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THE ROLE AND METHODS OF STRATEGIC MANAGEMENT ACCOUNTING

Bachelor's thesis

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I hereby declare that I have compiled the thesis independently and all works, important standpoints and data by other authors have been properly referenced and the same paper has not been previously presented for grading. The document length is 12646 words from the introduction to the end of conclusion.

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ABSTRACT

This bachelor thesis examines the concept and role of strategic management accounting in relation to strategic management. The thesis aims to collect both theoretical and empirical information.

This is a case study and was carried out in a target organization, a Finnish food company, in the spring of 2021. The empirical research material consists of an interview with the target company's CFO. Qualitative research was selected as the research method, and the empirical part was carried out through a thematic interview. The study defines the concept of strategic management accounting and brings together its various methods in various ways.

The study shows that the concept of strategic management accounting is very ambiguous and poorly known. However, the Company's accounting methods can be considered part of the strategic management accounting, and the calculations are performed as part of other accounting, although they may not be called strategic management accounting.

The study also shows that in the target company, the importance of accounting for the implementation of the strategy is not very great, but there are calculation methods that support the implementation of the strategy. The Company's accounting function provides information to support strategic decision-making, although no specific strategic management accounting function has been consciously introduced. The results of this case study are in line with previous scientific studies, and at a practical level, the results of the study may be exploitable in the target company.

Keywords: strategic management accounting, management accounting, strategic management, strategic accounting, strategy.

INTRODUCTION

Management accounting and strategic management play an essential role in companies. Together, they steer the company towards the future in an ever-changing operating environment.

Accounting consists of several different areas, of which the task of management accounting is to support the decision-making of corporate management. In recent decades, companies' operating environments have significantly changed, and digitalization and technological development have been rapid. Now, the work of management accounting is also guided by a broader responsible purpose, in which the concerns of individual companies are combined into a larger whole. The aim is to correct social and economic imbalances on a business-wide scale. These changes in the operating environment mean that traditional management accounting tools are no longer able to provide sufficient information for the needs of corporate management.

Simmonds (1981) introduced the concept of strategic management accounting into the literature. According to him, strategic management accounting is a general approach that seeks to combine management accounting, strategy, and the company's strategic positioning. He defined a strategic management function to collect and analyze information about the business and competitors to develop and monitor corporate strategy.

The 1980s and 1990s were critical of accounting, which raised interest in the new Strategic Management Accounting (SMA). Strategic management accounting aims to combine management accounting, strategy, and the company's strategic position. Indeed, accounting that supports management decision-making is now closely related to the company's strategy, strategic planning, management, and control, to which the concept of strategic management accounting also refers.

Later, the concept of strategic management accounting has been developed in several different directions, and even today, there is no single specific definition of what is meant by strategic management accounting. The concept of strategic management accounting is ambiguous and, therefore, a fascinating topic to study. **T**his study is used to find out how strategic management accounting is known and understood as a concept. In addition, it is clarified how management accounting supports the company's strategy and what methods are available for it.

Previous studies

Johnson and Kaplan (1987) strongly criticized traditional management accounting. According to them, management accounting produces information too late for the needs of managers. In addition to this, the information provided is distorted, so it is not relevant for managerial planning and decision making. Traditional management accounting methods also direct managers to focus too much on short-term goals at the expense of long-term goals.

Lord (1996) has studied the use of strategic management accounting in firms. He notes that although much research has been done on strategic management accounting, there are very few examples of the actual use of strategic management accounting. In many cases, companies do have the characteristics and accounting techniques typical of strategic management accounting, but accounting figures may not measure information or the collection, and use of information is not financial management's responsibility. Instead, gathering and using the information needed in a competitive environment is often part of operational management's responsibilities. With these results, the Lord finally questions the existence of all strategic management accounting; perhaps the widely acclaimed strategic management accounting is indeed just an academic imagination.

For their part, Tillmann and Goddard (2008) examine the use of strategic management accounting in a multinational company in Germany. They focus specifically on how strategic management accounting is understood in the company and how it is applied in practice. The study shows that in order to understand strategic management accounting, how management accountants use the information they receive to understand strategic situations plays at least as important a role as the calculation method itself. Also, the research shows how even within an organization, different actors perceive the concept in different ways while also confusing the understanding of strategic management accounting. Indeed, strategy and strategic management accounting concepts seem to depend very much on the organizational operating environment. The study also highlights the importance of the overall professionalism of a management accountant. Today, mere knowledge of accounting or management accounting methods is no longer enough, but a broader understanding of things is needed.

Management attitudes play a significant role in the adoption of strategic management accounting in companies. Hutaibat, von Alberti-Alhtaybat, and Al-Htaybat (2011, 379-281) studied strategic management accounting in project-type organizations. According to them, strategic management accounting and strategy, in general, played a significant role in companies like this. However, they found in their study that, ultimately, the decision-maker's mindset determines how strategic management accounting is adopted in an organization. Bourdieu (1980, 55) divided ways of thinking into bureaucratic and entrepreneurial perspectives. Of these, entrepreneur-minded people mastered strategic management accounting well.

The study, commissioned by CIMA (Chartered Institute of Management Accountants), management accounting in support of the strategic management process, represents a slightly more recent strategic management accounting perspective. Research shows that even if the term strategic management accounting is not used, financial management accountants can, and indeed do, participate in the strategic management process. However, the range of accounting techniques used is not as comprehensive as in previous studies on strategic management accounting. The extent to which financial management personnel can participate in this process depends on organizational factors, the characteristics and skills of the individuals, and other available resources. The study also states that, in practice, the term strategic management accounting is still foreign to financial management, and very little use is made of the accounting techniques covered by the concept. The accounting techniques used are mainly benchmarking, customer accounting, and investment evaluation. For example, more advanced costing techniques are hardly used. (Pitcher 2015).

Corporate responsibility and accounting have a natural connection both in business and in research. Strategic management accounting is suitable for study in phenomena related to corporate responsibility for many different reasons. Huang & Watson (2015, 3-26) mention four areas through which corporate responsibility is linked to accounting research. According to them, accounting researchers are particularly well suited to study corporate responsibility because they:

- Have the ability to analyze companies 'financial performance.
- Analyze companies' investment and payment behavior.
- Know how to conduct research based on corporate responsibility reports and documents.

- Have insight into the factors involved in verifying corporate responsibility reports.

Examining, among other things, the link between corporate responsibility and financial performance, motivational factors for corporate responsibility measures, corporate responsibility reporting, and report verification.

Purpose and structure of the thesis

This bachelor's thesis aims to gather theoretical and empirical information on the use and methods of strategic management accounting. Based on the literature, a comprehensive overview of the concept of strategic management accounting and its various methods is formed first, followed by an empirical case study within the theoretical framework. The objective of this study is to find out how management accounting tools are used to support the implementation of the strategy in practice and how they are understood. The subject of the study is a growth company operating in the food industry.

The empirical part of the thesis is implemented through a qualitative research method. The purpose is to collect the necessary material based on an interview with the target company's CFO and to form an overall picture of the strategic management accounting situation in the target company. Company-specific key figures and industries will not be presented in this thesis in order to maintain anonymity.

This study is conducted as a qualitative study as it is not intended to test accurate hypotheses. The study also wants to make room for the interpretations and perspectives of the person being studied and does not want to make assumptions about the results in advance.

Previous research on the subject has been conducted mainly from the perspective of large multinational companies. This work is intended to examine the topic from the perspective of an individual growth company in the food industry.

