

# Contemporary Business Environment and Contemporary Techniques

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## ABSTRACT

The current business environment is experiencing rapid change influenced by technology, globalization, and changes in consumer behavior. A deep understanding of this environment is important for a company's adaptation. An important development driving changes in the contemporary business environment at large is the growth of markets and international trade. Today's contemporary business is characterized by increasingly fierce competition, rapid innovation, and constant change. To face this increasingly complex business environment, many contemporary techniques are used by companies, such as information technology, risk management, and supply chain management. These techniques help companies to stay competitive and adapt to the rapidly changing business environment. This research is expected to provide a better understanding of the contemporary business environment and contemporary techniques used in business today.

**Keywords:** Contemporaries, Contemporary Business Environment, Contemporary Techniques

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## INTRODUCTION

Business is an activity that cannot be separated from human life. Business is one of the main business activities in supporting economic development (Pratama et al., 2022). Every time you run a business, business people need to learn about the meaning of business and know the characteristics of what business we will run in the future, the aspects that support business activities and the business environment itself. Basically, business is managing something so that it continues to run well. The work area of business is within the scope of economic society. Business as part of an economic entity has a focused role in production activities and creating offers to the market where people carry out consumption activities. Business is an activity that starts from photographing the needs of society (society), fulfilling these needs in certain ways in order to gain profits from transactions to fulfill needs. Thus, business enterprises are the main economic entities that people in modern economic societies use to carry out the tasks of producing and distributing goods and services. (Andini, 2022; 2)

Business development is greatly influenced by the very fast and dynamic progress of information technology. The more sophisticated the times, the more advanced business development becomes, for this reason business people must keep up with developments in time and technology in order to be able to compete with contemporary business competitors. The contemporary business environment refers to environmental conditions that continue to change and develop rapidly. This environment includes external aspects such as competition, technology, government, and also internal aspects such as company culture and human resources. Information technology has dramatically changed the characteristics of business competition which many companies never expected, this information technology will be able to meet

consumer demands related to satisfying needs. Contemporary business is a reflection of an ever-changing era and is significantly influenced by an increasingly integrated global economy. (Ridwan, 2002; 64)

The current business era is greatly influenced by global economic factors that influence various aspects of company operations, strategy and success. One of the most striking aspects of contemporary business is wider access to global markets. Companies are no longer limited by geographical boundaries and can easily run their business in different countries. This occurs because advances in technology, communications, and transportation have reduced barriers to international trade. The contemporary business environment is heavily influenced by technology and rapid change. If companies want to survive and thrive in this environment, they need to adopt contemporary techniques and be flexible in dealing with environmental changes. In addition, they must also pay attention to environmental and social issues that are increasingly important in contemporary business. (Ridwan, 2002; 65)

In the current era where technology and environmental issues are the main drivers of change in the business environment. Understanding the dynamics of the contemporary business environment is key to forming sustainable and competitive strategies. This paper aims to reveal how contemporary businesses can adapt and develop in this ever-changing era. Through this research, we hope to provide valuable insights for industry leaders and business decision makers. As well as inspiring sustainable change in the business world.

## METHOD

The writing method used is library research or what is usually called library research, where in this research the author collects data from literature and studies books and journals of technical guidance and theories that can be used as reference material. Secondary data is data obtained through information sources or media, including scientific books and written results that are relevant to this writing.

## RESULT AND DISCUSSION

### Contemporary Business Environment

Contemporary means contemporary, modern or more precisely something that is the same as the conditions of the same time or now. Contemporary understanding is something that is modern, that exists and is happening and is still going on today, or anything that is related to the present. In general, the meaning of contemporary is at the same time, currently, now, today (Prihatma, 2021; 19). Contemporary also reflects that there is freedom to determine according to what is currently applicable. For example, the flow of globalization that has entered Indonesia has influenced various existing cultures, not only that, foreign cultures have also contributed to Indonesian culture. Contemporary Business is a business activity carried out by a company to implement company strategies to achieve success that refers to current trends. Another meaning of contemporary business is a business that has been adapted and aligned with current or current needs. Many changes in the business environment in recent years have led to significant modifications in cost management practices. The main changes are increased global competence, advances in production technology, advances in information technology, the internet and e-commerce, and changes in the social, political and cultural environment of business (Blocher, 2019; 12).

