

# **Strategic Management Accounting Practices and Organizational Performance of Manufacturing Firms in Kurunegala District**

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## **Abstract**

Different types of business strategies and a number of sophisticated strategy-based techniques have emerged to support to meet the challenges of global competition and customer satisfaction. The primary objective of this study is to examine the impact of strategic management accounting practices on organizational performance of manufacturing firms in Kurunegala District. The researcher has included dimensions of the strategic management accounting practices as strategic costing, strategic decision-making, competitor accounting, strategic performance, and customer accounting. A questionnaire was designed using five-point likert scales and distributed using a stratified random sampling technique among 164 Accountants/ Managers of manufacturing firms in Kurunegala District. Data were analyzed using descriptive statistics, correlation analysis, and regression analysis. Based on the findings of the study, it is concluded that there is a positive significant impact of strategic management accounting practices on organizational performance of manufacturing firms in Kurunegala District. As per the result of the study, it is recommended that managers employ strategic management accounting practices to enable them to identify, accumulate, and manage the costs of their activities to ensure accuracy in their decision-making. The findings in this study are supported by other studies in the literature and enable them to implement suitable strategies.

**Keywords:** Strategic Management Accounting Practice, Strategic Costing, Strategic Decision Making, Competitor Accounting, Strategic Performance, Customer Accounting

## **Introduction**

Strategic management accounting practices have begun as a result of a search for a replacement for traditional management accounting to provide more relevant and reliable information in making decisions efficiently and effectively. The father of management Accounting, Simmonds (1986) described Strategic Management Accounting as the collection of management accounting information about a business and its competitors for use in developing and monitoring the business strategy (Egbunike & Dheseviano, 2018).

In today's dynamic world strategic management accounting concept is most important. Strategic management accounting practices help an organization to survive in the competitive ever-changing and dynamic business environment. Companies are used strategic management accounting practices to assess their day-to-day operations. It includes Activity Based Costing, Balanced Scorecard, Target Costing, Value Chain Analysis, Early Warning Analysis, Quality Cost Analysis, Benchmarking, Strategic Pricing, and Product-cycle approach. According to Roslender and Hart (2003), management accounting is more strategic but it also brings more benefits to an organization such as, it shows the right direction to the organization helps organizations to turn proactive rather than reactive, guides the companies to prepare and face the challenges which may occur in the future.

The goal of expanding globalized competition is for the corporation to provide consumers with value-added services. The traditional approach of management accounting is no longer appropriate for today's manufacturing enterprises, which has been a huge difficulty. As a result, businesses are being compelled to invest in more effective management accounting systems. Implementation of these innovations Management Accounting Practices need to be knowledgeable of production, quality control, marketing, and management strategy(Ojua, 2016).

According to Central Bank Reports (2018), Sri Lanka's gross domestic product increased by 3.2 percent in 2018 compared to the previous year, and GDP per capita increased from US \$ 4310 to US \$ 4320. Manufacturing industry contributed for roughly 19 percent of total GDP. Textiles, ceramics, petroleum products, vegetable oils, fertilizers, and cement are among the most common items manufactured. Sri Lanka has a mixed economy therefore both the private and state sector are engaged in the production process. The manufacturing industries play a crucial role in the Sri Lankan economy due to its labor advantage, generating jobs, contributing to social and political stability, and adding high-value exports to help the balance of payment. With considering these details, manufacturing firms have been selected for conducting this study to provide insightful knowledge about the area of strategic management accounting practices.

Previous researches have been conducted regarding the strategic management accounting practices and organizational performance of manufacturing companies and most empirical evidence comes from other countries. For instance, Nigeria has conducted the entire research about this topic (Egbunike & Dheseviano, 2018), and albeit there seems to be a lack of evidence in an emerging country, particularly Sri Lanka. Therefore this research study is addressed the knowledge gap between strategic management accounting practices and organizational performance.

To achieve the intended goals and objectives of the manufacturing firm's managers need to know about strategic management accounting practices. Therefore this study is portrayed to explain the impact of strategic management accounting practices on the organizational performance of manufacturing firms in the Kurunegala district.

## **Problem Statement**

Today's business environment becomes increasingly competitive; business organizations are becoming more aggressive and dynamic in identifying strategies that will affect managers to make decisions for the organizations. Competition may be attributed to business innovations, advancement in technology, and the changing demand of customers. Therefore firms have to work harder to develop new products to recover costs and earn profits. Because of that need for strategic management accounting practices has been increased.

