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Research Internal Factors Affecting the Application of Strategic Management Accounting in Businesses

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Abstract
Globalization and international economic integration have posed opportunities and challenges for businesses around the world. To survive and develop sustainably in an increasingly competitive market, businesses must know how to apply modern management tools to provide useful information for administrators to make business decisions. Strategic management accounting is one of the modern management tools that many administrators are interested in and applying. Strategic management accounting techniques are considered effective tools to implement the strategic management process in businesses. Recognizing the importance of strategic management accounting, however, its application in businesses is affected by many factors, including internal and external factors. In particular, internal factors such as decentralization within the enterprise, the enterprise's business strategy, enterprise scale, managers' ability to access information, and information technology are factors that can significant level of influence on the application of management accounting in businesses.

Keywords: Factors, Strategic Management Accounting, Business

1. Introduction

To survive and develop in the market economy, businesses always seek ways to organize production and business effectively and improve competitiveness. With current achievements in management science, it is inevitable to apply modern technical methods to provide information to administrators. In addition to changing management thinking and applying modern management models, business administrators need strong support from information systems to make effective business decisions. Through effective management, businesses effectively use resources to bring added value to the business. Management accounting in general and strategic management accounting in particular play a key role in providing information and influencing 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.

Recognizing the role of strategic management accounting in the strategic management process, many domestic and foreign studies have been conducted to examine factors affecting the application of strategic management accounting techniques and performance to promote the application of these techniques in businesses. The results of previous studies show that there are many factors inside and outside the enterprise that impact the application of strategic management accounting techniques.

This article aims to understand the factors within businesses that affect the application of strategic management accounting in businesses, thereby helping business administrators in understanding the capabilities and conditions of businesses when apply strategic management accounting techniques, and solutions to speed up the process of applying them, contributing to improving competitive advantage and bringing sustainable operating results to businesses in today's business environment.

2. Theoretical Basis

The research works of authors Pierce and O'Dea (1998), Abbler and colleagues (2008) all consider scale as a factor that affects the application of management accounting techniques in businesses. Large-scale businesses often need more management information as well as have the financial resources to apply modern management accounting techniques such as strategic management accounting techniques. In Western countries, the use of the ABC method is often associated with enterprise size (Chenhall and Langfield Smith, 1998) [4], large enterprises often attach more importance to cost information (Hoque, 2000) [6]. Research results of Piere and ODea (1998) also show that large-scale enterprises have a higher application of management accounting techniques than small-scale enterprises, especially technical methods related to control and evaluation. However, the influence of business size on the application of strategic management accounting techniques is also an exception in some studies. Research by Lollanen (2010) suggests that the size of medium and large enterprises is not the main factor affecting the application of modern management accounting in manufacturing enterprises in Canada. Similarly, research by Van Triest and Eslshat (2007) also found no relationship between business size and the characteristics of the cost accounting system.

Guilding (2002) in a study investigating and exploring the integrated contingency model of strategic management accounting, surveyed 500 large enterprises in Slovenia, and found that there are 4 factors affecting the use of accounting strategic management in business. It is a business strategy, building a deliberate business strategy, market orientation and business scale. Mohamad and colleagues (2014) studied the factors affecting the use of strategic management accounting in Malaysian government-affiliated companies, presenting a research model including two variables: Corporate strategy and presentation technical information in the enterprise. Research results show that both of these factors positively affect the use of strategic management accounting techniques in businesses.

Pavlatos (2015) [9] researched in Greek hotels on the influence of decentralization in businesses on the level of sales accounting techniques applied. The greater the low result at the management level, the greater the need to use customer accounting information compared to the lower management level. This result is similar to the results of research at Australian hotels by McManus (2013) [7]. However, research by Quon (2020) [11] in Canadian businesses found no positive impact between management decentralization and the level of application of management accounting techniques.

With the development of advanced manufacturing technology, the advent of the Internet, communication technology, software and databases has led to a significant increase in the use of modern technology in every organization. This change has changed the production process, changed organizational structures and influenced the application of modern management accounting techniques (Roslender, 1995; Baines and Langfield Smith, 2003). Ojra (2014) [8] tested the impact between information technology and the application of strategic management accounting techniques in businesses in Palestine. With 4 observed variables including production system; production techniques, accounting information systems; packaged software used in accounting and operational management systems, research has found that information technology has a positive impact on strategic management accounting in businesses.

Some researchers argue that the role of management accounting has changed over the past decades, moving from a simple information provider to an active advisor in strategic matters, a source of information important part of the decision-making process (Scott, Tiessen 1999; Rowe *et al*., 2008). Greater involvement in strategy formulation and implementation by accountants will increase a deeper understanding of information needs to serve strategic management decisions, which motivates accountants; At the same time, it helps to better appreciate the reasonableness of using enterprise resources to operate, maintain and develop the strategic management accounting system (Abernethy and Bouwens, 2005) [2]. Cadez and Guilding (2008) [3] also found a positive impact in the same direction between accountants participating in the strategic decision-making process and applying strategic management accounting.

3. Background Theories

Contingency Theory

According to contingency theory, different organizations have different ways of operating and no way of operating is considered best for all organizations. According to Donaldson (2001), the essence of contingency theory is that the fit between organizational characteristics will impact organizational operations and affect organizational performance. When random factors change, the characteristics of the organization also change accordingly.