Based on previous research, it appears that Strategic Management Accounting is not a familiar term. When studying a large multinational company, Tillmann and Goddard (2008, 81-97) found that they had at their disposal the means of strategic management accounting, although some managers were not even familiar with the term strategic management accounting. The study also states that, in practice, the term strategic management accounting is still foreign to financial management. (Pitcher 2015.) It also seems that methods under the concept of strategic management are rarely used. According to Lord (1996), a lot of research has been done on strategic management accounting, but very few examples of the actual use of strategic management accounting. According to a study by Tillmann and Goddard (2008), very few calculation methods under the concept of strategic management are still used. (Pitcher 2015.) The research problem can be summarized in two research questions:

1. How is strategic management accounting known and understood as a concept?

2. What kind of strategic management accounting methods are used in the target company and how do they support the company's strategy?

The following two chapters of the thesis introduce the theoretical framework of the thesis. Chapter one focuses on the concept of strategic management accounting, which is grounded through both the concepts of strategy and management accounting. The second chapter examines the accounting methods of strategic management in more detail. After that, in chapter three, the research method and material are presented. The fourth chapter focuses on research findings, and Chapter five consists of conclusions and research evaluation.

1. STRATEGIC MANAGEMENT ACCOUNTING

Strategic management accounting has developed over the decades within the framework of strategic management, accounting, and management accounting. Next, the content of these concurrent but substantially different concepts is clarified, and the frame is set for the thesis's concept definition.

1.1. Strategy

The term strategy comes from the Greek word strategos, which means a collection of general measures taken to defeat enemies (Eden & Ackermann 2013). Initially, the word strategy comes from the Greek language and means the skill of leading a war. War theories are an essential basis for dealing with a business strategy, but they are not sufficient for today's strategic management theories. Indeed, since the 1960s, several strategy theories have been developed for a competitive operating environment. (Kamensky 2004, 19.)

The company's strategy dates back to the warfare strategy and 400 BC when the famous Sun Tzu warfare skill was released (Tzu 2012). In the 19th-century business world, the need for the strategy was not yet seen due to small and fragmented markets, simple organizational structures, and slow transportation and information connections (Caves 1980).

The strategy can be defined in many different ways depending on the situation. According to Chandler's (1962, 13) definition, a strategy is the definition of long-term business goals as well as the adoption of the policies and arrangements of resources necessary to achieve those goals. For example, expanding operations and acquiring new premises can be new long-term goals. In this case, new ways of working must be planned and adopted, and resources must be organized in order to achieve these new goals.

In turn, Mintzberg (2000, 23–27) defines four different interpretations of the strategy. The strategy can be seen, for example, as a plan for the organization to develop guidelines and policies for the future. In addition to the planned ones, the strategies can also be implemented, in which case we talk about the strategy as a set of implemented measures. The implemented strategy can be either planned initially or self-generated through practical action. The third interpretation of Mintzberg's strategy is positioning, according to which a company defines its strategy, i.e., chooses its position in its operating environment through product and market decisions and differentiation from competitors. Also, the strategy can also be seen as a perspective in which strategy is defined as the way the company does things.

Kamensky's (2004, 20–22) definition of strategy is very similar to Mintzberg's definition. According to Kamensky, the strategy is the company's conscious choice of critical goals and guidelines for action in a changing world, and through strategy, the company manages the environment. A changing world refers to the company's operating environment, which is considered the strategy's starting point. Environmental management, in turn, includes the company's adaptation to changes in the environment, the company's impact on its environment, and the choice of the operating environment. Thus, Kamensky states that with the help of a successful strategy, the company not only adapts to the changing world but also actively modifies its environment and carefully selects its operating environment, such as its market area, the market. The second group, in turn, includes ideology- and learning-based strategies. These are based on the fact that it would be more critical for the company to make room for strategic innovation.

Richard Whittington (1996, 731) was one of the first researchers to practice strategy as a research trend, in which he describes strategy as a social practice. The literature also highlights Andrew Pettigrew (1985) and Gerry Johnsson (1987), who have previously conducted research on the subject, Chia and Mackay (2007, 223). As a leading researcher, Whittington brought up a perspective on traditional strategy research. According to this definition, the new trend was based on the theory of practical sciences described earlier, which introduced a new kind of strategic thinking, focusing on how the strategy is made and its implementation. Strategy as practice research is not interested in how strategy work should occur but in the actors' everyday lives. (Whittington's 1996, 732; 734.) Whittington's message to the field of research was already at that time that strategy should be studied more as a social practice, i.e., in interaction with other people and as a phenomenon than had been done before (Whittington 2007, 1584.)

Paula Jarzabkowski and colleagues (2007, 4) also suggested conceptualizing strategy as a social activity. The problem with the broad definition has become that it includes all kinds of activities in society, so it is difficult to determine which activities are not strategic. One approach to addressing this problem is to focus on those activities that take advantage of strategic practices. The strategy is a specific type of activity, says John Hendry (2000, 955), and combines practices such as strategic planning, action plans and reports, strategy development workshops, and other related discussions. The broad definition of strategy continued to cause difficulties for researchers, so they suggested a refinement in which the activity is considered strategic insofar as it results from strategic outcomes, survival and generates a competitive advantage for the firm. Paula Jarzabkowski, Andrews Spee, and Michael Smets (2013, 41) supplemented the definition by saying that it is also not a static state but a forward one. This definition is rooted in strategy research and has been complemented by the following definition: strategy is the work that people do in an organization and is built on the interaction between different actors both inside and outside the organization. (Jarzabkowski et al. 2007, 2; 4; Whittington 2006, 615; 627; Jarzabkowski et al. 2013, 42.)

In strategic management, not only a strategy is created, but also a plan for how the strategy is put into practice in the organization (Subba Rao 2010, 20−51). The strategy itself will not benefit the organization if it is not followed.

The purpose of strategic management is to lead and modify organizations according to their strategy(Johnson 2006, 2−15). It is an ongoing process involving an organization creates, implements, and modifies the strategy taking into account the internal as well as external factors of the organization. FitzRoy et al. (2011, 12) define strategic management as a process aimed at creating one an organization that responds to changes in the environment and creates them itself. Strategic management means leading in the present and creating change for a company to succeed in the uncertain world of the future.

According to Mintzberg and Waters (1985), the operating environment strongly influences the strategy process and strategies. The environment may force from the outside even to the extent that the control or measures of the organization's management have less of an impact on operational strategies. According to them, the operating environment may in itself limit the organization's options, or external human actors influencing the organization may intentionally force the organization to follow a specific strategy or a specific type of organization. The operating environment always places limitations on the chosen strategy, it does not exclude all possibilities, but it is not possible to choose all solutions in all situations. From the perspective of social practices, everyday strategic practices manifest themselves as practices that are rooted in familiar ways and internal tendencies rather than deliberate and deliberate goal setting.

1.2. Management Accounting

Management accounting is a component of accounting that is intended to support management decision-making. It can also be called operational accounting or internal accounting. To support management decision-making, financial management prepares both planning and monitoring calculations. Planning is supported, for example, by investment and target calculations, while controlling is used to monitor and analyze the realization of the company's objectives, for example, in terms of profitability and financing. (Neilimo & Uusi-Rauva 2005, 14.) According to Wegmann (2009), the purpose of management accounting can also be considered to reduce conflicts and provide guidance, as well as to manage the internal unity of the company. In addition, he believes management accounting also links the company's strategy and resource allocation.

There has been a lot of criticism towards management accounting in recent decades. Johnson and Kaplan (1987), among others, state that management accounting has not developed sufficiently to be able to respond to rapid technological developments, which makes the metrics used irrelevant and information available to managers too late. In addition, they say management accounting has a very subordinate position compared to external accounting, which is why companies focus too much on short-term accounting. Puolamäki (1998, 38), on the other hand, mentions shortcomings in financial ratios, such as the disregard for the time value of money, changes in value and risk, varying accounting principles, and focusing on the past, as one of the disadvantages of management accounting. All of these can lead to distorted behavior and playing that cause negative effects. For example, focusing on short-term earnings at the long-term expense is considered distorted behavior, while playing refers to, among other things, modifying financial ratios to make the economy look better than it actually is.

