, as one of the main tools for collecting, processing, and presenting financial information, ensures that all business transactions are recorded before official reports are prepared to meet the needs of interested parties (banks, investors, tax authorities, customs authorities, suppliers, customers, internal financial departments, etc.). The management accounting method is focused on the internal needs of management: planning, budgeting, analysis of income and expenses, cash flows, analysis of the efficiency and effectiveness of activities by business units. Digital tools, such as automated accounting systems and stakeholder engagement, ensure accuracy, accountability, and timely management decision-making. Digital tools enable the needs of internal information users to be met by providing an analytical basis for strategic or tactical management of revenues, expenses, and cash flows.

Results

The basis for effective strategic decision-making is traditionally objective, reliable information about all transactions of the enterprise and financial reporting. Additional grounds for strategic management are considered to be procedures for identifying discrepancies between actual and recorded transactions in accounting, and operational analysis of identified deviations. Procedures for analyzing and controlling financial and economic activities allow for the identification of difficulties or problems in financial management.

Ukrainian legislation defines accounting as the process of identifying, accumulating, measuring, summarizing, and presenting information to internal and external users about the financial and economic activities of an enterprise for management decision-making [31]. It should be noted that in practice, accounting data is also used to monitor and control the achievement of the strategic goals of organizations, to monitor the effectiveness of current work, and to formulate development strategies.

At the same time, accounting as a systemic phenomenon covers a system of economic operations that reflect the activities of an enterprise in labor, monetary, and natural terms. Let us highlight the main functions of direct or indirect influence of accounting on the management activities of an enterprise based on the generalization of the positions of scientists: control, analytical, support, informational, communication (ensuring feedback), and the function of preserving property and values.

The development of a high-quality accounting system for an enterprise allows resource owners to obtain timely information about the state of property, control the use of property, analyze information on the basis of which informed management decisions are made and strategic planning is carried out. The practical implementation of the property

preservation function is achieved through inventorying as a means of identifying and preventing risks of damage, theft, or destruction. The information function is performed in the process of continuous, consistent, and step-by-step accumulation of data in synthetic and analytical accounting accounts, which allows it to be used in the development of management strategies, planning, and forecasting of strategic activities.

The feedback function is implemented through monitoring the achievement of planned indicators within the management strategy, comparing actual accounting data with planned data, compliance with the resource utilization regime, and identifying production reserves.

In the process of implementing the analytical function of accounting, it is possible to analyze the use of available resources, production costs, the cost of raw materials, the sale of goods and services, pricing policy, profits and losses, etc.

To ensure the efficiency and effectiveness of accounting functions, responsible persons must conduct all transactions in a timely, complete, and objective manner, recording the facts of the transactions. This ensures the practical implementation of accounting principles for strategic decision-making: transparency, accessibility, timeliness, relevance, completeness, and reliability of data presentation to interested parties (shareholders, investors, personnel, management, tax and customs authorities, etc.).

The structural elements of financial reporting include the balance sheet and the statement of financial position (financial results) of the enterprise. The data from these reports are used by internal users of information for internal control, verification of the correctness of accounting, financial planning, and strategic management decisions. Financial reporting is a source for assessing the efficiency and effectiveness of the enterprise's activities in the market. For external users, accounting data and reporting are a source of information about the stability, liquidity, and solvency of the company (customers, suppliers, banks, insurers, government agencies, investors). At the same time, the main functional purpose of financial reporting is to provide information whose reliability is ensured by an audit.

The accounting system allows for a thorough analysis of the interrelationships between its elements, including assets, capital, liabilities and collateral, income and expenses. This allows data to be presented in a structured manner by component and the procedures required for the audit to be determined. All elements of reporting must be integrated into a single comprehensive system for presenting information.

To ensure effective management decisions, it is advisable to guarantee the effectiveness of financial statement audit processes. The importance of auditing in verifying the accuracy and completeness of public information and primary accounting data increases when several prerequisites are met: the introduction of national quality standards for auditors, international auditing principles, and their mutual compatibility; effective control over the activities of auditors; unified qualification requirements for auditors; clear rules for the independence of audit companies. It is also important to consider audit risks when conducting audits of the reliability of financial statements and to select the most appropriate methodology for their assessment and further analysis.

When forming conclusions on the reliability and absence of misstatements in financial statements during an accounting audit, it is important to correctly prepare the form and summarize the compliance of each element of the audit with the information task set. The importance of accounting audits in ensuring the effectiveness of strategic decisions of an enterprise increases with the enhancement of their functional effectiveness. Established algorithms for the preparation of financial statements regulate the requirements for auditor evidence.