The traditional techniques of management accounting, such as standard costing, variance analysis, budgeting, and cost volume profit analysis, are no longer appropriate for today's industrial organizations, which is a serious difficulty. In today's manufacturing world, traditional management accounting procedures are less relevant. According to Isa (2005) stated that traditional management accounting systems should be changed to meet the needs of the turbulent business environment. Furthermore, Maskell (1991) summarized several limitations of the conventional management accounting system, which lack relevance, cost distortion, inflexibility, and impediment to progress in manufacturing practices.

Nevertheless, modern businesses have become less dependent on labor usage and do not keep their machines busy at all times to deliver better business results. Instead of that businesses may use technological innovations as well as focusing on fast inventory turnover and high-quality customer services to improve organizational performance. Such changes in today's business environment may

lead to a problem for traditional management accounting practices. Ahamad (2012) argued that one of the reasons for business failure is poor management ability which includes accounting problem-solving. Based on this argument it can be concluded that strategic management accounting practices are important for manufacturing companies to avoid failing.

After the service sector, manufacturing industries are the most active and vital contributors to the expanding economy. Given the importance of manufacturing organizations in the growth and development of developing economies, the appropriate mechanisms for sustaining this sector of the economy must be put in place. Hence, the need for proper management accounting practices has been designed to support modern technologies and to meet the challenge of global competition. Strategic management accounting practices enables the management to avoid unnecessary cost and meet the profit target of the organization. In the contemporary business world, the optimization of profits and minimization of costs may enable an organization to create a competitive advantage in its industry. Traditional management accounting practices may not be able to address such challenges (Egbunike & Dheseviano, 2018).

Smith (2003) stated that a greater reliance on non-financial accounting information resulted in improved organizational performance. Chenhall and Langfield-smith (1998) found greater use of advanced management accounting practices, such as quality costing, Activity-Based Costing, and Benchmarking, in firms that placed a strong emphasis on product differentiation strategies, ultimately resulting in high organizational performance (Gnawali, 2017).

According to Uyar (2010) companies operating in developing countries have also begun to implement cost and management accounting practices which were first adopted by companies operating in developed countries (Najimudeen, 2010). According to Sulaiman et al., (2004) countries in Europe and also Australia has extensively applied strategic management accounting practices compared to the Malaysian perspective (Abdullah & Said, 2016).

There are some well-established manufacturing companies in Kurunegala district and they have qualified laborers. But the problem is the use of traditional management accounting practices is a common phenomenon in the Sri Lankan context. However, in the Sri Lankan context, there is still a lack of accounting literature and empirical studies on strategic management accounting practices and organizational performance. Therefore this study seeks to fill this gap by examining the;

**“How do Strategic Management Accounting Practices influence on Organizational Performance of Manufacturing Companies in Kurunegala district?”** Based on the problem statement, the following objectives are set;

1. To identify the level of strategic management accounting practices on organizational performance of manufacturing firms in Kurunegala district.
2. To identify the relationship between strategic management accounting practices and organizational performance of manufacturing firms in Kurunegala district.
3. To examine the impact of strategic management accounting practices on organizational performance of manufacturing firms in Kurunegala district.

### **Significance of the Study**

Management accounting is an internal accounting function used to allocate business costs to goods and services and prepare reports for internal management business decisions. Accountants are usually trained to simply collect financial information, input the information into the accounting software, and prepare financial reports. Strategic management accounting practices attempt to change this mentality by including Management Accountants in the strategic planning and decision-making process of the company.

There are a plethora of theories relating to strategic management accounting practices and organizational performance. According to those theories, can be identified there is a positive or negative relationship between those two variables. It is helped to examine whether it is true in the real world. It means in the real world is there any relationship between the strategic management accounting practices and organizational performance in manufacturing firms which are located in Kurunegala district.

Management Accountants guide and advise management at every step in a firm. This study is very important because it will assist in reducing the risk in decision making and it will help to ensure information is properly examined before being employed in decisions.