Accounting is one of the key functions of a company. Arora (2009, 11−18) divides accounting into three different categories: general accounting, cost accounting, and management accounting. The purpose of general accounting is to provide an overall picture of a company's operations through the income statement and balance sheet. It is primarily intended to communicate the status of the company to external stakeholders such as shareholders and the taxpayer (Madegowda 2006,1-19). Cost accounting, on the other hand, focuses on detailed cost information about the products and services manufactured by the company that general accounting cannot produce (Arora 2009, 11–18). According to both Madegowda and Arora, the definitions of general accounting and cost accounting are quite simple, and neither way to explain the concepts differs significantly from the other. The situation is different for management accounting. Both Arora (2009, 11–18) and Madegowda (2006, 1–19) provide several definitions for it. Hoque's (2003) definition of management accounting as a process of gathering and reporting information to support decision-making is good because of its general form. Management accounting has a number of different functions that fall under the above definition. Through these tasks, it is possible to get a better picture of the role of management accounting in a company than through individual definitions. Indeed, Arora (2009, 11–18) and Madegowda (2006, 1–19) define Hoqueta's (2003) management accounting in more detail.

Management accounting has several different tasks in the company. Depending on the company, accounting can play a slightly different role. Simon et al. (1955) defines the roles of management accounting as scorekeeping, attention directing, and problem-solving. According to Sponem and Lambert (2012), the role of management accounting in a company can also be very different. Arora (2009, 11–18) and Madegowda (2006, 1–19) present tools for management accounting needs. These include, e.g., budgeting, stranding costing, marginal costing, comparison of financial statements, cash flow calculations, discounting, performance analysis, and risk analysis. These are quite common and used in a large number of companies internationally (Joshi 2001).

Management accounting is often supported by a management accounting system, which is intended to provide real-time information to support management decisions. The information can be, for example, data on costs, revenues, or operational efficiency. The information can be used to improve operational functions, reward employees, pricing, or inform external investors about a company's operations. (Johnson & Kaplan 1987)

Connection with senior management gives accounting experts the power to decide how and what things they emphasize. In this case, they can either support or slow down the collection and use of new innovations, such as corporate responsibility and sustainable information, in the company. In other words, accounting experts act as gatekeepers between the corporate responsibility function and the company's management. The role of accounting experts between the corporate responsibility function and senior management makes accounting experts key personnel when management is considering initiating corporate responsibility activities or analyzing measures already taken. The term responsibility accounting refers to an accounting system that collects, summarizes, and reports accounting data relating to the responsibilities of individual managers. A responsibility accounting system provides information to evaluate each manager on the revenue and expense items over which that manager has primary control (authority to influence) (Schaltegger & Zvezdov, 2015, 337–340).

Thus, management accounting is a multidimensional entity whose tasks can be broadly defined, but its exact role and tools are company-specific. However, the basic function of management accounting is to analyze and provide financial information to support decision-making.

1.3. Strategic Management Accounting

The definition of strategic management accounting requires an understanding of what is meant by strategy. The strategy and the process of its formation can be approached, for example, from two different angles: a pre-defined strategy is a strategy in which objectives are pre-defined and basic guidelines are planned before the implementation of the strategy begins. An emerging strategy, on the other hand, is a strategy whose ultimate goal is unclear and whose basic guidelines are partly shaped at the same time as the implementation of the strategy progresses. (Lynch 2015, 20.)

The concept of strategic management accounting originally originated in the 1980s when Simmonds (1981) published his research on the subject. This was followed by several professional and scientific publications on the subject, culminating in an influential article by Bromwich (1990). New methods and approaches were created to restore the lost significance of management accounting. A broader study of the subject began, and it was generally accepted that the strategic perspective should be taken into account in management accounting. Still, the implementation of actual strategic management accounting was slow. (Langfield-Smith 2008)

In the literature, strategic management accounting was first mentioned in the early 1980s (Guilding et al. 2000). According to Nixon and Burns (2012), it was developed to meet the information needs of management in an ever-changing global competitive environment and has its roots in management accounting. They describe strategic management accounting with two different approaches. It can be seen as a collection of strategically oriented accounting techniques, which will be presented later in the next section. Another approach sees the involvement of strategic management accounting officers in a company's strategic decision-making.

Different researchers have later discussed the concept of strategic management accounting from different perspectives, which is why the concept is spread in different directions, and each researcher has their own understanding of it. Even today, the concept of strategic management accounting is very ambiguous and does not have such a precise, generally accepted definition. Definitions vary in the literature according to researchers and authors. However, according to Roslender and Hart (2002), three commonly used definitions can be identified from the literature in which the term strategic management accounting has been used. First, the term strategic management accounting is used as a synonym for strategic positioning accounting, i.e., to refer to an entity that includes developments related to "new" management accounting. Another, perhaps most commonly used, the definition of strategic management accounting is the combination of strategic literature and management accounting into strategic management accounting. In addition, many authors refer to the definitions of literature on strategic management accounting published by Simmonds (1981) and later Bromwich (1990). In this case, strategic management accounting is considered to be a specific form or approach that provides accounting information to management. Regardless of how the concept of strategic management accounting is understood, it can be said that, in general, the key objective of strategic management accounting is to assist the company in making, implementing, and controlling strategic decisions. Incorporating strategy into management accounting expands the concept of management accounting in an effort to integrate costs into the strategy using strategic cost analyzes and to identify the cost structure of competitors and assess changes in them. The biggest difference between strategic management accounting and traditional accounting is its orientation outside the company. (Järvenpää 1998, 116–117.)

The difference between management accounting and strategic management accounting is difficult to determine. The role of management accounting is to provide useful information to decision-makers to enable rational decisions (Burns & Scapens 2000), while strategic management accounting also focuses on providing and analyzing financial information about both firms and competitors for use in strategy development and control (Simmonds 1981). Hoque (2003) defines strategic management accounting as future-oriented and far-sighted, while traditional management accounting tends to focus on the shorter term and emphasizes history-based data. Hoque (2006) has defined strategic management as an accounting process that identifies, collects, selects, and analyzes accounting data to help management make strategic decisions and evaluate organizational performance (Hoque 2006, 2). That is, the role of accounting in this definition has also expanded to include a review of firm performance to assess the success of strategic choices.

Based on the above definitions, standard management accounting can be considered as strategic management accounting if it is used in strategy development and control. When Guilding et al. (2000) examined the use of strategic management accounting in firms, it was found that sometimes techniques classified as strategic accounting were used without even being aware of it in firms. Thus, management accounting can be seen as an umbrella concept for strategic management accounting (Guilding et al. 2000). Although management accounting and strategic management accounting are very close to each other, it is essential to note in this work that strategic management accounting is used to support a company's strategic management. Strategic management accounting also takes a forward-looking perspective on the company's operations and examines external factors in addition to the company's internal processes. The purpose of strategic management accounting is specifically to provide helpful information to support the various stages of the strategic management process.

2. METHODS OF STRATEGIC MANAGEMENT ACCOUNTING

Next, we will get acquainted with the different methods of strategic management accounting. In this thesis, the methods of strategic management accounting are divided into five categories according to Cadez and Guilding (2008):

(1) Costing

(2) Planning, control, and performance measurement

(3) Strategic decision making

(4) Competitor accounting and

(5) Customer accounting.

Each sub-area includes several calculation methods. These methods are next presented in the context of each area.