Digital compliance verification tools are used to automate audit processes. In particular, digitalization ensures the rapid retrieval and comparison of up-to-date accounting information in real time, saving labor and financial resources for the preparation of conclusions. The advantages of modern accounting information security systems allow maintaining the confidentiality of accounting data. Timely risk prevention (intrinsic risk, control risk, and compliance risk) is another advantage of using digital tools in the audit process. The interrelationships between the digitization of accounting procedures and the strategic management system of an enterprise are shown in Table 1.

Table 1. Interrelations between digitization of accounting procedures and strategic enterprise management systems

Aspects of influence	Strategic decisions in management
Digitization of data, information, and accounting processes	Minimization of risks of errors in the strategic decision-making process through the use of artificial intelligence technology for primary data processing, big data analytics, and cloud-based accounting data storage services, which additionally ensure real-time availability of accounting information.
Digital competencies of personnel	Development of digital competencies of accountants to ensure synergy of accounting functions in strategic management and financial management of enterprises, including: analytical and critical thinking, communication skills, digital literacy.
Operational functionality	Performing current operational tasks using digital accounting tools: cloud services, accounting software that interacts with modern enterprise management systems to ensure fast information exchange between accounting and management accounting systems.

Source: compiled by the author

In practical business, accounting not only measures financial and economic results, but also supports financial analysis to ensure tactical and strategic financial management. In other words, accounting is linked to management accounting in a bunch of ways. At the same time, if the task of accounting is primarily to record the facts of transactions and formally prepare reports in accordance with legal requirements, management accounting is focused on the internal goals and objectives of firms in terms of strategic management. The primary data and information of the enterprise's accounting system are the source for meeting the needs of management accounting, including the needs of planning, budgeting, investing, and evaluating the effectiveness and profitability of business activities. The information function of accounting is important for performing management accounting tasks and making strategic management decisions, planning, budgeting, and forecasting (Figure 1).

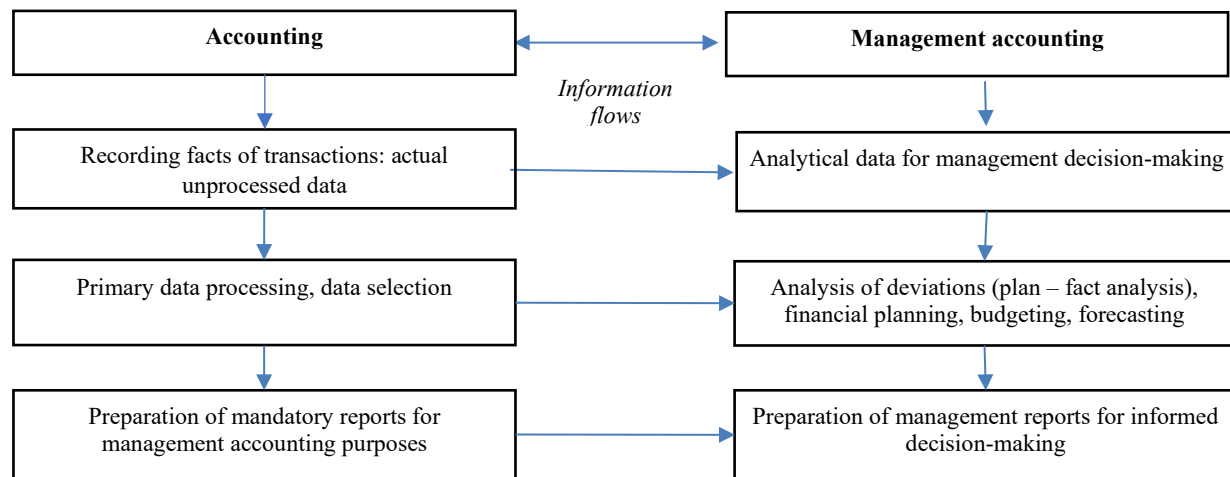


Figure 1. Model of interrelationships between accounting and financial analysis systems in an enterprise
Source: Compiled by the author

A critical analysis of the models of strategic management of an enterprise allows forming an optimal synergistic concept of the impact of accounting processes on strategic management decision-making, which should be considered as a source of initial primary information for analysing the efficiency of the firm, achieving its strategic goals and

setting future tasks, development benchmarks, taking into account the available property, assets, liabilities and capital (Table 2).

