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### Strategic Management Techniques in Hanoi Manufacturing Enterprises

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#### Abstract

To improve management efficiency, and help businesses stand firm in a competitive economy, administrators need to be equipped with modern management knowledge with the support of strategic management accounting information systems in general and the strategic management technical group in particular to provide appropriate and timely information to serve administrators in making decisions. The group of strategic management techniques including strategic management costs, pricing strategies, and brand

valuation are being paid attention to and applied in their businesses by many manufacturing enterprises in Hanoi. Survey forms were sent to 135 manufacturing enterprises in Hanoi to evaluate the current status of applying strategic management techniques. The results show that strategic management techniques have been widely applied to collect information for administrators, and there are differences in the application of this group of techniques according to enterprise size.

**Keywords:** Strategic Management, Pricing Strategy, Brand Valuation, Manufacturing Enterprises

#### 1. Introduction

Beginning in the 1980s, in the context of the business environment, there have been many changes in form and nature, containing fierce competition, risks, and pressures that businesses must confront. Globalization combined with the high flexibility of the business environment are also challenges that require businesses to change in order to adapt and develop sustainably. Strategic management accounting plays a key role in providing information and controlling the production and business activities of enterprises. This is an important basis for administrators to make short-term and long-term decisions to ensure sustainable development in a market economy. To improve management efficiency and help businesses stand firm in a competitive economy, managers need to be equipped with modern management knowledge with the support of an accounting information system strategic management (SMA) in general and strategic management technical group in particular to provide appropriate and timely information to serve decision-making administrators. Through strategic management cost techniques, it helps administrators use cost information clearly in all stages of strategic management. Strategic pricing techniques help managers set prices in the context of taking into account the actions and reactions of competitors. Brand valuation technique is a measure derived from the strength of the brand on strategic factors such as the market nature of the brand, the brand's position in the market. Therefore, in a globally competitive environment, the strategic management technical group plays a particularly important role for business administrators.

This article aims to learn about the current status of applying strategic management techniques in Hanoi manufacturing enterprises, and thereby provide recommendations to help improve the effectiveness of using strategic management information in Hanoi manufacturing enterprises.

#### 2. Theoretical Basis

##### Strategic Management Accounting in Businesses

The concept of SMA was first introduced by Simmonds in 1981, the basis on which he introduced this concept comes from Porter's Strategic Framework (1980) to provide and analyze management accounting data of the business itself and that of its competitors, helping businesses develop and manage their businesses. closely to business strategy. In his research, Simmonds defined SMA by emphasizing the external aspect, focusing on competitor information. To date, there have been many studies related to SMA such as Bromwich (1990)<sup>[1]</sup>, Bromwich and Bhimani (1994)<sup>[2]</sup>, and Langfied Smith (2008)<sup>[10]</sup>.

Some authors define SMA as a multi-step process as proposed by Lord (1996) <sup>[11]</sup> or Dixon (1993) <sup>[4]</sup>. They believe that SMA is the intersection between management accounting and corporate strategy. Strategic management accounting is also seen as a process to achieve business goals. Lord (1996) <sup>[11]</sup> said that strategic management accounting is a three-step process: Collecting competitor information; exploiting cost reduction opportunities; connecting accounting to strategic positioning and iterating into 6 phases. Dixon (1993) <sup>[4]</sup> said that strategic management accounting includes four stages: Determining business strategy; Strategic cost analysis; Market analysis; and strategic assessment.

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 SMA technique. 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 them in the process of implementing functions in each stage of strategic management. Research and identification of accounting techniques will help administrators determine strategies and strategic positions, help administrators have enough basis for planning, help administrators make decisions, and help administrators review the effectiveness of implementing the enterprise's strategy.

### Strategic Management Technical Group

#### *Strategic Management Costs*

John Shank is a pioneer author in research on strategic management (SCM) cost techniques in a similar research direction to Kaplan and Bromwich after Simmonds' work in 1987 on SMA. Strategic cost management is the explicit use of cost information management in the stages of strategic management, including formulating strategy, communicating strategies across the organization, developing and implementing tactics to execute strategies, and developing and implementing controls to monitor the success of goals (John Shank, 1989) <sup>[6]</sup>. Within the SCM framework, Shank proposed three topics: value chain analysis, strategic positioning analysis, and cost driver analysis. However, in 2007 research showed that a number of businesses testing this technical approach were not successful and many projects could not be implemented after the testing phase (Shank, 2007) <sup>[13]</sup>.

#### *Pricing Strategy*

Pricing strategy proposed by Simmonds (1987), pricing strategy focuses on the strategic definition of pricing, taking into account competitors' actions and reactions, price elasticity, and growth of prediction markets, and the economies of scale and experience in the pricing process (Guilding *et al.*, 2000) <sup>[9]</sup>. Pricing strategy requires managers to be responsible for establishing uniform pricing policies and procedures that are consistent with the strategic goals of the business. Foster and Gupta's 1994 survey found that the greatest potential use of accounting information perceived by marketing executives was in connection with pricing decisions, thereby emphasizing the importance of applying this technique.