#### 1. Increased Global Competency

An important development driving changes in the contemporary business environment at large is the growth of markets and international trade. Like consumers or policymakers, businesses and non-profit organizations are deeply influenced by rapidly growing economic interdependence and increasing competition from other countries. The North American Free Trade Agreement (NAFTA), the World Trade Organization (WTO), the European Union (EU), and the increasing number of large multinational corporate alliances make it increasingly clear that opportunities for growth and the ability to earn profits lies in the global market. Most consumers benefit because low cost and good quality goods are traded throughout the world. The increasing competition in the global business environment means that companies' need for cost management information is increasing in order to be able to compete. Companies need financial and non-financial information about how to do business and compete effectively in other countries (Blocher, 2019; 13).

## **2. Advances in Production Technology**

In the business world, external factors influence the success of a person's business. These factors can develop or slow down the running of a person's business. One of the business environments that has quite a big influence is the technological environment which helps increase efficiency during business activities, especially during the production process, through the creation of various equipment with sophisticated technology so that the production process can be shorter and productivity and profits can increase. But nowadays doing business doesn't just make a profit. The development of the business world can continue to run in line with technological developments because technological advances really help entrepreneurs in maintaining their business (Siregar, 2020; 73).

In order to remain competitive in the face of increasingly fierce global competition, companies from all over the world are implementing new production technologies. This includes just-in-time inventory methods to reduce costs and waste caused by large inventories of raw materials and unfinished products. Many companies also apply methods that have been implemented in Japanese manufacturing companies, namely methods that can lead to improvements in costs and quality by utilizing quality teams and statistical quality control. Other production changes include Flexible production techniques developed to reduce setup or set-up time and enable rapid turnaround of customer orders. The key to competition, which is called the speed of products arriving at market (speed to market) is the ability to deliver products or services faster in competition (Blocher, 2019; 14)

## **3. Advances in Information Technology, Internet and E-commerce**

The most fundamental business change in recent years is the increasing use of information technology, the internet and e-commerce. Current advances in information technology and rapid development have made changes in human life when communicating. Along with advances in business, internet technology can reach users across countries, creating new opportunities in the way humans communicate and conduct business transactions, and this media also influences the characteristics of internet communication media users or consumers themselves. This can be seen from the tendency of consumers to move or switch to online transactions. In Indonesia, online shopping has become the choice of many people to buy the goods or products they want. This new economy is reflected by the rapid growth of Internet-based companies (dot-com companies such as Amazon, eBay, and Etrade) and the increasing use of the Internet for communications, sales, and business data processing. This technology has helped develop a strategic focus on cost management by reducing the time required to process transactions and expanding individual managers' access to information in companies, industries and business environments throughout the world (Blocher, 2019; 14).

## **4. Changes in the Social, Political and Cultural Environment of Business**

Apart from changes in the business environment, significant changes also occur in the social, political and cultural environments that influence business. Although the nature and extent of these changes vary greatly from country to country, these changes include a workforce that is more respectful of other countries, these changes include a workforce that is more respectful of ethics and composed of more diverse races, a renewed sense of responsibility ethics among managers and employees, and increasing deregulation of business by the federal government. The new business environment requires companies to be more flexible and able to adapt and place greater responsibility on a more skilled workforce. Changes tend to direct companies to focus on factors outside the production of goods or services, namely on the final consumer and the global society in which consumers live. Competitive companies incorporate and anticipate changes occurring in the contemporary business environment into business planning and practices. A competitive company is a customer-driven company that uses advanced production technologies where appropriate, anticipates the impact of changes in regulations and customer tastes, and recognizes complex social, political, and cultural environments. Driven by strategic thinking, management accountants focus on the factors that can make a company successful, apart from costs and other financial measures (Blocher, 2019; 16).

