
Use Of Strategic Management Accounting by Large Manufacturing Companies in Bujumbura

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Abstract

The purpose of this research was to determine the types and extent to which strategic management accounting systems are used by manufacturing companies in Bujumbura. The primary goal of this research is to determine the kind and extent to which strategic management accounting systems are implemented in the manufacturing sector of Bujumbura. Primary data was gathered to attain this goal. This study uses the quantitative approach of data analysis, with an aim of investigating a certain population or sample used in this study. The population is all large manufacturing companies (128), both public and private enlisted in the Directory of Burundi Association of Manufacturers and operating within Bujumbura. The Directory is used to choose a sample of 50 firms. To ensure that there was wide representation of the data collected, stratified sampling was used to ensure that all sub- sectors were represented. According to the findings of this study, significant companies in Bujumbura have primarily embraced strategic management accounting methodologies. Strategic planning and budgeting, as well as strategic costing, are the most commonly used strategies. Other strategic management accounting strategies, such as quality costing and customer accounting, do not appear to have been used a lot

Keywords: *Strategic Management Accounting; Management Controls; Manufacturing Companies; Strategy; Burundi*

INTRODUCTION

Strategic Management Accounting (SMA) was created by (Simmonds K. 1981), who defined it as "the provision and analysis of management accounting data about a firm and its competitors for use in establishing and monitoring the business strategy."

Simmonds predicted that SMA would spread quickly in practice, but this did not occur. The lack of interest has also shown up in the study. The earliest item referencing the word SMA in the Scopus database is a study by (K. Simmonds 1982), even though there isn't a single SMA publication indexed in Scopus or Web of Science from 1982 to 1990. According to (Nixon and Burns 2012), practitioners did not accept the SMA label, and "SMA literature appears to have wilted."

This is quite unexpected given the numerous reasons why implementing SMA approaches is critical for organizational success. It is also plausible to argue that the significance of SMA approaches is increasing in today's highly competitive corporate world. The inability to manage companies solely with financial measures, as well as the need for more strategically oriented tools such as non-financial measures, externally oriented information systems, and comprehensive systems supporting strategy implementation, necessitates the use of strategic management accounting techniques. The use of SMA can help to improve overall strategic management maturity (as highlighted by (Witek-Crabb 2016) and others) and so contribute to a company's long-term development.

A literature study in high-quality journals (indexed in Scopus or Web of Science) was undertaken to uncover a smaller research gap, and it was discovered that there are severely under-researched topics. First, the survey technique is used in just a few empirical investigations in the SMA literature (in total, approximately 20 survey-based articles on SMA were found in the Scopus database). (Bhimani and Langfield-Smith 2007; Bromwich 1990;

Gond et al. 2012; Langfield-Smith 2008; Lord 1996; Ma and Tayles 2009; Roslender and Hart 2003). Second, prior papers frequently covered just a subset of SMA approaches, failing to offer a comprehensive picture of SMA technique implementation. Third, these papers are frequently descriptive and agnostic.

To summarize, knowledge about the global application of SMA techniques is limited and understanding of the effect of several dependent factors on the degree of SMA use is limited and inconclusive. As a result, it is critical to delve further into these challenges and contribute to the creation of a more solid and practically applicable theory.

As a result, the following research questions are addressed in this article:

1. Have Burundian companies implemented strategic management accounting systems, or are they still depending on antiquated methods in the face of today's changing environment?
2. Which SMA techniques are utilized the most by big manufacturing enterprises in Burundi, and which are used the least?

These study questions are answered using 39 replies from a survey of 50 significant Burundian enterprises. The gathered data is evaluated using normal scientific research methodologies such as descriptive statistics and factor analysis to answer the questions. The findings are essential for both academics and practice since they provide information on the spread of SMA approaches, including its predicted dynamic, and show the situations under which SMA deployment is especially crucial.

This publication presents an up-to-date assessment of the various approaches and contains several key additions. Furthermore, in contrast to previous research, this study proposes a new SMA approach (strategic planning and budgeting), and so contributes to the discussion over the procedures that form SMA.

RESEARCH METHODS

This study uses the quantitative approach of data analysis, with an aim of investigating a certain population or sample used in this study. Quantitative research method refers to the research method used to quantify research problems into numerical data that can be transformed into usable statistics for descriptive and statistical analysis, with data analysis process, the researcher will find accurate data and data that can be interpreted or communicate (Djamba and Neuman 2002). Frequency rates were calculated, and chi-square tests were constructed to assess the statistical significance of differences by each factor.

The study uses primary and secondary data. The primary data is data that is obtained through questionnaires hence secondary data is data that is usually obtained from relevant documents such as journals, books, websites, former thesis, and others that are related to the research topic.

A questionnaire survey was used to obtain the data. Financial controllers and managerial accountants will receive the questionnaires.

The surveys used in the study were closed questions. The questions in the questionnaire have been designed with multiple-choice responses so that respondents may react directly based on their experiences. The measure employed in this research is the Likert scale.

The population is all large manufacturing companies (128), both public and private enlisted in the Directory of Burundi Association of Manufacturers and operating within Bujumbura. The Directory is used to choose a sample of 50 firms. According to (Dixon and Leach 1984), the sample size should be determined by adequacy and resource concerns. To ensure that there was wide representation of the data collected, the sample was further classified into stratas, which had similar characteristics. It was assumed that the sub-sectors

within the manufacturing sector have similar characteristics and therefore qualified to form various stratas. Therefore, stratified sampling was used to ensure that all sub- sectors were represented. This approach was similarly used by Wanjere M.D (2010).

Consequently, simple random sampling was used to pick units to be studied from each stratum. The firms in various strata were numbered. The starting point was determined by randomly and thereafter every fifth firm was picked until the required number per stratum was obtained. In case the 5th unit was a firm which does not fall into the category of manufacturing firm, the next unit was picked.