Table 2. Critical analysis of strategic management models in the context of accounting

Strategic management model in the context of accounting	Disadvantages of the model in the context of synergy between accounting and management accounting
Strategy for formalizing accounting data and information	Excessive formalization of planning and forecasting processes based on available accounting information does not take into account current trends in the market in which the enterprise operates, which is important for management accounting, which takes into account strategic goals and market orientation, consumer needs. Extrapolating accounting and reporting data into the future makes management strategies vulnerable to changing external conditions and does not take into account all possible scenarios for the company's development.
Strategy based on data analytics and accounting information	Focusing on internal data and analysis of internal information isolates the company from external influences and market opportunities, while focusing solely on internal resources negates investment and credit opportunities.
Forecasting strategy, including forecasting cash flows, revenues, and expenses as a basis for financial management decisions	The concentration of the company's resources does not allow for a comprehensive view of its investment and financial capabilities; the company relies solely on its existing customer base and suppliers.
Strategy of continuous development	Continuous incremental development can lead to resource losses and the replacement of tactical innovation growth with a strategic perspective that is not always justified, while a changing business environment requires constant adjustments and changes, innovations, and innovations.
Adaptive strategic management strategy	Strategic management decisions are focused more on external changes without considering alternative development strategies, company goals and benchmarks, market opportunities, and require constant coordinated efforts of accounting and management accounting systems.
Enterprise transformation strategy	There is no balance between dynamics and stability, the accumulation of transformational potential in the current configuration is not taken into account, and constant significant efforts and coordination of accounting and management accounting systems are required.

Source: compiled by the authors

The synergistic concept of interrelations between accounting and management accounting systems as components of the strategic management system requires the implementation of an integrated management model with well-coordinated and established links between accounting, analytical, and management activities. In practice, enterprises often encounter difficulties in establishing these coordinated links, which is associated with the different tasks, functions, skills, and competencies of accountants, financial managers, and enterprise management. In view of this, the concept of synergy between accounting and strategic management decision-making is positioned as one of the most optimal, effective, and promising in the activities of firms. In this concept, the accounting system acts as the center of information and analytical support for economic activity, the basis for innovative and effective decisions by management focused on strategic management. In this regard, it is important to ensure the synergy of the financial and strategic vectors of management of the business entity. This includes rational solutions to issues such as the emergence of risks of losses, shortfalls in profits, reduction of profits in conditions of financial instability, losses due

to accounting errors, and unethical behavior of personnel. Such synergy allows for informed and effective strategic decisions for the business.

Accounting information has practical applications in strategic enterprise management, including assessing the impact of operations on the environment, measuring anthropogenic impact, impact on communities, and addressing social issues. The task of environmental accounting is to collect, systematize, and reflect information in quantitative and cost terms about the availability, degree of development, and environmental status of natural resources. Enterprises have the opportunity to measure the positive/negative impact of their economic activities on the environment and reflect these results in their reports, thereby building a positive reputation and increasing their investment attractiveness. The relevant measurement results are included in non-financial reporting as part of the company's integrated reporting, which allows for more informed strategic decisions on the development of firms.

In today's world, where sustainable development is so important, environmental accounting is a must-have part of management, considering the requirement to share info on relevant initiatives and reporting requirements. Therefore, accounting processes should be complementary to analytical processes for analyzing revenues from the sale of environmental products or the use of "green" technologies in production processes. Additional effects of environmental accounting requirements include the creation of a favorable internal environment for attracting investment and the introduction of circular economy principles at the enterprise, including the principles of waste reuse or recycling.

The need for environmental accounting and appropriate management accounting of environmental activities is consistent with the European Union's global goals of achieving climate neutrality. According to international agreements, climate change is recognized as one of the key global challenges that must be addressed by 2030. In particular, the 2016 Paris Climate Agreement (November 4, 2016) stipulates that each state must comply with requirements to ensure the reduction of harmful emissions into the atmosphere [32, 33].

In December 2019, the European Commission adopted the European Green Deal to develop a climate-neutral strategy for European countries by 2050, which provides for the reduction of greenhouse gas emissions to zero and the responsibility of organizations for achieving these goals [34, 35]. The implementation of the planned tasks requires the participation of enterprises from various sectors, ranging from construction to agriculture. At the most important international event, the United Nations Climate Change Summit (December 13, 2023), countries adopted a plan to phase out fossil fuels (gas, coal, oil) in favor of renewable energy sources. These trends and political actions demonstrate the need to transition to sustainable accounting that takes into account non-financial data and information about the environmental aspects of operations. This means that companies must implement appropriate standards in their accounting practices and determine how to achieve strategic goals at the micro level in promoting greenhouse gas emissions reductions. In addition, this will influence changes in business models, including components of supply, product distribution, and pricing policy.

