THE IMPACT OF MANAGEMENT ACCOUNTING ON BUSINESS COMPETITIVENESS

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Abstract: Given the ever-changing market environment, competitiveness is one of the essential characteristics of a business. A company must strive to position itself in the industry in such a way that it is best able to face competitive pressures or to turn them to its advantage. This is conditional on managers making the right strategic decisions. Management accounting can provide them with the information they need to do this.

Keywords: Competitiveness. Factors of competitiveness. Competitiveness assessment. Managerial accounting. Financial accounting.

1 Introduction

Businesses operate in a business environment that reflects a number of business changes, both positive and negative. Given the scale of change, a new competitive environment is also emerging. In order to be able to respond to these changes in the business environment and to be competitive, businesses can manage their business in a modern and efficient way using management accounting. Management accounting offers businesses tools and methods for better strategic decision-making. This will enable them to adapt to changing market conditions, identify new opportunities and ensure the competitiveness of the business in the market.

2 Competitiveness

Competitiveness is the response and reaction time to changes in the market in customer demand in the process of creating products or providing services. "Competitiveness is one of the pillar requirements in the ever-changing market environment of our time and is therefore considered one of the essential characteristics of an enterprise. A fundamental feature of a market economy is the freedom of the customer to decide not only what product to buy but, above all, from whom to buy it. This fact leads to competition between potential suppliers for customers. The supplier chosen by the customer can be said to be more competitive than the other competitors. Every undertaking should strive to create competitive advantages which increase the competitiveness of the products offered. The competitiveness of the products is mainly determined by their quality and the position of the company on the market is determined by the customer's interest in the offered products," (Krauszová, Janeková, 2008, p. 468).

Closely related to competitiveness is competition, which is competition in the market. It exists on both the demand and supply sides. On the demand side, it is an expression of the conflicting interests of buyers, as everyone wants to satisfy their needs at the lowest prices. On the supply side, it is the result of producers trying to maximise their profits. If the supply is insufficient, each buyer tries to obtain from a limited number of offers, which results in an increase in price.

2.1 Competitiveness factors

Competitiveness is influenced by external and internal factors. "External factors include those that are beyond the control of the enterprise, or where the enterprise's ability to influence these factors is limited or indirect. These include the bargaining power of suppliers and customers, competition, product market, corruption in the environment, interest in employment in the enterprise, and the support of local and state authorities," (Karpissová, 2008, p. 297). "Internal factors are considered to be those that the enterprise has the ability to influence and that are located inside the enterprise. These include factors of scientific and technological development, marketing and distribution factors, as well as factors of production and its management, labour resources and financial and budgetary aspects of the business," (Karpissová, 2008, p. 294). Thus, internal factors include employee motivation and training, business performance and logistics, quality, innovation, cost reduction, advertising and information technology.

"Not all factors of competitiveness are objective and often not even measurable, but subjectively perceived by confronting customers with their requirements, values or just their moods. Broadly speaking, competitiveness is a superposition of the following factors:

- the product, its features, price, design, etc.,
- communication skills in relation to the customer,
- the reflection of the time dimension of the business - speed of response to customer requirements, speed of implementation of processes, speed of change,
- the aggregate effect of the business - geographical location in relation to the customer, tradition, goodwill, image,
- the ability to form strategic alliance relationships with both suppliers and customers,
- capital strength and financial capability - application of quality management systems, labour productivity, etc.

In some cases, competitiveness is also complemented by belonging to a region equipped with adequate infrastructure, legal environment and other macroeconomic criteria of the region. The uniqueness of any of these factors creates a competitive advantage that is valued by customers and the resulting motivation to establish a business relationship," (Borovský, 2005, p. 9).