Applying contingency theory to apply strategic management accounting techniques to businesses, assuming that there is no strategic management accounting system suitable for all businesses to choose. Each business is different, has different characteristics, and different operating circumstances will establish a different strategic management accounting system. Contingency theory is based on an open systems approach in organizational and subsystem studies by considering correlations in the broader environment (Emmanuel *et al*., 1990). Contingency theory states that “Organizational effectiveness needs to consider additional environmental factors that depend on subsystems (information systems, technology, management accounting, organizational structure).” The management accounting system is one of the organizational subsystems (Burrell and Morgan, 1979).

Agency Theory

Agency theory is an approach to the study of organizational behavior, focusing on the role and influence of situational factors on the operations of businesses. This is one of the managerial economic theories that studies the relationship between the representative and the represented. This theory holds that the representative may have separate interests that are different from the interests of the represented person, causing a conflict relationship. To minimize this conflictual relationship, it is necessary to establish management systems, divide responsibilities and evaluate the effectiveness of representatives. Agency theory is also used to explain information transparency or increased voluntary disclosure by company executives. The behavior of the representative (manager) in increasing the level of information disclosure or information transparency when considering and weighing the benefits and costs of information disclosure. Jensen and Mec-kling (1976) defined the agency relationship (or fiduciary relationship) as a contractual relationship under which shareholders (principals), appoint, appoint other people., company managers (agents), to carry out company management for them, which includes granting authority to make decisions on disposition of company assets. Agency theory states that, if both parties in this relationship (shareholders and company managers) want to maximize their benefits, there is a basis to believe that the company manager will do not always act in the best interests of the owners, the shareholders. The agency relationship is also expressed in the relationship between senior managers and managers at lower levels in the decentralized system, and between managers and people who directly use the organization's resources. Agency theory suggests that conflicts will arise when there is incomplete and asymmetric information between the subject and the agent in the company. Both parties have different interests and this problem is minimized by using appropriate mechanisms that can limit the divergence of interests between shareholders and company managers, through the establishment of appropriate mechanisms. Appropriate remuneration for managers, and establishment of effective monitoring mechanisms to limit abnormal and self-interested behavior of company managers. According to Healy and Palepu (2001), optimal contracts between managers and investors, remuneration agreements and bonuses of managers, solutions to harmonize interests between business managers (and business owners) with the interests of outside investors. These contracts often require businesses to use information provided by management accounting systems such as budget systems, cost control information, and resource allocation for investors to evaluate the comply with contractual commitments and evaluate whether corporate administrators manage the company's resources in accordance with the interests of outside investors.

4. Conclusion

From previous research and applying two background theories, agency theory and contingency theory, the author proposes factors within businesses that affect the application of strategic management accounting techniques in businesses. businesses are as follows:

Decentralization of power in businesses: Regarding the concentration of ownership, the more ownership is concentrated in one person/organization or group of people/group of organizations, the more likely the shareholder's ability to intervene will be. The more significant influence/control they have, the more feasible it becomes to apply strategic management accounting techniques to serve long-term strategies. The higher the independence and separation between ownership and management rights, the higher the requirement for strategic information from strategic management accounting to provide to owners, shareholders, and the board of directors. This audience needs information to have a complete understanding, effectively monitor the business, and make decisions. On the contrary, when there is a concentration between ownership and management rights, it will negatively affect the application of strategic management accounting and the use of strategic management accounting techniques. On the contrary, in cases where managers or individuals/organizations with centralized control have limited knowledge regarding modern strategic management accounting techniques or bound by management mechanisms, the impact can turn in the opposite direction.

Business strategy of an enterprise: Based on uncertainty theory, business strategy is considered an important uncertainty factor, it has a clear influence on the design of an organization's strategic management accounting system. For businesses that develop pioneer-style strategies, they often compete through new product development, market development and constantly searching for new market opportunities, therefore, more strategic management accounting information is needed than for other types of follower strategies.

Enterprise scale: Enterprise scale is expressed through the following indicators: Revenue, assets and number of employees. A large-scale enterprise is one with large revenue, large asset value and a large number of employees. Enterprise size greatly affects the design and use of management and control systems in the enterprise. The larger the scale of an enterprise, the higher the control requirement. Therefore, the larger the accounting and control processes in enterprises, the more specialized and strict they become. Therefore, the need for strategic management accounting information in large-sized companies is higher than that of small-sized companies.

Managers' ability to access information: Different managers will have different personalities and characteristics. There are managers who are open in accessing information, but there are managers who are conservative in accessing information. Open and creative managers are those who are willing to use information from modern management accounting systems such as the BSC method. Managers' ability to receive information from new management methods has a positive influence on the use of modern strategic management accounting techniques.

Information technology in businesses: The development of technology will change the way costs are allocated, change efficiency assessment and investment appraisal. From there, managers and management accountants must develop new accounting techniques to handle these arising problems. The application of new technology in production also changes the information needs needed when making decisions by managers, so managers tend to use more strategic management accounting information. As businesses use advanced technology, the complexity of processing systems increases, which can be measured by the variety of product lines, processes and volumes, therefore, it is necessary to apply a complex management accounting system to provide managers with continuous, important signals about the daily operations of the business to make more timely management decisions. For businesses that apply software, hardware, and information technology staff, they bring better business advantages, at the same time, businesses with high awareness of the use of information technology will lead to a higher use of strategic management accounting techniques.

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