Given the above, accounting as a tool for providing information to stakeholders allows the use of micro-level information on the environmental performance of enterprises for the development of state energy and climate policy. New accounting objects for enterprises, such as assets like green technologies, solar stations, and biofuels, allow for the identification and reflection in the information system of enterprises' contributions to achieving climate neutrality goals.

Discussion

The study demonstrates the importance of introducing the concept of synergy between accounting and management accounting into enterprise management. The prerequisites for its integration are the development of an integrated enterprise management system in which the functions and tasks of the accountant and the decision-maker are well-coordinated. This allows for quick decision-making and flexible response to external challenges and market needs. To implement the concept of synergy, accounting functions must be subordinated to management accounting tasks, rather than merely formally satisfying the information needs of external stakeholders for data on financial and economic activities.

The processes of digitization and automation of accounting improve its operational efficiency by improving the performance of operational tasks, while requiring the development of digital competencies among specialists. At the same time, in the context of decision-making, digitalization minimizes the risk of errors through more efficient processing of large amounts of systematized information, big data analytics, and real-time availability for business managers. At the same time, recent studies note that the automation and digitalization of accounting is a fragmented, piecemeal phenomenon. More typical for accounting is the digitization of primary data [36, 37], while digital tools

for processing it for strategic management decisions are quite limited in their use. This is due to the need for significant investments in the digitization of accounting, the development of digital literacy among staff, organizational changes, or the outsourcing of automation functions to third-party organizations. Other researchers [38, 39, 40, 41] suggest that this is due to the growing demand for various cloud services, as cloud technologies and solutions influence the adaptation of software to accounting tasks. In contrast, Kovalevska et al. [42] and Shaukat et al. [43] consider the processes of digitalization of accounting activities in the context of general trends towards the digitalization of business processes. In general, the systematization of scientific research indicates close links between accounting, management accounting, and strategic management: aggregated accounting information serves as the basis for analyzing internal factors affecting business operations, determines the enterprise's capabilities in data storage and improving computing capabilities for decision-making, enables management accounting specialists to use data analysis methods to answer questions about the current business situation, forecast future growth, and select optimal management decisions.

Conclusions

Accounting is an important critical component of an effective enterprise management system, characterized by close links with management accounting. An effective accounting system performs a number of important functions for the strategic management of an enterprise: control, analytical, auxiliary, informational, communicative, and preservation of property and values. The digitization of accounting operations affects the strategic management system of an enterprise in the following areas: minimizing the risk of errors in decision-making, synergizing accounting functions with strategic and financial planning, developing the digital competencies of personnel involved in management processes, and developing operational functionality. Aggregation of information in the accounting system is used in management and decision-making at the tactical and strategic levels. Inappropriate, unreliable, or untimely information can lead to wrong decisions and significant financial losses and reputational risks.

A well-established accounting system is a source of information about the financial and economic activities of an enterprise, providing information support for strategic management. Accounting is defined as a tool for tactical and strategic financial management. Accounting ensures control over the preservation and maintenance of the proper condition of the property and assets of the enterprise, acting as a means of improving its financial condition and stability. Financial and management accounting expand the capabilities of accounting in supporting strategic enterprise management, serving as a tool for strategic decision-making.

At the same time, a critical analysis of strategic management models in the context of accounting reveals shortcomings and gaps in the interaction between accounting and management accounting systems. This is due to excessive formalization of data and a focus exclusively on internal information, which neglects other needs of the strategic management system.

Research proves the important role of accounting in management and its subordination to management goals and objectives. The consequences of unreliable, erroneous, untimely accounting and recording of all transactions affect the financial condition, investment, financial planning and forecasting, and strategic financial decisions of business entities. The main risks of economic activity due to neglect of accounting quality include potential reduction in economic and organizational efficiency, loss of profits, reputational risks, and reduction in investment attractiveness. The accounting system is crucial for confirming the reliability of information submitted to management, serving as the basis for strategic management decisions.

Further research should be directed toward developing an algorithm for strategic management decisions based on the results of financial and economic activities.

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