Int. j. adv. multidisc. res. stud. 2024; 4(1):1265-1269

Received: 02-01-2024
Accepted: 12-02-2024

International Journal of Advanced Multidisciplinary Research and Studies

ISSN: 2583-049X

Applying Strategic Management Accounting Techniques in Product Pricing in Manufacturing Enterprises

[1] Vu Thi The, [2] Nguyen Thi Thu Phuong
[1] University of Labour and Social Affairs, Hanoi, Vietnam
[2] Trade Union University, Hanoi, Vietnam

Corresponding Author: **Nguyen Thi Thu Phuong**

Abstract
In today's business landscape, this is not just limited to recording and reporting daily financial data, but also focuses on analyzing, forecasting and devising long-term financial strategies. Strategic management accounting plays an important role in helping businesses develop and implement effective strategies that can improve long-term competitiveness and profitability. This article studies techniques in strategic management accounting: Cost techniques, Planning, control and measurement of performance, Strategic management techniques group, Competitor accounting techniques group paintings, Customer Accounting Technical Team. From there, the article also studies the application of strategic management accounting techniques in determining product prices for manufacturing enterprises. Research results are the basis for manufacturing enterprises to set product selling prices in accordance with the enterprise's production and business strategy.

Keywords: Strategic Management Accounting, Strategic Management Accounting Techniques, Product Pricing

1. Introduction
In a modern business environment, to improve competitiveness, businesses must be able to collect and process information effectively to respond to market fluctuations and increase operating results. Therefore, effective application of strategic management accounting (SMA) is essential. Because strategic management accounting provides very important techniques in the process of participating in planning, developing, implementing and evaluating the success of an enterprise's development strategy. Strategic management accounting will help businesses control costs, improve product quality, increase customer satisfaction, create competitive prices, and attract high-quality human resources. Thereby improving the competitiveness of businesses.
Product pricing plays an important role in the survival and development of businesses. Therefore, business administrators often consider this an important task, with a historical mission that affects other tasks. First of all, setting a product's selling price affects the revenue and profit of the business. High selling prices create large profits, low selling prices are losses for businesses. But the resale price is limited by market demand and product competitiveness. Therefore, setting a suitable selling price is not a simple matter for administrators. Therefore, administrators need to set selling prices that must be scientific, suitable to market needs and ensure maximum profits.
Starting from the requirements of product selling pricing, the article studies techniques in strategic management accounting, thereby applying these techniques to product selling pricing.

2. Theoretical basis
Strategic management accounting
Concept
The concept of strategic management accounting was first introduced by Simmonds in 1987. The basis on which he introduced this concept came from Porter's Strategic Framework (1980) to provide and analyze management accounting data. value of the business itself and that of its competitors, helping businesses develop and monitor business strategies. In his research, Simmonds defined strategic management accounting by emphasizing the external aspect, focusing on competitor information. To date, there have been many studies related to strategic management accounting such as Bromwich (1990) [1], Brromwich

and Bhimani (1994), Langfied Smith (1998). However, there is no widely accepted formal concept of strategic management accounting.

The authors of strategic management accounting believe that in order to enhance outcomes, traditional management accounting is increasingly giving way to strategic management accounting at the convergence of accounting and strategic management. The function of information response is external to the process of implementing strategies. In order to plan, implement, check, and evaluate strategic decisions for the unit's future operations, accounting information from both inside and outside the unit must be gathered, processed, and provided. This is the broad definition of strategic management accounting.

The role of strategic management accounting

Starting from the characteristics of information as well as the need for information to serve strategic management, it is easy to see the breakthrough role in providing information of each technique through the content of each management accounting technique. Strategic value. Each technique focuses on the core object creating a set of main issues (from inside and outside that the business needs from detail to generality) to be able to receive a guaranteed source of information, supporting Support them in the process of implementing functions in each stage of strategic management. Through research and identification of accounting techniques, it will help administrators determine strategies and strategic positions, help administrators have enough basis for planning, help administrators make decisions and help administrators implement. Review the effectiveness of implementing the enterprise's strategy.