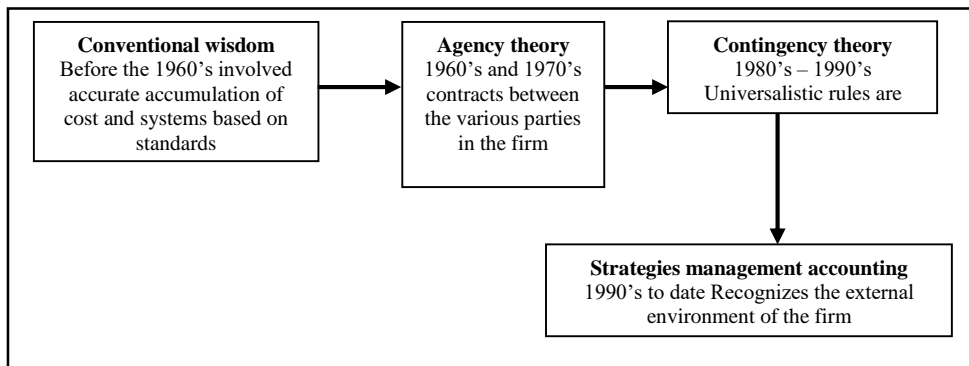
## **Literature Review and Hypotheses Development**

### **Management Accounting**

Accounting is the business role of a company's accounting leaders to record and report financial transactions. Management accounting is an internal accounting activity that allocates business costs to items or services and prepares reports for internal management business decisions as part of accounting. The Chartered Institute of Management Accounting (CIMA) defines "management accounting as an integral part of management concerned with identifying, presenting, and interpreting information used for formulating strategy, planning, and controlling activities, decision making, optimizing the use of resources, discloses to shareholders and others external to the entity, disclosure to employees and safeguarding assets". According to Botes (2009), Management accounting is the science that narrates the supply of suitable financial and non-financial data to make decisions, plan, and control, and evaluate the performance of any aspiring successful organization. The process of management accounting is recognized as the most important source of formal information in an organization as it plays a vital role in helping the managers of complex and hierarchical organizations by providing the information that enables them to plan, organize, and control the organizations (Urif, 2014).

The poor performance of most industrial enterprises in Ghana, according to the Association of Ghana Industries AGI (2013), can be ascribed to a variety of factors including competitiveness, technological change, power, and operating costs. According to Obed (2016), operating costs can be a driving force behind poor performance. As a result, the manufacturing industry requires an effective cost control system to achieve desired results. Cost control is an important aspect of good management accounting. This tries to prove that there is a link between management accounting methods and manufacturing firm performance.

Management accounting theory and practice have undergone a revolution in the last ten years. Publications from the early to mid-1980s revealed the flaws and obsolescence of existing cost and performance monitoring techniques, laying the groundwork for the revolution. Since that time we have seen remarkable innovations in management accounting; even more remarkable has been the speed with which the new concepts have become widely known, acceptable, and implemented in practice, and integrated into a large number of education programs (Kamal, 2015).



**Figure I: Development of Management Accounting: Theoretical Framework** (Source: Urif,2014)

- i. Old conventional wisdom: This stage is based on the absolute truth approach and principles of management which were rooted in an engineering view.
- ii. Agency theory: The irruption of economics in the field led academicians to work on very elegant mathematical models. Agency theory and transaction costs are a refinement of mathematical modeling based on economic concepts and theory.
- iii. Contingency theory: The contingent control literature is based on the premise that a correct match between contingent factors and a firm's control package will result in desired outcomes. Contingency theory explains how an appropriate accounting information system can be designed to match the organizational structure, technology, strategy, and environment of the firm
- iv. Strategic Accounting: Strategic accounting is the last stream of thought that had an important impact on management accounting.

### ***Contingency Theory***

Managers, consultants, and academics who tried to apply the concepts of the major management schools to real-life scenarios sparked the development of the contingency method. They frequently discovered that procedures that were highly effective in one context did not work in another. They observed that, due to variances in their various situations, a technique that works in one example may not necessarily work in all cases. McWilliams et al., (2002), sought an explanation for these experiences which brought about the contingency-based theory. The contingency theory draws the idea that there is no one or single best way or approach to managing organizations. Organizations should then develop managerial strategies based on the situation and the condition they are experiencing. Contingency theory tries to identify and measure the conditions under which things will likely occur. Since human service practice varies substantially, contingency theory offers a useful approach to model and predict the contingency approach practice. Contingency theory allows one to analyze a situation and determine what variables influence the decision with which you are concerned (Grace, et al., 2015).

### **Strategic Management Accounting**

The business environment has become intensively dynamic and increasingly unpredictable in recent decades and correspondingly, the managing company has become more demanding. To achieve competitiveness, companies apply different strategies and management accounting should be used as one of the main supporting systems for strategy implementation (Ramljak & Rogosic, 2012).

