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Applying Strategic Management Accounting Techniques at Garment Enterprises in Northern Vietnam

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Abstract

Up to now, there are many modern management tools that have been created and used to evaluate business performance. To improve management efficiency, helping businesses stand firm in a competitive economy, administrators need to be equipped with modern management knowledge with the support of a strategic management accounting information system to provide appropriate and timely information to serve administrators in making decisions. In the industrial development plan to

2020 - 2030, the Garment industry continues to be a key industry in Vietnam's industrial structure. With the trend of an increasingly open economy, garment businesses have many opportunities but also many challenges. This article aims to understand the awareness of managers of garment companies in Northern Vietnam about the importance and role of strategic management accounting. At the same time, learn about the current status of applying strategic management accounting techniques in these companies.

Keywords: Strategic Management Accounting, Application, Importance, Garment Business

1. Introduction

The Garment industry is an important manufacturing industry contributing to Vietnam's economic development. For a long time, the industry's average export growth rate is 20%/year, contributing 16% - 18% of the country's total industrial value, accounting for about 15% of total export turnover, create jobs for more than 2 million workers. In the industrial development planning to 2020 - 2030, the Garment industry continues to be a key industry in Vietnam's industrial structure. With the trend of an increasingly open economy, garment businesses have many opportunities but also many challenges. To enhance competitiveness in the market, garment business managers must be provided with financial and non-financial information to serve their decision-making process.

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. 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 to provide appropriate and timely information to serve managers in decision making. This article aims to learn about the current status of using strategic management accounting techniques in garment enterprises in Northern Vietnam, and thereby provide recommendations to help improve the effectiveness of using techniques. Strategic management accounting in garment enterprises in Northern Vietnam.

2. Theoretical Basis

Strategic management accounting was first introduced by Simmonds (1981) with the purpose of analyzing management accounting data of businesses and competitors, helping businesses develop and monitor business strategies. Up to now, there are many views on strategic management accounting from different researchers, but concepts related to strategic management accounting all have three things in common: Towards the external environment of the business, orientation long-term and use both financial and non-financial information for decision making.

Strategic Management Accounting information helps managers determine the strategy and strategic position of an enterprise by considering relevant techniques such as external factors such as the competitive environment (Simmond, 1981). At the same

time, risks can be identified so that managers can have mitigation plans or action plans, and at the same time allow businesses to monitor the progress of strategy implementation (Roslender and Hart, 2003) ^[9]. Strategic Management Accounting information helps administrators have a sufficient basis for planning. Planning is considered a core function, helping administrators analyze and predict key issues and limit possible risks with the lowest level of damage. Therefore, information from Strategic Management Accounting techniques clearly provides each subject that the administrator needs to plan, short-term or long-term planning.

According to Cadez & Guilding (2008) ^[2] there is consensus and disagreement on what constitutes Strategic Management Accounting. This shows the inconsistency in the concept of Strategic Management Accounting and the content of Strategic Management Accounting, which has motivated many authors to research management accounting techniques to serve the orientation strategy and is considered a technique of Strategic Management Accounting. Initially, strategic management accounting techniques appeared and were applied individually as immediate solutions and support for administrators. For example, technical groups are concerned with costs and competitors (Bromwich, 1981; Guilding *et al.*, 2000 ^[5]) and as Roslender & Hart (2003) ^[9] extend the link between management accounting and management further marketing to enhance the marketing aspect of the strategic management accounting concept. On the basis of practical research, it is possible to identify the components of management accounting as a set of strategic management accounting techniques that are expanded beyond just attribute costs, strategic costs, and target costing, activity-based costing. These contents are intended to serve marketing, sales as well as analyzing customers' ability to pay, but also 2 benchmarking techniques and balanced scorecard - tools of strategic management are also added. A collection of strategic management accounting techniques. Gulliding and his colleagues (2000) ^[5] first introduced a set of strategic management accounting techniques in empirical research in three countries: New Zealand, the United Kingdom and the United States. Accordingly, this group of researchers has identified 12 management accounting techniques that must ensure: Environmental or marketing orientation, focus on competitors, and long-term orientation toward the future. The number of this set was further increased when Cinquini & Tecnucci (2007) ^[4] studied and applied 14 techniques. Cadez & Guilding (2008) ^[2] increased this number to 16 techniques divided into 5 different groups in research for more than 500 large-scale enterprises in many different sectors in Slovenia. Another aspect that is also of concern is that the rapid growth in production scale of companies has caused environmental pollution, requiring companies to be responsible in protecting the environment. At that time, environmental information also needs to be managed and become part of the company's long-term strategy (Smith *et al.*, 1997; Tanc, 2015) ^[7, 8]. Therefore, environmental management accounting was born as an additional piece to the set of strategic management accounting techniques,

Since then, some researchers are proposing to increase the number of strategic management accounting techniques to 18 techniques, divided into 6 groups: Cost, control planning and performance measurement, strategic decisions, competitor accounting, customer accounting and environmental management accounting.