Because related methodologies take into consideration external elements like the competitive environment, strategic management accounting aids managers in determining an enterprise's strategy and strategic position (Simmond, 1981) [4]. Simultaneously, risks may be recognized to enable managers to create strategies for mitigation or action, and to enable companies to track the advancement of strategy execution (Roslender and Hart, 2003).

Accounting for strategic management gives administrators a solid foundation on which to plan. Assisting administrators in analyzing and forecasting critical issues and limiting potential hazards with the least amount of harm, planning is seen as a fundamental duty. As a result, data from strategic management accounting approaches clearly offers every topic that requires short- or long-term planning on the part of the administrator.

Accounting for strategic management aids in decision-making for managers. Managers make a wide range of decisions on a daily basis.

Accounting for strategic management facilitates managers' evaluation processes. This is the administrator's final action following decision-making and implementation. It aids in issue recognition and reevaluation, allowing the administrator to compile experience and lessons learned for decision-making and control. Information on strategic management accounting will be focused on what administrators need to compare and assess in order to effectively regulate and review.

In light of this, the author claims that the application of strategic management accounting approaches aids in the orientation and communication of information to assist administrators in carrying out strategic management tasks successfully and in making prompt and correct judgments.

Techniques of strategic management accounting

(1) Cost techniques

In strategic management accounting, cost engineering helps businesses understand the types of costs and expenses that are important to business strategy. By analyzing costs per unit of product or service, accountants can identify the factors that create costs and propose effective cost reduction measures.

(2) Teams plan, control and measure performance

This technique focuses on strategic planning and tracking actual performance against plans. Strategic management accounting uses tools and indicators to measure and evaluate a business's level of achievement of its strategic goals. This helps managers adjust plans and take necessary measures to ensure that the business continues to move towards its strategic goals.

(3) Strategic decision-making group

Strategic management accounting uses this technique to support the strategic decision-making process. By analyzing financial and business information, accounting provides data and insight so that managers can make strategic decisions with integrity and are based on accuracy.

(4) Rival organization

This method focuses on studying and analyzing rival companies in the market. In order to respond appropriately, strategic management accounting keeps an eye on and assesses the financial tactics of rivals. This aids companies in remaining competitive and, when needed, in suggesting strategic changes.

(5) Group accounting for customers

Through the gathering and examination of pertinent financial data, strategic management accounting seeks to comprehend the demands and preferences of its clients. By improving connections and increasing client value, this strategy assists firms in developing flexible financial plans and reacting swiftly to changes in consumer requirements.

Table 1: Technical groups of strategic management accounting

Recommended by	Technical groups	Technical groups of strategic management accounting
Bromwich, 1990; Roslender & Hart, 2003	*Cost techniques*	Attribute costs
Dunk, 2004; Shields & Young, 1991		Product life cycle costs
Belohlav, 1993; Heagy, 1991		Quality costs
Cooper & Slagmulder, 1999; Monden & Hamada, 1991		Goal price
Shank & Govindarajan, 1992		Costs along the value chain
Elnathan *et al*, 1996; Brownlie, 1999	*Teams plan, control and measure performance*	Comparing and contrasting
Chenhall, 2005; Kaplan & Norton, 1992, 1996		Performance measurement
Shank, 1991	*Strategic decision-making group*	Expenses of strategic management
Simmonds, 1982		Pricing strategy
Guilding, 1992		Brand valuation
Bromwich, 1990; Jone, 1988; Ward, 1992	*Rival organization*	Evaluate competitors' costs
Rangone, 1997; Simmonds, 1986		Monitor your competitors' positions
Moon & Bates, 1993		Evaluate competitors' performance
Bellis Jones, 1989; Ward, 1992	*Group accounting for customers*	Analyze customer profitability
Foster & Gupta, 1994		Evaluate customer lifetime value
Fosster, Gupta & Sjoblom, 1996; Zeithaml, 2000		Value customers as assets

Source: Compiled by the author group

3. Apply techniques in strategic management accounting to determine product prices

Product pricing is one of the most important and complex decisions that managers must make. To determine an effective selling price, administrators must carry out a process of steps from goals, pricing strategy, analyzing cost factors to determining price, calculating comparisons to come up with a price. Optimize and build the final selling price structure.