### *Brand Valuation*

Trade valuation is part of brand management accounting and is an important development of strategic management accounting. In fact, brand valuation is a technique that can only be used in companies with branded products and services. When the management accounting perspective addresses brand valuation, it becomes a measure of marketing performance in companies with strong brands (Guilding and Moorhouse, 1992) <sup>[7]</sup>. This is an accounting-oriented metric with multiples derived from the strength of the brand across strategic factors such as the nature of the brand's market, the brand's position in that market, and the level of marketing support brand marketing (Guilding and Pike, 1994) <sup>[8]</sup>. Brands represent an important resource for businesses and are considered a competitive advantage. Cadez and Guilding (2008) <sup>[3]</sup> said that the financial valuation of a brand through assessing brand strength includes factors such as leadership, stability, marketing, internationality, trends, support, and protection combined with the brand's historic profitability.

### 3. Research Methods

Quantitative research to evaluate the level of application of strategic management techniques in manufacturing enterprises in Hanoi was carried out through the following 3 steps:

Step 1: We build a questionnaire on Google forms, send it to accountants and business managers via email using a convenient sampling method, and send it to friends, relatives, and partners. ...

Step 2: The number of survey questionnaires distributed was 150, sent to 150 enterprises, and the number of votes collected was 135 from 135 enterprises, reaching 90%. All receipts meet the required information requirements.

Step 3: We analyze the data on SPSS 22 software with the following tools: Frequency statistics, mean statistics, and mean difference analysis One-Way ANOVA.

The questions in the survey apply the 5-point Likert scale: 1 - Strongly disagree; 2 - Disagree, 3 - Normal, 4 - Agree, 5 - Strongly Agree.

### 4. Research Results

#### **Descriptive Statistical Results of Hanoi Manufacturing Enterprises**

Of the 150 businesses that sent survey forms, the research team received responses from 135 businesses with 135 valid survey forms.

Regarding the type of business: There are 112 companies (accounting for 83%) that are joint stock companies and 23 companies (accounting for 17%) that are limited liability companies.

Regarding the scale of business capital: There are 8 companies (accounting for 5.9%) with business capital of less than 20 billion VND, 91 companies (accounting for 67.4%) with business capital from 20 to 100 billion VND and 36 companies (accounting for 26.7%) surveyed had business capital exceeding 100 billion VND.

Regarding the size of the number of employees, there are 3 companies (accounting for 2.2%) with employees under 10 people; 76 companies (accounting for 56.3%) have employees from 10 to 200 people; 33 companies (accounting for 17%) have a workforce of 200 to 300

people; and 23 companies (accounting for 17%) have a workforce of over 300 people.

**Table 1:** Characteristics of surveyed enterprises

Characteristics		N = 135	Percentage (%)
Type	Joint Stock Company	112	83.0
	Limited liability company	23	17.0
Number of employees	< 10 persons	3	2.2
	10- 200 persons	76	56.3
	200-300 persons	33	24.4
	> 300 persons	23	17.0
Capital	< 20 billion VND	8	5.9
	20 – 100 billion VND	91	67.4
	> 100 billion VND	36	26.7

**Current Status of Applying Technical Groups to Make Strategic Decisions**

Techniques in the strategic decision-making group include strategic management costs, pricing strategies, and brand valuation. The results show that all three of these techniques have a low level of interest in manufacturing enterprises in Hanoi city. Strategic management techniques are of most interest with a mean of 3.64; Next is the pricing strategy technique with a mean of 3.15; and finally, the technique that receives the least attention is brand valuation. Interview results at four case study businesses are as follows: At Viettel Construction Corporation, which is currently using brand valuation techniques quite effectively, business managers are quite clearly aware of the benefits as well as how to implement brand valuation techniques. For Garment Corporation 10, in addition to brand valuation techniques, the company pays great attention to pricing strategy techniques, especially pricing new products on the market.

However, with the remaining two small-scale companies, Thanh Dat Garment Company and Hung Long Mechanical Company, all three techniques are rarely used. The technique most used by these companies is the strategic management cost technique.

**Table 2:** The situation of using technical groups to make strategic decisions

	N	Minimum	Maximum	Mean	Std. Deviation
Strategic management cost	135	1	5	3.64	.951
Pricing strategy	135	1	5	3.15	1.249
Brand valuation	135	1	5	3.10	1.029
Valid N (listwise)	135				

Regarding the relationship between the frequency of using 3 strategic decision-making techniques and the size of the enterprise through the number of employees. Table 3 shows that large-scale enterprises have a higher level of use of these three techniques. Specifically, the strategic management cost technique is used in companies with more than 300 people with a mean of 4.48, while in companies with less than 10 people, the mean is only 2.00. For the pricing strategy technique used in companies with a number of over 300 people, the mean is 4.39, while in companies with a number of less than 10 people, the mean is only 1.00. For brand valuation techniques used in companies with over 300 people, the mean is 4.13, while for companies with less than 10 people, the mean is only 1.00. According to this result, the majority of small and medium manufacturing enterprises do not use brand valuation techniques and pricing strategy techniques.