## **Strategic Management Accounting Practices**

Conventional management practices are more associated with “tactical” than “strategic”. The conventional management accounting system does not tend to adopt a long-term, future-oriented stance, nor is characterized by a marketing or competitive focus (Ramljak & Rogosic, 2012). These days, the business environment has demanded and relevant strategic management accounting practices. The development and use of strategic management accounting techniques relate to external information to face the uncertainty of the environment and to support various strategic decisions (Novianty, 2015) The application of Strategic Management Accounting tools have become very important for all organizations, especially the manufacturing ones to survive and grow in the face of ever competitive, complex and changing business environment (Ojua, 2016). In this study, the key Strategic Management Accounting technique categories are selected as Strategic costing, Strategic decision making, Competitor accounting, Strategic performance measurement, and Customer accounting.

### **Strategic Costing**

In the current business environment characterized by intense competitive pressures, organizations need to implement strategies to manage costs and reduce these costs not only on a short-term basis but also over the long term (Henri & Boiral, 2017). According to Anderson (2007) Strategic cost management (SCM) is defined as “deliberate decision making aimed at aligning the firm's cost structure with its strategy and optimizing the performance of the strategy” (Henri & Boiral, 2017). Today, cost management has been closely linked to the company’s strategy and has become an important way for enterprises to build competitive advantage and create core competitiveness (Wang, 2019). Cost accounting was defined by the Institute of Management Accountants (IMA) as "a technique or method for determining the cost of a project, process, or things. Such information is determined through direct measurement, arbitrary assignment, or systematic and rational allocation (Abdelmonbim & Mohamed, 2010).

### **Strategic Decision-making**

According to Nooraie (2012), Strategic decision-making is one of the most important functions of managers in any kind of organization (Hamzeh & Alsmairat, 2019). Decision-making is a process that occurs daily in homes, schools, political, and governmental organizations, corporate boardrooms, and executive offices. Decisions, especially important decisions, are made by leaders and managers located at the top of the organizational hierarchy. Decision-making is the process through which managers identify organizational problems and attempt to resolve them (Hamzeh & Alsmairat, 2019). In the words of Harris (2009), decision making involves an act of identifying and ably selecting among an array of alternatives based on the inclination. It includes a variety of processes that are all intermediate steps between thought and action which are the precursors to behavior (Hamzeh & Alsmairat, 2019). Strategic decision-making is a Strategic Management Accounting technique that plays a relevant role in supporting strategic choices. It has significant consequences for a company’s performance over time.

### ***Relationship between Strategic Management Accounting Practices and Organizational performance.***

The relationship between strategy, management accounting-based control systems, and performance has commanded significant attention in the accounting and management research domains (Tucker, 1996). In management accounting research, multivariate approaches covering major dimensions of performance have been used to capture firm performance (Chenhall, 1997). Organizational effectiveness research, which has a long tradition in measuring organizational performance (Chenhall, 1997), suggests that indicators covering past performance as well as future performance are relevant (Seashore, 1983).

From the Profit Impact of Market Strategies project and its related critiques, know this to be a reasonable approach as past activities (or performances) may affect the future financial performance of the firm in both the short term and long term (Tellis & Golder, 1996). Performance includes marketing campaigns that aim to improve the image of a company or the development of a product that leads to higher sales in subsequent years (Abdelmonbim & Mohomed, 2010).

Management accounting practice helps an organization to survive in the competitive, ever-changing world, because it provides an important competitive advantage for an organization that guides managerial action, motivates behaviors, supports and creates the cultural values necessary to achieve an organization's strategic objectives.

### **Hypotheses Development**

According to studies (Emiaso et al., 2018; Alsoboa & Joudeh, 2015), there is a positive impact of strategic management accounting practices on organizational performance. The researcher has formulated the following hypotheses based on the above empirical finding.

H<sub>1</sub>: There is a significant impact of strategic management accounting practices on organizational performance.

H<sub>2</sub>: There is a significant impact on strategic costing on organizational performance.

H<sub>3</sub>: There is a significant impact on strategic decision-making on organizational performance.

H<sub>4</sub>: There is a significant impact of competitor accounting on organizational performance.

H<sub>5</sub>: There is a significant impact on strategic performance on organizational performance.

H<sub>6</sub>: There is a significant impact of customer accounting on organizational performance.