2.2 Competitiveness assessment

Closely related to competitiveness factors is the competitiveness assessment. Several methods are used to assess competitiveness. The most used assessment method is the 5F method, also called Porter's analysis or Porter's 5 forces model. It comes from the American economist Michael E. Porter. It is based on analysing the factors that determine "the size and nature of competition of a particular firm in its industry of interest," (Mallya, 2007, p. 49). Michael Porter identified the basic five forces (factors) that affect the competitiveness of an enterprise in an industry. "These five forces are:

- the strength of rivalry in the industry,
- the possibility of product substitution by substitutes,
- bargaining power of customers,
- the possibility of entry of new competitors,
- bargaining power of suppliers.

The importance and relevance of each of these five factors for individual companies depends on the sector in which they operate. Each industry is characterized by its different features and character from the others," (Grasseová, Dubec, Řehák, 2012, p. 191).

"The strength of rivalry in an industry depends primarily on the number of competitors, their size and also their strength. The more competitors and the more they are equal in size, the greater the rivalry between the different actors in the competitive environment. Other factors that influence the strength of rivalry are market growth, barriers to exit (high costs may prevent exit from the industry) and irrational reasons," (Magretta, 2012, p. 54). "The ability to substitute substitutes for a product is influenced by the difficulty with which a customer can get to the substitutes. Of course, the price and quality of the offered substitute also have a significant influence. In countering the threat of substitutes, the firm should focus on maintaining or reducing the price of its products and on their developmental improvement," (Mallya, 2007, p. 51). "The bargaining power of customers is higher the more customers can organize themselves, the less product differentiation, the product price is a substantial

part of the cost, the difficulty of product substitution is not high, and the purchasing power of customers is not high. If the bargaining power of the customer is too high, the market becomes unattractive for businesses," (Grasseová, Dubec, Řehák, 2012, p. 192). "The ability of new competitors to enter the industry depends on the barriers to entry that prevent them from doing so. New competitors are mainly attracted to enter the industry by the price of products. What makes new competitors uninterested in entering is the level of costs associated with entering the industry and the costs associated with coping with firms already operating in the industry," (Magretta, 2012, pp. 52-53). "The bargaining power of suppliers depends on similar factors as the bargaining power of customers. The bargaining power of suppliers is directly proportional to the size of the suppliers and their ability to unite. Switching suppliers is usually associated with high costs. Finally, there is the non-negligible threat of the supplier itself entering the industry," (Magretta, 2012, pp. 48-50).

3 Business accounting

In market economies, corporate accounting as a structured information system consists of financial accounting and management accounting. Financial accounting has a legally prescribed content and form. Its purpose is to give a true and fair view of the assets, financial position and earnings of the enterprise, i.e. of the subject matter of the accounts. The information it provides is intended primarily for external users. It records data on a consistent and systematic basis for the enterprise as an accounting unit. It uses a monetary unit of measurement. Its maintenance is compulsory for the enterprise. Management accounting provides the economic information needed by the management of an enterprise for effective decision-making and control. It is a collection of diverse economic information relating not only to past events but also to information about the future possible development and strategy of the enterprise. It has no legally prescribed content and form. It uses different units of measurement to express economic phenomena. Unlike financial accounting, its information is intended for the management of the enterprise. Its maintenance is voluntary for the enterprise. Management accounting is made up of individual subsystems:

- cost accounting,
- costing,
- budgeting,
- inter-organisational accounting,
- tax accounting,
- environmental accounting.

3.1 Management accounting and financial accounting

"Management accounting is understood by us as accounting designed for management, which basically describes its main role. Thus, it should primarily serve the management of the enterprise to make the right decisions about its operation and further development," (Čechová, 2006, p. 3). Financial accounting provides the necessary financial information for management accounting. Therefore, "the basic task of management accounting, which consists of partial, interrelated tasks, can be divided into three groups:

- detecting actual phenomena and information,
- control of those phenomena, analysis of those phenomena and processing of the output information,
- the preparation of information for the decision-making process itself and the subsequent determination of the tasks arising from the decision-making processes.