## **Strategic Focus of Cost Management**

According to Hansen, Don R, and Mowen, Maryanne (2001: 8), "Cost Management is the process by which companies control and plan the costs of doing business." Individual projects must be aligned with cost management plans, and companies as a whole also integrate cost management into their business models. So

every company must have high cost management capabilities so that project work can run smoothly. From the experts' statements, it can be concluded that how important cost management capabilities are in increasing company productivity and the progress of the company itself. (Uda, Alexandro, and Talenta, 2021; 58)

A strategic focus on cost management is a very important approach in the modern business world. It is about how a company controls and manages its expenses carefully to achieve greater operational efficiency, increase profitability, and remain competitive in the competitive world of business. In the midst of increasing competition and constant economic change, cost management is the key to a company's long-term survival and success. It involves a number of strategic principles and practices that can have a major impact on a company's financial health. The overall goal of a cost management system is to improve the quality, content, relevance and timeliness of cost information within the company. Managerial objectives will be better met if a cost management system is used (Doloksaribu, 2015).

Competitive companies are "customer-driven" companies; using advanced production and information technologies where appropriate, anticipating the impact of changes in regulations and customer tastes, and recognizing complex social, political and cultural environments. Cost management is not only focused on financial measures, but must also be able to identify other measures that can determine the company's success. Driven by strategic thinking, management accountants focus on the factors that make a company successful, in addition to costs and other financial measures. The stages of developing a cost management system according to Robert Kaplan are described as follows: (Blocher, 2008; 17)

- a. Stage 1. The cost management system is the most basic transaction reporting system.
- b. Stage 2. In the second stage of development, the cost management system focuses on financial reporting for external parties.
- c. Stage 3. The cost management system begins to track key operational data and develop it into cost information that is more accurate and relevant for making decisions; Cost management information has begun to develop.
- d. Stage 4. Strategically relevant cost management information is an integral part of the system.

These stages help companies develop a better cost management system that is more focused on strategic goals. By understanding performance from multiple perspectives and identifying the relationships between activities, costs, and value generated, companies can make better decisions to increase profitability and competitiveness. Critical success factors (CSF) are a measure of all aspects of company performance that are important for gaining competitive advantage, which is the determinant of company success. Cost management is not just an administrative task, but is a strategic element that plays an important role in a company's success and resilience in a changing business environment. With the right focus on cost management, companies can achieve greater efficiency, increase profitability, and maintain their competitiveness in the market (Blocher, 2008; 18).

### **Contemporary Management Techniques: Management Accountants' Responses to the Contemporary Business Environment**

Management accounting has developed from conventional or traditional to modern or what is also often known as contemporary management accounting. This development is in line with the development of information technology which is becoming increasingly sophisticated, so that the business world is developing rapidly, which results in business competition becoming increasingly fierce. In the 1950s to the 1980s, management accounting lost its relevance, as mentioned by Johnson and Kaplan (1991) with the term "The Dark Age of Relevance Lost." This is characterized by the failure of American businesses, which have used top-down accounting results to control behavior, and the weakening of companies' ability to exercise flexibility in dealing with and meeting consumer expectations. "Top-Down Control Cycle" only focuses on financial results, and cannot provide information about sources of productivity and competitive opportunities in today's economic conditions (Chandrarin, 2017)

In the new paradigm, to be superior in competition, business people must change the way/style of thinking about business. According to Johnson (1992), since the 1990s management accounting has regained its relevance, which it had lost in the past. In this information era, Johnson (1992) examines how information at the process level can enable employees to achieve or create a company that has the flexibility and accountability to compete at the global business level. The "Bottom-Up Empowerment Cycle" focuses



on consumers and processes, and not just financial results. Information from consumers and processes is combined/collected and used by people involved in a work team that faces consumers and carries out processes. American business people are starting to recognize a shift from the old paradigm which uses conventional management accounting systems or patterns, to a new paradigm which uses modern or contemporary management accounting systems/patterns.