There are many product pricing methods including cost-based product pricing, competition-based product pricing, and demand-based pricing. Can apply techniques in management accounting to determine product pricing strategies.

Apply cost techniques

Pricing products based on cost is one of the most important and popular methods today. Furthermore, cost-based pricing is based on the notion that cost is the starting point for pricing. The selling price of a business's products must first cover costs to then make a profit.

Product pricing determines the revenue and profit of the business. The formation of selling prices on the market comes from different scientific bases, but they must all comply with important principles that cover costs and create profits so that businesses can carry out their business. Present a simplified and expanded remanufacturing process.

Cost-based pricing is defined as using cost information from cost management accounting to guide pricing decisions (Bruegelmann, T. M. *et al*., 1985). With this approach, the product's cost serves as the foundation for determining the price. The computed markup yields a profit margin in addition to covering the product expenses.

Supply and demand make up the two sides of the price equation, according to Hansen and Mowen (2006). A profit can only be made when expenses are met by revenue, which is why many companies base their pricing decisions on their costs. That is, figure out the cost of the goods and then add the targeted profit margin. Usually depending on the basic price and extras.

In the same vein, according to Garison (1991), cost-based pricing is often applied when managers want to determine the selling price of a product. This calculation is to calculate the base cost and then add an estimated plus amount. The flexibility of the pricing model depends on the cost structure in the base cost and markup design methods. We can explore flexibility through the methods of pricing products on a full cost basis and on a variable cost basis.

The cost-plus price is calculated according to the formula:

Selling price = Base cost + Additional money

*Additional amount = Additional rate * Base cost*

Base costs for establishing selling prices vary depending on the costing method used. Base costs can be total costs, manufacturing costs or variable costs.

Different markup rates for different products depend on the environment, competitive position and product demand.

For product pricing on the basis of variable costs

Base costs are all variable costs:

*Selling price = Variable costs + Add-on rate * Variable costs*

Base costs are variable costs of production:

*Selling price = Variable cost of production + Add-on rate * Variable cost of production*

For product pricing on a full cost basis:

Base costs are production costs:

*Selling price = Production cost + Added rate * Production cost*

Base costs are all costs:

*Selling price = Cost + Added rate * Cost*

Regarding product pricing using activity-based costing

The average long-run product cost is determined using the activity-based technique, which also assesses all of the resources needed by the company to make the product. Compared to the complete technique, this method calculates long-run product costs more correctly. For long-term price choices, it is therefore advised to utilize costs from the ABC technique, and for short-term pricing decisions, to compute incremental costs using the variable method.

In this way, ABC simplifies the allocation of fixed costs and offers more precise product cost data for price choices. The intrinsic drawbacks of the complete cost-based pricing approach will be solved with the use of ABC.

Apply strategic decision-making techniques

Pricing strategy: Pricing strategy proposed by Simmonds (1982), pricing strategy focuses on the strategic definition of price, taking into account competitors' actions, reactions, and price elasticity. Both, anticipated market growth, and economies of scale and experience in the pricing process (Guilding *et al*., 2000; Cadez and Guiding, 2008 [2]). Pricing strategy requires managers to be responsible for establishing uniform pricing policies and procedures that are consistent with the strategic goals of the business.

Apply Rival organization

Competitor Cost Assessment (CCA)

According to Simmonds (1981) [4], CCA focuses on competitors' cost structures, including: Regularly updated forecasts of competitors' costs per item offered; Develop a systematic approach to competitor cost assessment that, in addition to evaluating competitors' production facilities, also takes into account economies of scale, product technology design and relationships with the state. All easily accessible sources of direct observation such as mutual suppliers, mutual customers, former employees, and published accounting data should be used to analyze competitor costs.