**Table 3:** Current status of applying strategic management techniques compared to the number of employees

SMA	Number of employees	N	Mean	SMA	Number of employees	N	Mean
Strategic management cost	< 10 persons	3	2.00	Pricing strategy	< 10 persons	3	1.00
	10- 200 persons	76	3.47		10- 200 persons	76	2.49
	200-300 persons	33	3.58		200-300 persons	33	4.00
	> 300 persons	23	4.48		> 300 persons	23	4.39
Brand valuation	< 10 persons	3	1.00				
	10- 200 persons	76	2.53				
	200-300 persons	33	3.88				
	> 300 persons	23	4.13				

Regarding the relationship between the frequency of using 3 strategic decision-making techniques and the size of the enterprise through capital targets. Research results show that there are similarities when comparing the number of employees. Specifically, the strategic management cost technique is used in companies with capital of over 100 billion VND with a mean of 4.14, while companies with a capital of less than 20 billion VND have a mean of only 3.13. For valuation strategy techniques used in companies

with capital over 100 billion VND, the mean is 4.31, while for companies with capital under 20 billion VND, the mean is only 2.63. For brand valuation techniques used in companies with capital over 100 billion VND, the mean is 4.14, while for companies with capital under 20 billion VND, the mean is only 2.63. According to this result, the majority of manufacturing enterprises with small operating capital do not use brand valuation techniques and pricing strategy techniques.

**Table 4:** Current status of applying estimates compared to capital sources

SMA	Capital	N	Mean	SMA	Capital	N	Mean
Strategic management cost	< 20 billion VND	8	3.13	Pricing strategy	< 20 billion VND	8	2.63
	20 – 100 billion VND	91	3.48		20 – 100 billion VND	91	2.74
	> 100 billion VND	36	4.14		> 100 billion VND	36	4.31
Dinh gia thuong hieu	< 20 billion VND	8	2.63				
	20 – 100 billion VND	91	2.73				
	> 100 billion VND	36	4.14				

## 5. Conclusion

Strategic management techniques include strategic management costs, pricing strategies, and brand valuation. The results showed that all three of these techniques have a low level of interest in manufacturing enterprises in Hanoi city, especially the brand valuation technique. Enterprises participating in the survey included both small- and medium-sized enterprises and large-scale enterprises. The author evaluated the level of use of strategic management techniques according to enterprise size. The results have shown that for small-scale businesses, strategic management techniques are rarely used. This can be explained because these are businesses that set prices according to market prices, so the strategy is to set prices based on market prices and brand valuation is not taken seriously by managers.

From the survey results on the current status of applying strategic management techniques, it has been shown that the strategic management techniques applied in Hanoi manufacturing enterprises are still low due to the following reasons: First, business managers are not aware of the important role of applying strategic management techniques in improving asset use efficiency and creating a competitive position for businesses. Businesses are not interested in strategic management and have not paid attention to research and learning to apply strategic management techniques to businesses to improve the efficiency of economic resource use as well as business efficiency. Second, the need for information to support the decision-making of managers is the reason why strategic management techniques used in manufacturing enterprises in Hanoi are limited. Many business administrators often rarely use information provided by accounting to make business operating decisions. Administrators' operating activities and decision-making are mainly based on experience. Administrators have little understanding of strategic management, so they do not know the role and effects of strategic management throughout the decision-making process. This is an important reason why strategic management has not been paid attention to and developed in Hanoi manufacturing enterprises. Third, the level of decentralization and assignment of responsibilities to department managers in the enterprise is still low. At that time, administrators had not been evaluated on performance through performance evaluation criteria, so they did not have the need to use information to plan, control, and evaluate effectiveness. Business activities also focus on the overall profit goal of the business. Fourth, the full understanding and proficient use of strategic management techniques by accountants also affects the application of strategic management techniques in businesses. Limited understanding of strategic management techniques leads to the information provided by accounting not meeting the information needs of managers in the decision-making process. Finally, application costs are also one of the factors affecting the application of strategic management techniques in businesses. Techniques should only be applied if the benefits of applying the technique outweigh the costs of applying them.

From the survey results and analysis of the causes leading to the application of strategic management techniques at manufacturing enterprises in Hanoi, the authors make recommendations including manufacturing enterprises in Hanoi need to build development strategies for their businesses in accordance with the general development

strategy of the industry while ensuring a long-term and sustainable development strategy for the business; Business administrators, especially senior managers, need to increase attention, support, and create favorable conditions for strategic management techniques to be deployed and applied in businesses; Businesses need to invest and innovate in information technology systems because information technology is the key factor to apply strategic management techniques more easily and conveniently.

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