2.1.1. Cost accounting of product features

The cost accounting of product features is based on Lancaster's theory in the 1960s that products consist of a set of features that together form a commodity that appeals to the customer. Since the 1990s, these product features have been treated as cost items. According to Guilding, Cravens, and Tayles (2000), features can refer to, for example, technical functions or service-related competitive factors, such as warranty or service. Products differ from each other on the basis of these characteristics, and the company's market share is determined by how the characteristics of the product meet customer preferences. Roslender and Hart (2003) state that the costing of product features differs significantly from the underlying functional accounting in that the cost is calculated based on the benefits that customers derive from the product. In function calculation, on the other hand, the cost drivers are the functions that the product consumes. To understand what benefits customers are looking for and expecting from products, a company needs to look beyond business. The strategic cost analysis matrix is used to determine what benefits customers expect from the product and what costs are involved in providing these benefits. It is essential to provide these benefits as cost-effectively as possible.

Cost accounting of product features looks at a product produced by a company as a collection of properties that make up costs. According to Bromwich (1998), a product's success depends on how well its properties meet the market's need. Features thus form the center of a company's product strategy. The role of management accounting is to determine the cost price and monitor the properties' performance in the market. This allows the organization to track the profitability of the features. Features may include product weight, price, finish, ease of purchase, or warranty (Lancaster 1966).

2.1.2. Lifecycle cost accounting

The rapid development of technology and the shortening of product life cycles have made life cycle costing an increasingly important tool for the company. According to Dunkin (2004), an organization benefits from life cycle cost tracking in several different ways. By focusing on them, the organization can first monitor budgeted and realized life cycle costs and make better product decisions. Secondly, it helps to better assess the actual profitability of products by also taking into account, e.g., end-of-life costs of the product. Third, it considers the environmental impact of the product, as the end of the product's life cycle is considered at an early stage of product development. It has been shown that up to 80% of its product life cycle costs can be incurred before starting the production process, so taking into account the costs at the beginning of the life cycle is very important from the point of view of resource consumption. According to Dunk, life cycle accounting has also been found to increase understanding of the product's environmental impact, from the development stage to production, distribution, customer use, and possible recycling. Also (Shields, Young 1991), life cycle costing focuses on looking at the total cost of a product throughout its life cycle - from product development to disposal or recycling. Fourth, it helps to consider and plan after-sales services for a product, such as maintenance, warranty, and other user-critical services and the resulting costs or benefits.

2.1.3. Target Costing

According to Guilding et al. (2000), target costing refers to the process by which a product is designed to meet customer needs, and a target cost is defined for the product. According to Cadez and Guilding (2008), cost calculation includes attribute costing, lifecycle costing, quality costing, target costing, and value chain costing. As the name implies, cost accounting focuses on looking at costs, but unlike conventional accounting methods, they are also seen in strategic costing as indirect or as yet unrealized costs.

Target cost accounting is a system designed to support cost management in the product development process (Monden, Hamada 1991). It seeks to balance market demands as well as the company's ability to produce a product that meets needs at the desired price. According to Cooper and Slagmulder (1999), target costing is the process of gathering information from the market about requirements for the characteristics and price of a potential product. Once these are known, the company strives to design a product to suit them. The company's profit margin is deducted from the product's market price, leaving the amount available to manufacture the product. Product design also involves subcontractors who are set targets for component-specific prices to reach the product's target price. The process is iterative, as the product's cost target is not always reached, in which case the product's profit margin, component requirements, and costs may change. If the characteristics of a product change in the process, it is important to return to the market to review the target price to ensure demand for the changed product. (Cooper & Slagmulder 1999)

2.1.4. Activity-Based Costing

Activity-based costing (ABS) is a calculation method that emerged in the 1980s, in which various activities are considered as users of resources, i.e., cost drivers, and the costs are allocated to the final products through these activities. Functions are defined through functional analysis, and the costs of these functions are allocated to products, services, or customers in terms of their actual use of resources. (Neilimo & Uusi-Rauva 2005, 145.)

According to Mariana (2013), the general principle of ABS is that functions consume resources and products, which consume functions. Therefore, ABS aims to present the company's activities as directly as possible to determine the actual value of a product or service. Notes that efforts will also be made to analyze the activities, including the nature of the activities and the reasons for them, which will lead to the use of the activities and determine the increase in resources consumed, i.e., costs. This makes it possible to efficiently and in detail identify the cost drivers for each product or service.

According to Wegmann's (2009) study, there has also been much criticism of functional ABS. Functional accounting systems have been shown to be expensive to implement, time-consuming, and challenging to adapt to the company's needs. There have been many functional accounting failures, especially in the service sectors. In addition, many people think that the activity accounting system is too complex to be able to clarify the decision-making process and the company's strategy. However, several functional accounting applications have been developed based on criticism. These include customer- and market-based activity accounting and activity-based budgeting.

2.1.5. Quality costing

Quality costing examines the cost of quality. Instead of seeing quality as one of the characteristics of a product, its development can be seen as an organizational process that enables a company to improve its competitiveness and provide more strategic options (Belohlav 1993). The aim is to broaden the understanding of quality-related costs so that the calculation takes into account not only direct quality costs but also indirect costs (Heagy 1991). These include, e.g., reduced demand due to poor quality, remanufacturing costs due to complaints, and development and maintenance costs for quality control.

2.2. Planning, control, and performance measurement

According to Cadez & Guilding (2008), design, control, and performance measurement include benchmarking and integrated performance measurement. Techniques in this category focus on measuring performance using information from outside the organization as well as a variety of organization-specific metrics to get the most realistic picture of performance.

2.2.1. Benchmarking

Benchmarking is a tool that helps an organization compare the effectiveness of operations within and across industries to emulate best practices (Elnathan & Kim 1995). Its idea is to measure an organization's performance with different parameters and compare this with the corresponding performance of other actors. Knowing how other companies perform the same tasks, it can be deduced which actor has the so-called best practices and adopt them in their own processes. (Elnathan et al. 1996).

Camp (1993), Elnathan, Lin, and Young (1996) similarly present the benchmarking process through four steps, and the process can therefore be considered as a general basis for benchmarking. The first stage consists of planning, i.e., deciding which functions to start comparing and also defining the comparison targets, i.e., competing companies. Also, the method of data collection is determined, and the necessary data is collected. The second step is to analyze the data collected and compare own performance with that of competitors. This is followed by setting new operational goals for the company and developing an action plan. In the final phase, the company will take action in accordance with the action plan and monitor progress. Benchmarking helps companies find out how they rank relative to other companies. In addition, they can learn from successful companies' operations and see what level it is possible to achieve, for example, in the efficiency of operations. With benchmarking, companies strive to improve both operational and strategic efficiency.

Chenhall and Langfield-Smith (1998) find that benchmarking is particularly useful for high-performing firms that emphasize product differentiation strategies. It can help managers focus on the broad business principles and assumptions that make up the policies that sustain different customer service, transportation, and distribution strategies. Benchmarking also promotes employee engagement by setting precise and reasonable expectations based on the experiences of others. This helps to get rid of ambiguous and non-binding changes in companies.

2.2.2. Integrated performance measurement

Integrated performance measurement focuses on monitoring external and internal activities in an organization. The basic idea is that with integrated metrics, an organization would be able to monitor its own situation, make informed decisions in the light of better and continuous monitoring information, and thus gain an advantage over its competitors. (Gregory 1993)

One of the most widely used tools for measuring integrated performance is the Balanced Scorecard (BSC), which measures an organization's performance in several different areas with metrics that are essential to the organization's performance (Libby et al. 2004). In the 1990s, Kaplan and Norton developed the Balanced Scorecard, also known as the Scorecard, Balanced Scorecard, and Balanced Scorecard. With the Balanced scorecard's help, physical and operational key figures are derived based on the company's vision and strategy. It combines four different perspectives into one set of metrics. These perspectives include the financial perspective, the customer perspective, the internal business process perspective, and the learning and growth perspective.