### **Methodology**

#### **Study Setting, Study Design, and Methods of Survey**

According to Hassan (1995), a research design is a scheme used by researchers for specific structure and strategy in inquiring into phenomena and to obtain logical answers to research questions (S. Oboh & Ajibolade, 2017). As a part of Management Accounting, Strategic Management Accounting Practices involves the provision and analysis of management accounting data about a business and its competitors. Those are essential elements to achieve organizational success and it is very important to obtain a competitive advantage. Therefore this study makes the system finding the impact of these factors on the organizational performance of manufacturing firms in Kurunegala district. This research was exploratory type research with a quantitative perspective and the study setting in Kurunegala District.

#### **Research Approach**

There were two types of research approaches as Deductive and Inductive. A deductive approach is concerned with developing theory and hypotheses and designs a research strategy to test the hypotheses. An inductive approach involves the collected data and develops theory as a result of data analysis in the research (Sekaran, 2007).

This research study was conducted to use the deductive approach. This study has been conducted to understand to what extent Strategic Management Accounting Practices influence Organizational Performance in manufacturing companies in Kurunegala District. The type of investigation of this

study was correlational. As the data for this study were collected at a single point of time, the study was cross-sectional in the time horizon.

### ***Study Population***

Population referred to the entire group of people, events, or things of interest that the researcher wishes to investigate (Sekaran, 2007). The study population for this research identified as 286 Accountants/ Managers of manufacturing firms in Kurunegala District.

**Table I: Categories of Manufacturing Firms in Kurunegala District**

<b>No</b>	<b>Company Category</b>	<b>Population</b>	<b>Sample</b>
<b>1</b>	Food and Beverage	120	69
<b>2</b>	Garment and Textile	50	28
<b>3</b>	Building and Construction	38	22
<b>4</b>	Furniture	25	14
<b>5</b>	Electrical	17	10
<b>6</b>	Others	36	21
<b>Total</b>		<b>286</b>	<b>164</b>

*Source: Kurunegala District Chamber of Commerce, 2018*

### ***Research Sample & Sampling Technique***

According to Mark (2007) Sampling was a “technical device to rationalize the collection of information, to choose appropriately the restricted set of the object, person or event”. Sample design is an important part of the research. The sample is a subgroup of elements of the population selected for participation in the study.

In this study sample is selected as 164 manufacturing companies in Kurunegala District using Sample Size Calculator (Anon., n.d.) was under 95% confidence level and 5% margin of error. The sample was selected using a stratified random sampling technique among the population. Stratified was based on the manufacturing firms' categories of the sector. Stratified random sampling involves a process of stratification or segmentation, followed by the random selection of subjects from each stratum. The population is first divided into mutually exclusive groups that are relevant, appropriate, and meaningful in the context of the study (Sekaran, 2007).

### ***Data Collection and Analysis***

Data collection is an important part of this research study. Because it denotes the research findings. For this research purpose, data was collected through the quantitative method. The survey approach was appropriated for this study because of the nature of the constructs presented in the theoretical model. It means primary data collection instruments. In this study, 164 Questionnaires were issued to Managers or Accountants who are working in manufacturing firms in Kurunegala District and were measured through questionnaires with Five Point Likert Scale and demographic factors measured through the Nominal Scale which were completed by the respondents.

## **Findings and Discussion**

### **Results**

The internal consistency reliability is examined with Cronbach's Alpha Test. Internal consistency describes the to extent which all the items in a test measure the same concept or construct and hence it is connected to the interrelatedness of the items within the test (Thavakol & Dennick, 2011). Cronbach's Alpha value of 0.70 or higher is considered acceptable. The results of Cronbach's Alpha test are given in Table II.

**Table II: Cronbach's Alpha Coefficients**

<b>Instruments</b>	<b>Cronbach's Alpha</b>
Strategic Management Accounting Practices	0.906
Strategic Costing	0.850
Strategic Decision-making	0.707
Competitor Accounting	0.708
Strategic Performance	0.763
Customer Accounting	0.701
Organizational Performance	0.724

*Source: Survey Data, 2020*

Table III depicts the distribution of responses throughout the personal information. Five personal factors as Gender, Age Level, Years of Experience in Business, Position of Respondent, and the Manufacturing Sector of the Respondent were used for this study. Here, the results show the majority of respondents are under the age of 31-40 and most of them are Accountants with 6 – 10 years of experience. The majority of the respondents are working in the Food and Beverage Sector as per the sample.