RESULTS AND DISCUSSION

Factor Analysis

Table 1. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.905
Bartlett's Test of Sphericity	Approx. Chi-Square	431,940
	df	21
	Sig .	.000

Source: SPSS data processing output 22

From these results, we have a KMO value of .905. This shows that the degree of information among the variables overlaps significantly/ a high partial correlation exists. As a result, factor analysis is a possibility.

Table 2. Communalities

	Initial	Extraction
Target Costing X1	1,000	.862
Strategic Planning and Budgeting X2	1,000	.948
Activity Based Costing X3	1,000	.878
Competitors Accounting X4	1,000	.920
Quality Costing X5	1,000	.814
Customer Accounting X6	1,000	.861
Strategic Costing X7	1,000	.947

Extraction Method: Principal Component Analysis.

Source: SPSS data processing output 22

The results showing us the extraction to see the most dominant variable is carried out by the company under study (starting with the largest value), X2, X7, X4, X3, X1, X6, and X5

Table 3. Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.230	88.993	88.993	6.230	88.993	88.993
2	.360	5.145	94.138			
3	.152	2.170	96.308			
4	.110	1.575	97.883			
5	.064	.911	98.794			
6	.050	.717	99.511			
7	.034	.489	100.000			

Extraction Method: Principal Component Analysis.

The requirement for identifying the number of components or factors stated by selected variables is the presence of eigenvalues of more than 1. Table 3 herein shows that for 1st component the value is $6.230 > 1$, 2nd component is $0.360 < 1$, 3rd component is $0.152 < 1$, and 4th component is $0.110 < 1$. Further, the extracted sum of squared holding % of variance depicts that the first factor accounts for 88.993% of the variance features from the stated observations (Table 3). Thus, 1 component is effective enough in representing all the characteristics or components highlighted by the stated 7 variables.

Table 4. Component Matrix^a

	Component
	1
Target Costing X1	.928
Strategic Costing X2	.974
Activity Based Costing X3	.937
Competitors Accounting X4	.959
Quality Costing X5	.902
Customer Accounting X6	.928
Strategic Planning and Budgeting X7	.973

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Table 4 shows the loadings (extracted values of each item under 1 variable) of the seven variables on the one factor extracted. The higher the absolute value of the loading, the more the factor contributes to the variable. We have extracted one variable wherein the 7 items according to the most important items which similar responses in component 1

Several conclusions have been drawn from this research. First, the findings of this article demonstrate that most manufacturing companies in Burundi practice strategic management in some form or another, with strategic planning and budgeting being the most employed approach, which was not explored in any of the previous studies (Bhimani and Langfield-Smith 2007; Bromwich 1990; Gond et al. 2012; Langfield-Smith 2008; Lord 1996; Ma and Tayles 2009; Roslender and Hart 2003). We are surprised by the removal of this approach because we regard strategic planning and budgeting to be one of the foundations of strategic management accounting. Because most SMA approaches are reliant on strategic planning and budgeting, strategic planning and budgeting are not regarded as autonomous SMA procedures (Petera and Šoljaková 2020). Furthermore, this study assumes that other scholars regard this strategy as more conventional than strategic, but it contends that it is an essential component of SMA. Strategic planning and budgeting are critical tools for communicating between management and shareholders in Burundi. The remaining results are more similar than dissimilar when compared to Cinquini and Tenucci (2010). Strategic Costing is ranked second in this research, while Competitors Accounting is ranked third. Researchers discover Activity Based Costing and Target Costing around the midway of the measurement

scale. In this study, the least used SMA techniques include Customer Accounting and Quality Costing.

CONCLUSION

This research adds to the empirical literature on SMA by investigating the extent to which strategic management accounting procedures are used. In various aspects, our research adds to the theoretical understanding of SMA use. Strategic management is a management method used to improve the efficiency of an organization's operations and administration. Strategic management practice in businesses may assist organizations to improve their performance by increasing their effectiveness, efficiency, and adaptability. According to the conclusions of this article, most significant manufacturing companies in Burundi practice strategic management. The study looked at the current state of SMA usage. Seven SMA approaches were explored, and their level of utilization was assessed using a 5-point Likert scale. The publication includes descriptive statistics for these outcomes as well as a rating of the different SMA approaches. Strategic planning and budgeting, strategic costing, and competitors accounting were discovered to be the three most employed SMA strategies (in descending order). Quality costing, customer accounting, and target costing are the least utilized SMA methodologies (in ascending order).

According to the findings of this study, industrial companies in Bujumbura have embraced strategic management accounting methodologies. Some techniques, such as client accounting and target costing, are not widely used. Management accountants should be re-trained in order to know and comprehend these modern approaches to management accounting.

Manufacturing businesses ought to likewise construct interior limit and organization frameworks to accumulate outer vital information for navigation. It is prompted that organizations foster divisions or units committed to social occasion and dissecting outer vital data.

Strategic management accounting is basic for a business to enjoy a cutthroat benefit. More firms ought to be pushed to take on these practices since they are the best way to flourish in a serious and changed market

This study has also some limitations:

- There were issues with the respondents' degree of awareness. Some of the respondents appeared to be unfamiliar with some strategic management accounting principles. These notes were frequently explored and discussed. As a result, the value was lost in the process. (Conceptual dilution)
- There was no previous study done in Burundi upon which the researcher could have compared the findings. The references and comparisons made were from other countries. This implied that the study was more generalized.
- The Questionnaire Bias: The research relied on primary data collected via questionnaires. Respondents may have misread certain questions or expressed biased viewpoints. A key barrier was a lack of time and resources. While a more extensive investigation would have been preferable, given the time restrictions, this was not practicable.

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