Management accountants, guided by a strategic focus, have responded to six changes in the contemporary business environment with 13 methods that are useful in implementing strategy in dynamic times. The first six methods focus directly on strategy implementation. The next seven methods help achieve strategy implementation through a focus on continuous improvement (Broto, 2021)

1. **Balanced Scorecard and Strategy Map.** To emphasize the importance of using strategic information, both financial and non-financial information, accounting reports regarding current company performance are based on the determinants of success in four different dimensions. One dimension is the financial dimension; while the other three dimensions are non-financial dimensions such as financial performance, customer satisfaction, internal processes, learning and growth. An accounting report prepared based on these four perspectives is called a balanced scorecard (BSC). A strategy map is a method based on the BSC that connects four perspectives in a cause and effect diagram.

2. **Value Chain** The value chain is an analytical tool that organizations use to identify the specific steps needed to provide competitive goods or services to customers. An effective value chain is the key to competitive advantage which can produce added value for an industry. The value chain can be described as the totality of activities required to bring a good or service from the design site, through the various production phases (involving physical transformation and input from various service providers), delivery to the final consumer, and recycling after use. (Mangifera, 2015).

3. **Activity Based Cost Calculation and Management,** activity analysis to develop a detailed picture of specific activities carried out in company operations. Activity-based costing (ABC) is used to increase the accuracy of cost analysis by improving the way costs are traced to individual products or customers. Activity-based management (ABM) uses activity analysis and activity-based costing to help managers increase the value of products and services, and increase organizational competition.

4. **Business intelligence (business intelligence-BI)** or what is also commonly called business analysis or predictive analysis is an approach to strategy implementation where management accountants use data to understand and analyze business performance. Business intelligence is an emerging technology in the business industry that uses a technology-based process approach to make strategic planning and decisions. Business intelligence helps in analyzing data and information to help business executives and managers in making effective business decisions. Business intelligence consists of the use of various tools and methods that enable and assist an organization in the collection of relevant data and information from internal and external sources. The Internet of Things is widely used in business intelligence processes to make strategic decisions and make effective plans. The internet of things allows employees working in organizations to connect to multiple devices operating on the same network. (Putri, 2020)

5., **Cost Calculation, Based on targets,** target costing determines the expected costs for a product based on competitive prices, so that the product can obtain the expected profit.

6. **Calculation of Costs During the Product Life Cycle,** Calculation of costs during the product life cycle (lifecycle costing) is a method for identifying and monitoring product costs during its life cycle. The life cycle covers all stages, from product design and purchasing raw materials to delivery and service of the final product. These stages include: (1) research and development; (2) product design including prototyping, target costing, and testing; (3) production, inspection, packaging and warehousing processes; (4) marketing, promotion and distribution; and (5) sales and service.

7. **Determining Benchmarks,** Benchmarking is a process where a company identifies the determinants of success, studies best practices carried out by other companies (or other business units within a company) to find the determinants of success, and then implement improvements in the company's processes so that they can match or even beat the performance of their competitors.

8. **Business Process Improvement,** Business process improvement (BPI) is a management method where managers and workers are committed to a continuous improvement program in terms of quality and other determining factors of success.

9. Total Quality Management, Total quality management (TQM) is a method in which management develops policies and practices to ensure that the company's products and services exceed customer expectations.

10. Lean Accounting. Lean accounting uses value streams to measure the financial benefits of a company's progress in implementing production technology. There are two important things in the lean accounting concept. First, lean accounting is the application of lean methods to the company's accounting, control and performance measurement processes. (Emiliani, 2007). This article discusses the implementation of lean accounting, which is organized as follows. First, the application of lean accounting in financial reporting, determining value-stream costs, determining the cost of products/services, and measuring performance. (Sisdyani, 2010)

11. Theory of Constraints. The theory of constraints (TOC) is used to help companies effectively improve critical success factors: cycle time, namely the rate at which raw materials are converted into finished products. Constraint theory recognizes that the performance of each company is limited by its constraints. This has led constraints theorists to develop specific approaches to managing constraints to support the goal of continuous improvement (Mowen, Hansen, & Heitger, 2012). The theory of constraints has an emphasis on three measures of organizational performance: throughput, inventory, and operating expenses. (Kurniawan, 2016)

12. Corporate Business Sustainability, corporate sustainability means a balance between the organization's short-term and long-term goals in the three dimensions of social, environmental and financial performance.