From the perspective of internal processes, it is crucial to select and measure processes that lead to improved customer results and help them work under the mission objectives. From the perspective of learning and growth, essential things include achieving visions and maintaining the ability to change and develop. Other questions may include what is required of the organization to ensure process efficiency and productivity, how core areas of expertise are further developed. From an economic point of view, key issues include what the organization should look like in the owners' eyes, what the expectations are in the form of the organization's growth and profitability requirements, and how resources are used financially (Niven 2008, 164).

According to Kaplan and Norton (1996), a properly constructed set of metrics consists of objectives and metrics that are both consistent and mutually supportive. It should include cause-and-effect relationships for critical variables that describe the strategy. Therefore, the strategy can be thought of as a collection of assumptions about cause-and-effect relationships, and the measurement system should present the relationships between objectives and indicators clearly and precisely so that they can be derived and evaluated. Indeed, Kaplan and Norton state that the Balanced Scorecard, when successful, expresses the business unit's strategy as a set of indicators that defines both long-term strategic goals and the systems used to achieve and evaluate those goals.

2.3. Strategic decision making

According to Cadez & Guilding (2008), strategic decision-making includes strategic cost management, strategic pricing, and brand valuation. These technologies focus on supporting strategically crucial decisions by providing information on costs, pricing, and brand.

2.3.1. Cost management

Strategic cost accounting refers to the use of cost information: in strategy creation and communication, in the implementation of tactics following the strategy, and in the development of control measures (Shank & Govindarajan 1992a). Guilding et al. (2000) define strategic costing as the use of cost data based on strategy and marketing information to develop and identify better strategies that maintain a competitive advantage. Indeed, strategic costing has emerged to a great extent from the ideas put forward by both Shank and Govindarajan and Porter in the late 1980s. According to them, cost analysis should specifically focus on strategic issues in order to support the achievement of competitive advantage.

One of the most challenging decisions for companies is the pricing of products in the market. Alongside simple cost-based pricing, there have been perspectives that pricing should take into account the market perspective without ignoring the economic analysis. Such consideration of both market-based and in-house information requires pricing decisions to be taken from a more strategic perspective and to look at their effects in the long term rather than as a short-term weapon to gain a competitive advantage. (Indounas 2015.)

Indeed, strategic pricing based on competitively oriented analysis usually leads to better pricing decisions in the long run. Such an analysis may include, for example, the price reaction of competitors, price elasticity, projected market growth, economies of scale, and experience. (Guilding 1999.) Strategic pricing also requires forecasts of the change in demand and competitors' reactions as a result of pricing to the pricing decision to assess the effects of the pricing decision on the market (Jones 1988).

2.3.2. Brand valuation

Brand valuation, as the name implies, means the monetary valuation of a company's brand. There are several slightly different methods for valuation (Huang 2015). The task of brand valuation is to create a picture of the company's value to perceive its position in the market better, value the companies it buys and its competitors, and measure the development of brand value as a result of marketing. (Guilding & Pike 1994)

As the name implies, brand valuation is performed only in companies that offer branded products or services. Indeed, Cravens and Guilding (1999) state that, especially in firms where the competitive advantage is explicitly sought through the brand, it is necessary to gather information to support brand management.

Guildingin et al. (2000) show that brand valuation is of great importance in strongly branded companies as a measure of marketing achievement, including management accounting. However, the strategic impact of brand valuation depends very much on, among other things, the choice of valuation method. The strategic importance is undeniable when the valuation method combines both marketing and accounting functions. Brand capital consists of, among other things, the brand's reliability, name awareness, perceived quality, and the competitive advantage it creates. Brand Valuation determines the value of this brand equity to the brand owner.

As a tool, brand valuation is more comprehensive than traditional cost accounting, as it relates to results and includes forecasts of future revenue and cash flows. Such predictive information is a vital aid to a company's strategic brand management. In addition, brand valuation can be used to evaluate a brand in relation to other company capital. However, the success of brand valuation depends very much on how well a company is able to use the information from the meter to improve financial performance. (Cravens & Guilding 1999.)

2.4. Competitor accounting

Obtaining information about competitors is essential because a company competes for customers and, therefore, also compares itself to other companies. According to Cadez & Guilding (2008), competitor calculation includes competitor cost assessment, competitive position monitoring, and competitor performance appraisal. The purpose of these methods is to provide the company with in-depth information about competitors as well as the competitive situation to support strategic decisions.

2.4.1. Competitor cost assessment

Competitor cost assessment is perhaps the most widely used form of competitor accounting and is an essential tool for strategic management accounting. For example, the relative distribution of variable and fixed costs tells a lot about competitors' opportunities to adapt their operations in the short and long term (Järvenpää et al. 2001, 272). Guilding et al. (2000) mention that the cost analysis of competitors include, among other things, the assessment and monitoring of competitors' production machinery, economies of scale, and technological development. Puolamäki (2007: 166–167), on the other hand, states that the assessment of competitors' costs requires not only public information sources but also systematic and extensive management of competitor information. In this case, information is obtained, for example, through interviews and recruitment of former employees, monitoring of competitors' premises, and through joint customers and suppliers. According to Guilding (1999), one of the main reasons for the prevalence of competitors' cost estimates is the proliferation of technologically advanced investments. The long-term commitment to such investments and the pursuit of an improved competitive position have emphasized the need to be aware of competitors' costs. Competitors' costs can be estimated either directly with the help of public information sources or indirectly, for example, through joint suppliers or customers.

Competitor cost estimation focuses on providing information on competitors' costs that can be identified by examining a competitor's manufacturing process, economies of scale, management relationships, and product design (Jones 1988). According to Bromwich (1988), it is essential to know the costs of competitors in order to find that a firm's market strategy brings real benefits. Competitors' cost information can be obtained, among other things, through a competitor's former employees, joint suppliers, or customers (Ward 1992).

2.4.2. Competitive position monitoring

Competitive position monitoring is a more comprehensive form of competitor calculation than competitor cost analysis, says Guilding (1999). It includes, among other things, an analysis of the main competitors' sales, market share, production volume, and unit costs. Such accounting metrics provide a more in-depth view of a competitor than an estimate based on market share alone and provide a basis for assessing a competitor's strategy. For example, the relationship between the variable and fixed costs is now essential information in the market, as the competitive position can only be made much more flexible by changing fixed costs into variable ones. This can be done, for example, by selling real estate and then leasing it back to the company. Long-term supply or procurement agreements also significantly impact the company's competitive position. (Puolamäki 2007, 165.)

According to Simmonds (1986), competitive position monitoring examines a firm's competitive environment and analyzes the firm's position relative to competitors. Comparing market position, turnover, or profits in relation to competitors alone does not provide a sufficiently comprehensive picture of the competitive situation, as turnover or profits may change rapidly as the competitive situation changes. It is essential to form an overall picture of competing companies by combining information from several different indicators. Information from indicators plays an essential role in creating a strategy or meeting the challenges posed by competition.

2.4.3. Competitor performance appraisal

According to Simmonds (1986), monitoring competitors' financial position examines the firm's competitive environment and analyzes the firm's position relative to competitors. Comparing market position, turnover, or profits in relation to competitors alone does not provide a sufficiently comprehensive picture of the competitive situation, as turnover or profits may change rapidly as the competitive situation changes. It is essential to form an overall picture of competing companies by combining information from several different indicators. Information from indicators plays an essential role in creating a strategy or meeting the challenges posed by competition.