3. Research Methods

The research method is carried out combining qualitative and quantitative research.

Qualitative research aims to learn about evaluating the importance of strategic management accounting information for administrators. And the level of understanding of managers about the techniques of strategic management accounting. Qualitative research is used through in-depth interview techniques. The interviewed subjects were 10 directors and deputy directors at garment enterprises in Northern Vietnam.

Quantitative research to evaluate the level of application of strategic management accounting techniques in businesses. Done 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 130, sent to 150 enterprises, and the number of votes collected was 120 from 120 enterprises, reaching 92%. 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 Apply the 5-point Likert scale: 1- Strongly disagree; 2 - Disagree, 3 - Normal, 4 - Agree, 5- Strongly Agree.

4. Research Results

Descriptive statistical results on garment enterprises in Northern Vietnam

Of the 130 businesses sent survey forms, the research team received responses from 120 businesses with 120 valid survey forms.

Regarding business type: There are 78 companies (65%) are joint stock companies and 42 companies (35%) are limited liability companies.

Regarding the scale of business capital: There are 88 companies (accounting for 73%) with business capital of less than 20 billion VND, 21 companies (accounting for 18%) with business capital from 20 to 100 billion VND and 11 companies (accounting for 9%) surveyed have business capital exceeding 100 billion VND.

Regarding the size of the number of employees: There are 18 companies (accounting for 15%) with less than 10 employees, 0 companies (accounting for 58%) with employees from 10 -200 people, 22 companies (accounting for 18%) has a workforce of 200 -300 people, and 10 companies (accounting for 8%) have a workforce of over 300 people.

Table 1: Characteristics of surveyed enterprises

Characteristics		N = 120	Percentage (%)
Type	Joint Stock Company	78	65%
	Limited liability company	42	35%
Number of employees	< 10 persons	18	15%
	10- 200 persons	70	58%
	200-300 persons	22	18%
	> 300 persons	10	8%
	< 20 billion VND	88	73%
Capital	20 – 100 billion VND	21	18%
	> 100 billion VND	11	9%

Realizing the importance and function of strategic management accounting information in garment enterprises in Northern Vietnam

The results of interviews with subjects showed that: All interview subjects believed that strategic management accounting information is an important management tool. However, many interview subjects did not understand all the technicalities of strategic management accounting. In the 10 interviews, the main ideas are summarized as follows:

“In my opinion, strategic management accounting information is important for managers of garment businesses, especially in a globally competitive environment. I have also learned about strategic management accounting, and we are applying cost techniques such as quality costing and target costing to serve business decisions" (Director, interview)

“ I have heard about management accounting techniques in recent years. I also asked my company's accounting department and also learned about these techniques. However, many of the techniques I found were quite complicated and I did not apply them. However, besides that, there are many techniques I have applied that I have found to be highly effective, such as target costing, pricing strategies, and competitor cost assessments.” (Director, interview)

“My company uses strategic management accounting techniques but not fully. I have not yet known all the strategic management accounting techniques. I plan to explore courses to learn about strategic management accounting.” (Director, interview)

“My company is still using target costing, product life cycle costing, and we also evaluate customers and conduct competitor assessments. But I didn't know those were the techniques of strategic management accounting.” (Director, interview)

“Strategic management accounting information is quite important to me. Thanks to strategic management accounting information, I can evaluate

the performance of departments and divisions. This is also the basis for me to evaluate the performance of employees in the company." (Director, interview)

Current status of applying strategic management accounting techniques in garment enterprises in Northern Vietnam

At garment enterprises in Northern Vietnam, 5 groups of strategic management accounting techniques are being used but at different levels. According to statistical results, the cost technique group is being used the most with a mean of 3.89. In the group of cost techniques, target costing is the method most learned and applied by many garment businesses. Next is the technique Strategic planning, control and performance measurement which is the 3rd most used technique with a mean of 3.25. Control measurement planning techniques include benchmarking and performance measurement. Performance measurement here is the practice of using the balanced scorecard to measure and evaluate performance. Techniques in the strategic decision-making group include: Strategic management costs, pricing strategies, and brand valuation. According to survey results, this is a group of techniques that is relatively highly applied by garment businesses with a mean of 3.49. However, the remaining two groups of techniques, competitor accounting techniques and customer accounting techniques, are rarely used by businesses. Technical group related to competitors, including: Assessing competitors' costs, monitoring competitors' positions, and evaluating competitors' performance. All three techniques are not highly appreciated by managers, or managers at garment businesses have not yet approached the implementation methods and benefits, leading to not using them in businesses.