13. Enterprise Risk Management, Enterprise risk management is a framework and process used by organizations to manage risks that can have negative or positive implications for the company's competition and success. Company success can be achieved by implementing a strategy, namely a plan for using resources to achieve sustainable goals in a competitive environment. The following are the consequences of a lack of strategic information:

- a. Decision making is based on intuition rather than accurate cost information.
- b. Lack of clear direction and goals.
- c. Lack of clear and favorable perception of the company in the eyes of customers and suppliers.
- d. Mistakes in investment decisions in selecting products, markets or production processes that are inconsistent with strategic objectives.

### **How Companies Can Succeed: Competitive Strategy**

Company success can be achieved by implementing a strategy, namely a plan for using resources to achieve sustainable goals in a competitive environment. Finding a strategy starts from determining long-term business goals and direction and therefore includes determining the company's mission. The mission is developed into specific performance goals, then implemented through specific company strategies, namely specific actions to achieve goals that will fulfill the mission (Blocher, 2019; 25).

Companies are also starting to use cost management to support their strategic goals. Cost management has shifted away from focusing solely on the supporting role of product cost calculations and financial reporting. The new focus in cost management is the facilitating role of management: developing cost and other information to support company management and achieve strategic goals.

Without strategic information, companies will stray far from component matters that can result in strategic production and marketing decisions, for example choosing the wrong product or customer. There are several consequences resulting from a lack of strategic information, namely:

1. Decision making is based on intuition rather than accurate cost information
2. Lack of clear direction and destination
3. Lack of a clear and favorable perception of the company in the eyes of customers and suppliers
4. Mistakes in investment decisions; selection of products, markets, or production processes that are inconsistent with strategic objectives.
5. Inability to effectively benchmark competitors, resulting in a lack of knowledge about more effective competition strategies
6. Failure to identify the most profitable products, customers and markets.

Critical success factors (CSF) are a measure of all aspects of company performance that are important for gaining competitive advantage, which is the determinant of company success. Of the various factors that determine success, many are financial, but many are non-financial. The determining factors for a company's success depend on the nature of the competition faced by the company (Blocher, 2019; 26).

Entrepreneurial success will be achieved if you think and do something new or something old in a new way (thing and doing new things or old things in a new way) (Zimmer, in Rudiana, 2012; 5). An honest attitude and compliance with business ethical standards will be able to foster a sense of mutual trust and respect among business people, which in turn will have an impact on efficiency in business and create a climate of healthy competition in the business world so that the interests of all parties involved, including customers will be served satisfactorily without any conflicts. (Wahjono, 2018; 43)

## CONCLUSION

Contemporary Business is a business activity carried out by a company to implement company strategies to achieve success that refers to current trends. Another meaning of contemporary business is a business that has been adapted and aligned with current or current needs. Many changes in the business environment in recent years have led to significant modifications in cost management practices. The main changes are increased global competence, advances in production technology, advances in information technology, the internet and e-commerce, and changes in the social, political and cultural environment of business.

The stages of developing a cost management system according to Robert Kaplan are described as follows: The first stage, the cost management system is the most basic transaction reporting system. Second stage, In the second stage of development, the cost management system focuses on financial reporting for external parties. The third stage, the cost management system begins to track key operational data and develop it into cost information that is more accurate and relevant for making decisions; Cost management information has begun to develop. Fourth stage, Strategically relevant cost management information is an integral part of the system.

Management accountants, guided by a strategic focus, have responded to six changes in the contemporary business environment with 13 methods that are useful in implementing strategy in dynamic times. These methods include: Balanced scorecards and strategy maps, Value chain, Activity-based costing and management, business intelligence, Cost accounting, Cost calculation over the product life cycle, Benchmarking, Business process improvement, Total quality management, Lean accounting, theory obstacles, company business continuity, company risk management

Company success can be achieved by implementing a strategy, namely a plan for using resources to achieve sustainable goals in a competitive environment. Finding a strategy starts from determining long-term business goals and direction and therefore includes determining the company's mission. The mission is developed into specific performance goals, then implemented through specific corporate strategies, namely specific actions to achieve goals that will fulfill the mission

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