When monitoring competitors' financial position is based on the interpretation of published financial statements, traditional accounting tools can also be used to assess competitors, says Guilding (1999). Appropriate analyzes based on competitors' public financial statements can also lead to significant strategic observations. When analyzing and monitoring trends in sales and income, as well as changes in assets and liabilities, these can be used to assess, for example, key factors affecting competitive advantage.

Moon & Bates (1993) state that assessing a competitor's performance is based on information obtained from public performance reports. This information can be refined by comparing competitors' reports with previous ones and creating metrics that describe changes in competitors' results and thus provide a deeper understanding of what is happening in a competitor's organization and across the market. Because performance evaluation is based on public reports, the cost of obtaining information is low.

2.5. Customer Accounting

According to Cadez & Guilding (2008), customer accounting includes customer profitability analysis, lifetime customer profitability analysis, and valuation of customers as assets. These techniques focus on analyzing the company's customers and providing in-depth information on the profitability of different customers and customer segments.

2.5.1. Customer profitability analysis

Customer profitability can be analyzed for either individual customers or customer groups. In this case, the return from a particular customer or group of customers is calculated based on the costs and sales allocated to that customer. Customer profitability analysis measures customers' share of a company's profits. It defines the difference between customer-specific revenue and costs over a period of time, such as annually or quarterly.

Customer profitability analysis can be performed either simply by-product costing, in which case costs are allocated to customers based on the number of products purchased, or in more detail, for example, by functional accounting, where overheads are allocated to customers based on different functions. Such customer profitability calculation can be used to assess the profitability of either individual customers or customer groups. Customer grouping can be based on, for example, shopping behavior, geographic location, or other characteristics that differentiate customers. Also, the life cycle of the entire customer or customer group can be taken into account in customer profitability calculation, thus paying attention to the longer term and also estimating future cash flows. (Lind & Strömsten 2006.)

According to Reichheld (1996), the profitability of a company is significantly affected by who the company serves and at what level. According to him, the company must focus on serving those customer segments that experience the most significant value from the company's products or services. This maximizes customer retention and profit from products.

2.5.2. Lifetime customer profitability analysis

A customer lifecycle profitability analysis examines a customer's profitability throughout its customer relationship lifecycle (Kumar 2008). Unlike a customer profitability analysis, a customer lifecycle profitability analysis looks not only at history but also at the future. This means predicting future customer behavior as well as outlining future profitability, from which the customer's profitability can be seen throughout its life cycle. This allows the promotion of the sales and investing the service to the most profitable customers throughout the life cycle. (Zhang & Seetharaman 2018).

2.5.3. Valuation of customers as assets

According to Gupta & Lehmann (2003), valuing a customer as a resource sees a company's customers as financially valuable resources that increase the company's value. The idea is that if a customer's lifecycle returns can be predicted, the forecast can also determine the turnover of an individual customer and thus its value to the company. The customer base has generally been seen as a major source of company intangible capital - especially in corporate pricing (Foster et al. 1996).

To summarize this section, strategic management accounting methods seek to answer questions that involve a great deal of uncertainty, estimation, and forecasting. Although the previous methods cannot be used to make calculations as accurate as, for example, calculations based on historical data in conventional accounting, forecasts are extensively used in making strategic decisions. On the other hand, even if the methods are not used in the company, it is good to keep the ideas behind the methods in mind in strategic decision-making so that reports produced with financial information can be viewed with sufficient reservation.

Next, the research methods, material, and target company of this bachelor's thesis are examined.

3. RESEARCH METHODOLOGY, DATA AND TARGET COMPANY

The empirical part of this dissertation is carried out with a semi-structured interview, in which the main topics or themes of the research problem are highlighted. The research is qualitative. This chapter covers qualitative research and semi-structured interviewing as a data collection method and presents the collected data.

3.1. Qualitative research

Qualitative research is characterized by, among other things, comprehensiveness, favoring people as a source of information instead of measuring instruments, and appropriate selection of the target group. Therefore, the aim is to obtain information holistically and compile the material in authentic, natural situations. The author of qualitative research uses people as a source of information and relies more on their observations and discussions than on information acquired with various measurement tools.

As a research method, methods are preferred in which the subjects' point of view and interpretation stand out firmly, such as the semi-structured interview conducted in this study. The target population is carefully selected and not, for example, by random sampling, as the study is based on a relatively small number of cases. This is based on the fact that the purpose of qualitative research is not in statistical generalizations, but the aim is to describe an event, to understand a certain activity, or to give a theoretical interpretation of a particular phenomenon. (Hirsjärvi et al. 2000, 155.)

Hirsjärvi and Hurme (2000, 21–24) present some general insights into how qualitative research differs from quantitative research. One of the basic assumptions of qualitative research is that reality is socially constructed, and there are as many realities as there are individuals. Thus, each person forms their own reality based on their experiences, thoughts, and beliefs. In qualitative research, the researcher interacts with the research subject and, for example, in an interview, the results are obtained in cooperation with the interviewee, as the interviewer is able to influence the course of the interview. Therefore, the same research results may not be achieved if the research is repeated later by a different interviewer. In addition, qualitative research is usually reported descriptively, and precise numerical definitions are hardly used.

Eskola and Suoranta (1998, 12–16) also define typical features of qualitative research. The first is the data collection method. Simultaneously, the material of qualitative research is either a text created depending on the researcher or independently, such as interviews and observations, personal diaries, or even autobiographies. In addition, qualitative research is characterized, but not necessary, by the involvement of the researcher. The aim is to reach the subjects' point of view, and the researcher can gather observations, for example, by participating in the subjects' lives. The aforementioned discretionary sampling is also one of the characteristics of qualitative research. In general, the focus is on a minimal number of cases, which are then analyzed as thoroughly as possible. In qualitative research, theory can be built based on empirical data, and the researcher has no preconceived notions about the research results or object. The material is used to find new perspectives on the topic and not just to prove previous claims or beliefs. In conducting qualitative research, the researcher plays a key role and has the opportunity to be flexible in the design and implementation of the research.

This study is conducted as qualitative research as it is not intended to test accurate hypotheses. The study also wants to make room for the subjects' interpretations and perspectives and does not want to make assumptions about the results in advance. Besides, obtaining statistically significant results for a quantitative survey would require such a large number of respondents that it would be challenging to conduct the survey on its behalf. Typically for qualitative research, the research sampling is discretionary, and the research focuses on examining one case company. Therefore, the number of cases is not large, but the aim is to form the most comprehensive picture possible of the situation of the target company.

3.2. Semi-structured interview

This thesis's empirical part is carried out with a semi-structured interview in which the main topics or themes of the research problem are highlighted. In this case, the topics and questions to be addressed are predefined, but the answers are not tied to specific alternatives, but the interviewees answer the questions in their own words (Eskola & Suoranta 1998, 64).

Therefore, the interviewer's responsibility is to ensure that all predefined topics are addressed with the interviewee, but the topics' order and scope may vary between different interviews. According to Vilka (2017, 79), the semi-structured interview is suitable, for example, for situations where there is limited basic information about the topic under study, and it is desired to form a more comprehensive picture of the topic. The semi-structured interview thus focuses on specific themes around which the discussion stands. The term semi-structured interview gives the freedom to conduct an interview, as it does not define, for example, the number of interviews or how "deep" to go in studying a topic. Instead, it is essential that the interview proceeds on the key themes and takes into account the interpretations and meanings of different people.

3.3. Case Study

This study will be carried out as a case study. The purpose of a case study is to examine a particular individual case as closely as possible and to draw conclusions about it, and possibly to make recommendations and generalizations for action.