While the first and second points also deal with financial accounting, where actual phenomena are captured in the books, financial controls and analyses are carried out, but mainly in relation to the needs of external users, the third point is part of management accounting. In management accounting, the detection of actual phenomena and information is done primarily in relation to the needs of internal management, i.e. in a different way than in financial accounting. The analyses carried out are often common to both the needs of external users and the needs of internal management. However, some are for management only and are of no interest to the external environment. It is true that the first and the second group of tasks are very closely interrelated in management accounting; it is impossible to set precise boundaries when it is about detecting phenomena and when it is about controlling, analysing and processing them into output information," (Čechová, 2006, p. 5).

" In the context of the use of management accounting in tactical and operational management, the substantive differences from financial accounting can be concretised into five basic points:

- Financial accounting focuses mainly on the past; management accounting should provide a basis for comparing reality with the desired state, or for evaluating comparative possibilities for future developments.
- The subject of financial accounting is mainly the external relations of the holistically understood enterprise and its environment; management accounting shows not only the external but also the internal relations between departments and their processes.
- Financial accounting information is also available to competitors, so that financial accounting report preparers hide some important information, e.g. factors that affect sales results. Management accounting, on the other hand, provides detailed information on these results.
- Good management accounting is nodal responsibility accounting; any internal recognition of revenue by the selling unit should be matched by an assumption of cost or responsibility for the asset in the withdrawing unit.
- The basic, primary focus of management accounting is to provide the highest quality information about the factors that affect the amount of profit. This is reflected both in a differentiated view of how total actual and forecast profit is measured and, in an attempt, to express the contribution of individual performances, processes, activities and units to total profit and to quantify the variation in the level of incremental or opportunistic profit.

In conclusion, the focus of management accounting is the content, structure and detail of the information provided on costs, revenues and their variance. Compared to financial accounting, its main difference lies not only in the different content concept of costs and revenues, but mainly in the more detailed information about their internal structure and breakdown," (Král et al., 2012, p. 41).

4 The impact of management accounting on competitiveness

Management accounting affects its competitiveness through all the above subsystems. In terms of the most important factors, costing, costing and budgeting can be mentioned. Costs in management accounting are based on the characterisation of "as a value-laden, purposeful expenditure of an enterprise's economic resources, purposely related to economic activity. The following features are essential to this definition, which emphasises not only the need to show their real amount subsequently but, above all, the need for their rational economic use:

- efficiency: an expense is only an expenditure which is rational and proportionate to the results of the activity;
- purposiveness: the purpose of the expenditure of an economic resource is its appreciation; it occurs only when such a component of the asset is created which has brought, or will bring in the future, a greater economic benefit than the original cost; an important characteristic of a cost understood in this way is therefore its relatively close relationship to the outputs (products, works, services or other economic activities) which make up the enterprise's front-end activities. In this context, it is sometimes referred to as a cost driver, " (Král et al., 2012, p. 48).

Costs are closely related to costing. "In the most general sense, costing is the ascertainment or determination of the cost, margin, profit, price or other quantity of value of a product, work or service, of an activity or operation to be undertaken in connection with its performance, of a corporate investment action or of a unit of output otherwise expressed in kind. It is the fact that costing displays the two basic poles of the business process - performance in kind and its value parameters - in a correlated way that makes it the most important tool synthetically displaying the relationship between the material and value aspects of business," (Král et al., 2012, p. 124). Costing and costing are the basis for a specific type of decision-making, which is pricing decision-making. The basic objective of pricing decision-making is to determine what costs associated with a given product (service, work) are bearable at the current price and what price could be offered under current conditions for production, sales and other activities associated with the production of the product or the provision of services and works. Pricing decisions are largely influenced by the market situation and the possibilities of competition. It is therefore necessary to assess the acceptability of the price to the purchasers of the product, service or work in such a way that the price covers all the supplier's costs and ensures at least a minimum level of profit. It is important that the price is accepted by the customer and is favourable for the supplier in the given circumstances. It is about finding the optimal price in the interface between the demand price and the supply price. Further, pricing decisions are influenced by the objective that is preferred by the business. If the objective of the firm is to build market position, to gain clientele in the long run, then pricing decisions will be less aggressive and more acceptable to customers. Conversely, if it is only about immediate profit (short-term effect), price decision-making may take full advantage of a favourable market situation (product shortage, weak competition at the moment) and set the maximum acceptable price for customers. In this case, customers will look for other suppliers for their next supply and profits will only be made until such competition emerges on the market.