Monitor your competitors' positions

This technique is formed by providing information about competitors, including: Sales, market share, volume and unit costs (Guilding *et al*., 2000; Cadez and Guilding, 2008 [2]). Competitor analysis is also about identifying and quantifying relative strengths and weaknesses in order to plan a successful competitive strategy. Based on the information of this SMA technique, a business can evaluate its position relative to key competitors and build models of how they might react based on their goals, assumptions, capabilities and capabilities. Capabilities and current situation of the enterprise.

Evaluate competitors' performance

Evaluating competitors based on published financial reports is analyzing published information data as part of assessing competitors' competitive advantages (Guilding, 1999). This is considered a good source of information to evaluate competitors' performance based on published financial reports, including: Tracking sales trends, profit levels, assets and other variables, Competitor's actions.

Applying the Group accounting for customers

Client Profitability Analysis (CPA)

According to Bellis-Jones (1989), CPA was introduced as a powerful technique to provide a solution to the problem of measuring client profitability and can be used as a means of supporting a customer-focused strategy. Row. Measure segment profitability and manage customer relationships based on customer value so that both customers and the company achieve their goals.

Evaluate customer lifetime value

Dwyer (1989) defines customer lifetime value (CLV) as the present value of expected profits (i.e. total profit), net of costs from the customer. According to Guilding and McManus (2002), CLV is an advanced development of customer profitability analysis. However, CLV is a fundamental and quantitative measure of the financial outcome of the relationship a company has with its customers.

Value customers as assets

This technique evaluates customers or groups of customers as assets involved in calculating customer value for the company (Cadez and Guilding, 2008 [2]). Therefore, classifying customers as assets makes customers part of the company's value (Gupta and Lehmann 2003). Identifying and creating customer value is considered a prerequisite for a company's survival and long-term success.

4. Conclusion

In today's economic integration, in addition to development opportunities, businesses also encounter many difficulties and challenges, requiring business administrators to collect price information and communicate information related to setting prices, analyzing factors affecting selling prices to establish appropriate prices for products. The application of strategic management accounting in product pricing will bring many benefits for strategic decision making, thereby helping businesses improve competitiveness and sustainable development.

To apply strategic management accounting in product pricing, the author proposes a number of solutions as follows:

Firstly, manufacturing enterprises need to build a development strategy for their business in accordance with the general development strategy of the industry while ensuring a long-term and sustainable development strategy for the business.

Second, build and perfect the business organization. Enterprises need to be decentralized, decentralized, or the rights of each department must be clearly associated with responsibilities.

Third, focus on improving factors that impact the process of successfully applying strategic management accounting

Fourth, widely disseminate knowledge about strategic management accounting techniques in businesses, not only with managers but also with employees.

5. References

1. Bromwich M. The case for strategic management accounting: The role of accounting information for strategy in competitive markets. Accounting, Organizations and Society. 1990; 15(l):27-46.
2. Cadez S, Guilding C. An exploratory investigation of an integrated contingency model of strategic management accounting, Accounting, Organizations and Society. 2008; 33(7-8):836-863.
3. Do Thi Thu Thao. Factors Influencing the Application of Strategic Management Accounting at Enterprises Listed on the Vietnam Stock Market, Journal of Science and Technology – IUH. 2022; 58(04). Doi: https://doi.org/10.46242/jstiuh.v58i04.4498.
4. Simmonds. Strategic Management Accounting, Management Accounting (UK), 1981.
5. Nguyen Anh Hien, Le Thi My Nuong. Research applied techniques in strategic management accounting, Journal of Finance. 2019; 2:71-73.

6. Lele J, Fields D, Elele J, Fields D. Participative decision making and organizational commitment Comparing Nigerian and American employees, Cross Cultural Management: An International Journal. 2010; 17(4):368-392. Doi: https://doi.org/10.1108/13527601011086586
7. Hadid W, Al-Sayed M. Management accountants and strategic management accounting: The role of organizational culture and information systems, Management Accounting Research. 2021; 50:100725. Doi: https://doi.org/10.1016/j.mar.2020.100725
8. Tran Hong Van, Tran Thi Phuong Lan. Level of application of SMA in Vietnamese enterprises, Industry and Trade Magazine. 2020; 19.