Case studies aim to increase knowledge of a particular phenomenon without seeking to be generalized but rather in-depth. The results are intended to influence the development of the case in question, but they are also intended to be used on a larger scale. The evaluation should consider: What does this case teach to similar research processes? How could the results obtained be applied elsewhere or elsewhere? How could the results of an individual case be used to help design more extensive research on the subject? (Saaranen-Kauppinen & Puusniekka, 2006.)
The target of the study was a Finnish growth company operating in the food industry, which constantly strives to increase its operations both in Finland and abroad.

3.4. Data and Analysis

The data of the study mainly consists of an interview with the CFO of the target company. It was carried out with a thematic interview, with the themes and preliminary, indicative of the interview the questions had been defined in advance (Appendix 1). The target company's websites and material published there were also used as material. The interview was conducted via the Teams remote connection due to the prevailing covid situation.

The data collected through the interview was processed and analyzed according to the method presented by Hirsjärvi and Hurme (2000, 136–152). The recorded interviews were transcribed, i.e., transcribed verbatim, and took into account the speeches of both the interviewer and the interviewee. The analysis of the data was started by reading through the spelled material and making notes on the thoughts and other observations that emerged from the material. These were divided thematically for more detailed analysis.

The interview was conducted in the native language of the researcher and the interviewee in Finnish. The parts of the material brought to the study were translated into the publication language of the study in English.

The thematic areas adapted to the framework used in the interviews as well as the research questions, in which case issues relevant to the research problem were highlighted in the material. After the thematic design, the material was analyzed in more detail, reflecting it in the thesis' theoretical framework and the research problem under consideration.

Eskola & Suoranta (1998) state that thematic design is often the first way to approach the material. Through thematization, the aim is to find themes in the material that are relevant to solving the research problem.

After the thematic design, the material was analyzed in more detail, reflecting it in the theoretical framework of the thesis and the research problem under consideration.

Hirsjärvi and Hurme (2000, 147) state that the classification of data is an essential part of data analysis. Classification creates a base or framework that supports the interpretation, simplification, and summarization of interview material. In this study, classification was used to construct an appropriate class division derived from theory and suitable for solving research questions. When compiling the classification base, attention was paid to the compatibility of the theoretical classification and the data.

The information found on the company's website was also used as material.

4. RESULTS

4.1. Strategic management accounting

Strategic management accounting has developed over the decades within the framework of strategic management, accounting, and management accounting, and therefore several different definitions have been formed for it. Defining the concept is very important for the research, as the research material and results can be interpreted very differently depending on how the concept itself is defined in strategic management accounting.

According to the CFO of Company A, strategic management accounting is the collection and analysis of accounting data, and the term strategic management accounting is not used in the company. According to a study by Tillmann and Goddard (2008, 81-97), the company uses accounting tools, although some managers did not even know the term strategic management accounting.

"Well, it is just pretty much gathering information related to accounting and analyzing this information. However, we don't use such a term as strategic management accounting. Instead, it is just normal calculations that we make."

"...Yeah, all the time we calculate something, it is a daily thing for us." (CFO of Company A)

Company A's CFO is not familiar with strategic management accounting. According to Tillmann and Goddard (2008), the term strategic management accounting is still foreign to financial management.
The difference between management accounting and strategic management accounting is difficult to determine. The role of management accounting is to provide helpful information to decision-makers to enable rational decisions (Burns & Scapens 2000), while strategic management accounting also focuses on providing and analyzing financial information about both firms and competitors for use in strategy development and control (Simmonds 1981).

Company A's CFO is not familiar with strategic management accounting. According to Tillmann and Goddard (2008), the term strategic management accounting is still unfamiliar to financial management.

The CFO mentions the achievement of sales targets as the strategic goals of Company A.

"So isn't our strategic goals maybe to sell as much as possible with the best price possible. It might be the main goal. But then..."
"This all is a bigger picture, and everything kind of effects everything."

To measure performance, Company A uses figures from the income statement.

"Well yes, we go through all these numbers from the income statement, i.e., gross margin, EBITDA, and so on." (CFO of Company A)

Johnson and Kaplan (1987) have criticized traditional management accounting. According to them, management accounting produces information too late for the needs of managers. Traditional management accounting methods also direct managers to focus too much on short-term goals at the expense of long-term goals.

According to the CFO of Company A, operations are primarily governed by agreements with egg producers. Eggs are bought from producers according to the agreement, and eggs from their own chicken must be sold.

"...So when all those eggs need to be sold and they cannot be put to waste since they have value and we have paid for all the eggs." (CFO of Company A)

4.2. Strategic management accounting methods and their application in the target company

As stated above, Company A does not actually have a strategic accounting function. However, the company utilizes some of the accounting methods presented in this work, classified as part of strategic management accounting. Next, we will go through the different calculation methods insofar as they are used in the company.

In Company A, the concepts of strategic decision-making and strategic cost accounting, product feature cost accounting, target cost accounting, value chain analysis, operational accounting, quality cost accounting are not used as such in the company. Costs are calculated in the company by cost center.

"...Well, we calculate because we have these different so-called cost centers. We have a packing station, we have a processing station, and we have a refinery." (CFO of Company A)

Life cycle accounting is merged in the company into investment accounting. Therefore, it is not used separately in its basic form, but investments are examined over their entire life cycle using life cycle calculation when making investment calculations.

"...then we have, of course, related to fixed assets. We plan the useful life and depreciation period of fixed assets. Investment accounting in that sense that before investments are made so the aim is to analyze how much profit can be accumulated from it." (CFO of Company A)

Cost accounting for product features is a concept foreign to the company's CFO, and in strategic pricing, the company's focus is on whether to sell its own brand products or the customer's brand products.

"Well, of course, in pricing, we take into account whether we sell our own brand products or whether we sell branded products of the stores. That, of course, affects our pricing." (CFO of Company A)

Competitor accounting is performed in the company by monitoring the competitor's financial position. Also, it is closely monitored which new products competitors enter the market. Customer monitoring and market development provide essential information for Company A. Customer profitability is calculated regularly.

As can be seen, Company A has very few strategic management accounting methods in use. Although the CFO of Company A states that they do not use the term, there are some features of the Company's strategic management accounting methods. These calculations are made as part of other calculations but may not be called by their specific names.

Finally, although the company does not actually have a strategic management accounting system, it does use accounting methods that can be considered part of a strategic management accounting function.

4.3. Application and utilization of calculation methods to implement the strategy

The target company's website states that the company is an environmentally friendly and responsibly operating food company. As stated earlier, according to the CFO of Company A the strategic goal of Company A is to sell as much as possible at best possible price. The methods utilized by the company are used to support the company's strategic goals. However, the CFO of Company A states that the choices of calculation methods and key figures are primarily based on the company's target state and that everything is interrelated between strategy and accounting methods.

"So different cost centers or departments have a difference in margins. That is, where the product is processed less, it has a lower margin than products with a higher degree of processing. Of course, it is conceivable that if we think about where we will get those euros in the future, then we

should also invest in higher-margin products there. That may make it easier to get that euro." (CFO of Company A)

Precise margin adjustment of cost centers is essential for the utilization of the strategy. When both managed and uncontrolled items are included in the report, it is easy for corporate management to track them. For example, Schaltegger & Zvezdov (2015) have found that accounting experts act as gatekeepers between the corporate responsibility function and corporate management. This calculation method is called responsible accounting.

4.4. Challenges and obstacles in the implementation of strategic calculation

The biggest challenge in implementing strategic calculation was resource issues. The systems in place limit to some extent what kind of accounting can be done in companies, what kind of information can be collected and how it can be processed.

"And when we should take our different issues into account, such as customers and our internal processes in the same method, then it's challenging in my opinion. Because it requires the input of more people. If we stick to mere numbers, which is my field, then it will be much easier for me."