Where costing methods are not sufficient there is a need for budgeting and enterprise budgets. "Budgeting is the determination of economic tasks such as revenues, sales, inventories, expenses, costs, income, etc. for a certain period of time in advance. Budget as a result of budgeting is the concretization of the revenues and costs of an enterprise for its anticipated activities over a period of time. Therefore, it is an essential tool for enforcing accountability for the level of the value aspect of the reproduction process. The need for budgeting and budgets arises wherever different products and outputs are created, which are produced in different places (centres), which participate in different degrees in different types of costs," (Kupkovič et al., 2000, p.175-176). "Taking into account the diverse conditions of business entities and the need to master the intra-enterprise management, different types of budgets have arisen in practice, which are classified in the literature according to several aspects, for example:

- by the length of the budget period,
- by level of budgeting,
- by subject of budgeting,
- by degree of completeness,
- by monitoring the progress of the reproduction process,
- by the degree of activity," (Kupkovič et al., 2000, p.177).

"In practice, the most used and also the most important budgets are by subject of budgeting, where they belong:

- revenue (sales) budget,
- purchase (inventory) budget,
- cost budget,
- profit and loss (profit and loss) budget,
- cash income and expenditure budget (cash flow)," (Kupkovič et al., 2000, p.185).

"The order of the most important budgets is not random. The revenue budget should be prepared first, as the volume of revenue is also the basic figure for determining the level of inventories (purchases, work in progress and finished goods), accounts payable, etc. Budgeting is based on the enterprise's accounting and other documents, but above all on the development of market conditions and the enterprise's own possibilities. The following data are considered:

- the level of revenue in previous years,
- trends in sales in the various product groups,
- changes in customer requirements
- market share and the possibilities for market movement,
- inflation trends,
- seasonal trends,
- the development of competition or the launch of new lines,
- expected changes in the economy,
- the possibility of achieving the expected revenues without major expansion,
- the disposition of the company's resources," (Kupkovič et al., 2000, p.186).

5 Conclusion

"One of the characteristic features of the market economy is competition, it is possible to survive in it not only by increasing the technical level and quality of products, works and services provided, but also by improving the ability to compete from the position of costs, which, like costing and budgeting, belong to the subsystems of management accounting. Calculations and budgeting allow more specific cost tasks, better decision making, cost control and thus examining the conditions of success," (Kupkovič et al., 2000, p. 8).

Managerial accounting also influences the competitiveness of a business when deciding whether it should enter a different market, focus on a different customer segment, or invest more in advertising, promotion and marketing. Decisions along these lines can indicate whether a business should follow the competition or not follow the competition and try to gain its own competitive advantage and go its own way. Customers are very important to a business and therefore customer service can be improved with management accounting information. Customer advice, service, product quality or order handling can be streamlined. But everything depends on reliable information, which is the basis for good communication in a company. Especially between the finance, production, HR and sales departments. Information should be regular, clear, concise and to the point, so that it can be handled at short intervals. Information should be processed retrospectively on what has been achieved and what has not, whether what was planned has been achieved or whether something that was not planned has been done.

When something planned is not achieved, a thorough analysis of why it did not work out is needed. All this can help motivation for the next period, while it is also important to estimate the future development of finances. The management of the business needs to be sure of where it will incur costs, how to reduce them and where it will generate revenue (income). This is where various statistics and analyses of financial flows can help, e.g. through more efficient processing of receivables, better inventory management or optimisation of expenditure. Thus, management accounting will provide the company with information on which managers can effectively allocate work, responsibilities, duties and then positively or negatively evaluate the work of employees. Thus, in addition to business costs, time, quality and employees can be considered as the main factors that affect the competitiveness of an enterprise.

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