Table 2: Current status of applying strategic management accounting techniques

Cod	Techniques	Mean
MAS1	Strategic costing	3.89
MAS2	Strategic planning, control and performance measurement	3.25
MAS3	Strategic decision making	3.49
MAS4	Competitor Accounting	2.92
MAS5	Customer Accounting	2.84

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

Techniques	Number of employees	N	Mean	Techniques	Number of employees	N	Mean
Strategic costing	< 10 persons	18	2.85	Strategic planning, control and performance measurement	< 10 persons	2	2.50
	10- 200 persons	70	3.19		10- 200 persons	70	3.00
	200-300 persons	22	4.55		200-300 persons	22	3.60
	> 300 persons	10	4.70		> 300 persons	10	4.60
Strategic decision making	< 10 persons	18	2.31	Competitor Accounting	< 10 persons	18	2.50
	10- 200 persons	70	2.22		10- 200 persons	70	3.45
	200-300 persons	22	3.68		200-300 persons	22	3.68
	> 300 persons	10	3.77		> 300 persons	10	4.25
Customer Accounting	< 10 persons	18	2.31				
	10- 200 persons	70	2.65				
	200-300 persons	22	3.78				
	> 300 persons	10	3.85				

According to survey results on the current status of applying strategic management accounting information compared to enterprise size (See Table 3), there are differences between enterprises of different sizes. Businesses with 200 or more employees have a higher level of application of strategic management accounting information than businesses with less than 200 employees. For businesses with over 300 people, the level of use of strategic management accounting techniques is almost 100%.

Table 4 shows the results of comparing the level of application of management accounting techniques in terms

of capital size. Similar to the number of employees, the level of use of strategic management accounting information in enterprises with capital of 20 billion VND or more is higher than in enterprises with capital of less than 20 billion VND. For businesses with a capital scale of less than 20 billion VND, the level of application of strategic management accounting techniques to provide information to managers is very low. There are 2 groups of techniques that these small businesses pay attention to: Cost engineering and competitor assessment techniques.

Table 4: Current status of applying strategic management accounting techniques compared to capital resources

Technique	Capital	N	Mean	Technique	Capital	N	Mean
Strategic costing	< 20 billion VND	88	3.20	Strategic planning, control and performance measurement	< 20 billion VND	88	2.83
	20 – 100 billion VND	21	3.65		20 – 100 billion VND	21	3.79
	> 100 billion VND	11	4.50		> 100 billion VND	11	4.45
Strategic decision making	< 20 billion VND	88	2.12	Competitor Accounting	< 20 billion VND	88	3.33
	20 – 100 billion VND	21	3.45		20 – 100 billion VND	21	3.89
	> 100 billion VND	11	4.35		> 100 billion VND	11	4.60
Customer Accounting	< 20 billion VND	88	2.54				
	20 – 100 billion VND	21	3.75				
	> 100 billion VND	11	4.20				

5. Conclusion

Survey results showed that garment enterprises in Northern Vietnam were aware of the importance of strategic management accounting techniques and used these techniques to provide information to suppliers management makes decisions. However, the level of application in different businesses is different. Some traditional and easy-to-use techniques are implemented by businesses. Besides, more modern techniques and more complex calculations are unknown to many businesses, so the level of application is quite low. Strategic management accounting techniques are not only new to garment businesses in Northern Vietnam but are also new to businesses in many countries around the world. In some countries around the world, the level of application of strategic management accounting techniques is quite low. As in India, in Joshi's (2001) [6] study, the average rate of applying strategic management accounting techniques was just under 30% compared to the rate of 50% in Australian businesses according to the study by Chell Hall and Smith (1998) [3]. In Japan, the rate of businesses applying the target costing method in Larino's (1995) study was 88%, this rate in Joshi's study in India was 32%. Target costing techniques were applied by businesses in Australia at a rate of 38% in the study of Chenhall and Langfield-Smith (1998) [3]. According to Chenhall and Langfield-Smith (1998) [3], in Australia, up to 88% of businesses use

performance measurement through the balanced scorecard. This figure is 40% of businesses in India (Joshi, 2001) [6].

In Vietnam, because the economy has just switched to a socialist-oriented market mechanism since the mid-1980s of the last century, access to new knowledge about strategic management accounting is still slow. The lack of knowledge about how to implement and awareness of the benefits of applying strategic management accounting techniques has limited businesses from using strategic management accounting techniques in their businesses. The consequences of this situation not only reduce business efficiency, resource use efficiency, and production capacity of garment enterprises in Northern Vietnam are lower than in the world, but also reduce their position and enterprise competitiveness. In a highly competitive, globalized environment, in addition to garment businesses in Northern Vietnam, they must invest in capital and technology, investment in knowledge and skills of management accounting in general and strategic management accounting techniques in particular in businesses is also very necessary.

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