The CFO of Company A also sees things that cannot be measured as a challenge. Even if certain things are to be calculated, this may not be possible, as the systems in place impose limitations.

The concept of strategic management accounting and its prospects in Company A have been examined above. In summary, the company does not have a separate area of strategic management accounting at its disposal, nor is it known as a concept. In company A, strategic accounting is very much integrated into operational accounting. Because the company's financial management is explicitly built around operational accounting, strategic matters have received less attention.

In Company A, the features of strategic management accounting are mainly reflected in competitor and customer accounting. Competitors are actively monitored in Company A, and information is collected from various sources.

4.5. Summary of research results

The concept of strategic management accounting and its usage in Company A has been examined above. In summary, it can be stated that the importance of accounting for the implementation of the strategy is not very significant in the company, but the target company still performs accounting that supports the strategic goals. In the target company, the features of strategic management accounting are especially visible on the competitor and customer accounting side. Competitors are actively monitored, and information is collected from various sources.

The company does not have a separate area of strategic management accounting at its disposal, nor is it known very well as a concept. Strategic accounting is very much integrated into operational accounting. Because a company's financial management is built specifically around operational accounting, the planning of strategic matters may have received less attention for this very reason. Implementing the strategy would require a shift to management practices involving new types of accounting experts. This would allow the firm to better influence strategic goals, as Mintzberg and Waters (1985) have noted in their research.

The target company has different and different types of cost centers. Precise margin adjustment of cost centers is essential for the utilization of the strategy. When both managed and uncontrolled items are included in the report, it is easy for corporate management to track them.

Relation of results to the previous studies

The results of this study are in line with the results of previous studies on accounting. The following are a few previous studies and a comparison of the results of this study with them.

Pitcher's (2015) study states that, in practice, the use of accounting methods in the area of strategic management accounting is relatively low. According to Pitcher, the most widely used of these calculation methods are benchmarking, customer accounting, and investment evaluation, as well as, to some extent, competitor accounting. These calculation methods also emerged in this study and are used in part in the target company, but they cannot be positioned in the concept of strategic management accounting. The research results also have similarities with Lord's (1996) research. The study conducted by Lord shows that many companies have activities that have the characteristics of strategic management accounting. However, financial management does not necessarily participate in these activities or accounting figures do not measure it. The same can be said based on this study. According to the CFO, Company A does not engage in strategic management accounting, but nonetheless, there are features typical of strategic management accounting in corporate accounting.

Tillmann and Goddard (2008) also question the concept of strategic management accounting, and in particular, its functionality. They note that it is impossible to define the concept of strategic management accounting as it is understood in very different ways in different environments. According to them, the calculation method used in the company itself does not play as important a role as to how the financial management uses the information obtained from the accounting operation to understand strategic issues. The results of this study confirm this view.

A study commissioned by the Chartered Institute of Management Accountants (CIMA) shows that even if the term strategic management accounting is not used, financial management accountants can participate in the strategic management process. However, the range of accounting techniques used is not as comprehensive as in previous studies on strategic management accounting. In addition, the extent to which financial management personnel can participate in this process depends on organizational factors, the characteristics and skills of the individuals, and other available resources. (Pitcher 2015.) This study shows that it is precisely the resources available and the characteristics and skills of individuals that determine how a firm's CFO participates in the strategic management process, as it requires the input of more people and the desire to stick to one's own skills.

According to a study by Hutaibat, von Alberti-Alhtaybat, and Al-Htaybat (2011, 379-281), the mindset of decision-makers determines how strategic management accounting is adopted in an organization. According to a study by Mintzberg and Waters (1985), in turn, environmental factors have influenced the implementation of a firm's strategy, and that organizational control or measures have less of an impact on operational strategies. This may be a response to the fact that in management, the setting of strategic goals in the target organization has lagged more towards sales goals and operational level.

CONCLUSIONS

This bachelor's thesis aimed to gather both theoretical and empirical information. Initially, a comprehensive overview of the concept of strategic management accounting and its various methods was formed based on the literature, followed by an empirical case study within the framework of a theoretical framework. The study was used to find out how the tools of strategic management accounting are utilized in practice. The study sought to answer two research questions, which were:

1. How is strategic management accounting known and understood as a concept?
2. What kind of strategic management accounting methods are used in the target company, and how do they support the company's strategy?

Management accounting and strategic management accounting are close to each other. In this work, it was essential to note that strategic management accounting is used to support the strategic management of a company. The purpose of strategic management accounting is specifically to provide useful information to support the various stages of the strategic management process.

Based on the research results, it can be stated that the concept of strategic management accounting is very ambiguous, and the definitions vary. However, no matter how the concept of strategic management accounting is understood, the key objective of strategic management accounting is to help companies make, implement and control strategic decisions. Thus, there is no single unambiguous definition of strategic management accounting, and it can be described in different ways, emphasizing different perspectives. One aspect is its forward-looking, proactive strategic nature. The CFO of the target company is not familiar with the term strategic management accounting, and it is not easy to find a difference between management accounting and strategic management accounting.

The study also shows that in the target company, the importance of accounting for the implementation of the strategy is not very great, but there are calculation methods that support the implementation of the strategy. The Company's accounting function provides information to support strategic decision-making, although no specific strategic management accounting function has been consciously introduced. The company's accounting methods can be considered part of strategic management accounting, and the calculations are performed as part of other accounting, but they may not be called by that name.

The target company states on its website that it is an environmentally friendly and responsibly operating food house. The company's CFO defines sales goals as strategic goals. According to the theory, the work of accounting experts today should be guided by a broader strategic purpose, in which the concerns of individual firms are combined into a larger whole, seeking to imbalance the social and economic perspectives. In companies, this broader purpose is reflected in the desire to earn a mandate from society and stakeholders, also through consideration of environmental and social factors, and no longer solely on the basis of profit. In order to provide the target company's management with the most objective information relevant to strategic management, it is essential that financial management, and thus accounting experts, are involved in the strategic objectives at the earliest possible stage. A new management method that involves financial management could benefit the target company in achieving its strategic goals.

Finally, the current research is evaluated and topics for further research are presented. This is, therefore, a unique case-by-case study, the results of which cannot be generalized. If generalizations were to be made, more case studies should be made on the subject. Another limiting factor in research is the amount of data. Only the CFO of the target company was interviewed in the study, but to get a broader and more accurate picture, the material should also be collected through interviews with other finance department employees. The results of this study are very much based on individual person's perspectives. The size and industry of the target companies can also impact the results of the study. If the research targeted companies of different sizes and in different sectors, the results could vary widely. It would also be interesting to compare the issue between municipal organizations and companies. As a topic for further research, it would be interesting to compare the topic between municipal organizations and companies. A more in-depth study of responsible accounting would also be of interest.

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APPENDICES

Appendix 2. Semi-structured interview

1. Background information
• What is your position in the company?
• For how long have you worked for the company?
• General information about the company?
    o Main field of operation?
    o turnover in the last financial year?
    o Staff number?
2. Methods of Strategic Management Accounting
• What are the financial ratios or other methods of the company performance is measured?
• How would you define the concept of strategic management accounting? How does it appears in the company in practice?
• Does the company employ any of the following strategic management accounting policies methods?

If so, why have they been chosen?
If not, please share your views on why they are not used?

o Cost Accounting
    ▪ Cost accounting of product features, lifecycle costing, target costing, activity based costing, quality costing
o Planning, Control, and Performance mesaurement
    ▪ Benchmarking, Balanced scorecard

o Strategic Decision Making
    ▪ Cost Management, Strategic pricing, Brand valuation
o Competitor Accounting
    ▪ Competitor cost assessment, competitive position monitoring, Competitor performance appraisal
o Customer Accounting
    ▪ Customer profitability analysis
    oPossible other methods?

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