**Table III: Personal Information**

<b>Classification</b>	<b>No. of Respondents</b>
<b>1. Gender</b>	
Male	89
Female	75
<b>2. Age Level</b>	
21 – 30	31
31 – 40	81
41 – 50	42
51 – 60	10
<b>3. Years of Experience in Business</b>	
1 – 5	42
6 – 10	67
11 – 15	49
More than 15	06
<b>4. Position of Respondent</b>	
Manager	24
Accountant	80
Assistant Accountant	54
Other	06

*Source: Survey Data, 2020*

### **Descriptive Statistics**

Univariate analysis is appropriate for any single variable to explore the individual qualities of its data. It was carried out for evaluating the attributes of dimensions and variables individually based on the response in the questionnaire.

**Table IV: Decision criteria for Univariate Analysis**

<b>Range</b>	<b>Decision Attribute</b>
$1 \leq \bar{X}_i \leq 2.5$	Low Level
$2.5 < \bar{X}_i \leq 3.5$	Moderate Level
$3.5 < \bar{X}_i \leq 5.0$	High Level

*Source: Developed by Researchers*

According to research objective one, as per Table V, the researcher has tested the means and standard deviations of each variable to formulate levels, respectively. The level of Strategic Costing, Strategic decision-making, Competitor accounting, Strategic Performance, Customer accounting and, Strategic Management Accounting Practices was at a high level.

**Table V: Descriptive Statistics of SMAP**

<b>Variable/Dimension</b>	<b>Mean</b>	<b>SD</b>	<b>Decision Attribute</b>
Strategic Costing	4.0421	0.41785	High Level
Strategic decision-making	4.0945	0.70617	High Level
Competitor accounting	3.8821	0.49914	High Level
Strategic Performance	4.0659	0.47417	High Level
Customer accounting	4.0061	0.53821	High Level
<b>Strategic Management Accounting Practices</b>	<b>4.0262</b>	<b>0.38271</b>	<b>High Level</b>

*Source: Survey Data, 2020*

As per Table VI, the researcher has tested objective two by using means and standard deviations of each variable to formulate levels, respectively. The level of Financial Performance, Product market Performance, Employee Performance, and, Organizational was at a high level.

**Table VI: Descriptive Statistics of OP**

<b>Variable/Dimension</b>	<b>Mean</b>	<b>SD</b>	<b>Decision Attribute</b>
Financial Performance	4.1220	0.67178	High Level
Product market Performance	4.1616	0.59118	High Level
Employee Performance	3.8689	0.58316	High Level
<b>Organizational Performance</b>	<b>4.0366</b>	<b>0.45145</b>	<b>High Level</b>

*Source: Survey Data, 2020*

### **Bivariate Analysis**

The bivariate analysis procedures have involved simultaneous analysis of data measured on two variables. Correlation analysis was used to examine the relationship between strategic management accounting practices and organizational performance of manufacturing companies in Kurunegala district to determine the third objective.

**Table VII: Correlation between SMAP and Organizational Performance**

<b>Variable/Dimensions</b>	<b>Pearson Correlation (r)</b>
Strategic Costing	0.756*** (0.000)
Strategic Decision-Making	0.235*** (0.000)
Competitor Accounting	0.620*** (0.000)
Strategic Performance	0.773*** (0.000)
Customer Accounting	0.605*** (0.000)
Overall SMAP	0.821*** (0.000)

*Significant level is indicated by \*\*\* , \*\* , \* for 1% , 5% and 10% respectively.*

*Significant levels are shown in parentheses.*

*Source: Survey Data, 2020*

### ***Multivariate Analysis***

Multivariate data analysis refers to any statistical technique used to analyze data that arise from more than one variable. This essentially models reality where each situation, product, or decision involves more than a single variable. In this research study, the researcher has used multiple regression analysis to determine the most influencing factor in organizational performance.

According to objective three, in the Multiple Regression Analysis, there is a single dependent (response) variable (Y) and independent (predictor) variables. In this study, Table VIII indicates that strategic costing, strategic decision-making, competitor accounting, strategic performance, customer accounting positively impacts on organizational performance of manufacturing firms in Kurunegala District.

**Table VIII: Regression**

<b>Independent Variables</b>	<b>Dependent Variable Separate Regression</b>
<b>(Constant)</b>	0.205** (0.035) [0.221]
<b>Strategic Costing</b>	0.211** (0.036) [0.100]
<b>Strategic Decision-making</b>	0.028** (0.047) [0.029]
<b>Competitor Accounting</b>	0.111** (0.046) [0.055]
<b>Strategic Performance</b>	0.368*** (0.000)

	[0.084]
	0.197***
<b>Customer Accounting</b>	(0.000)
	[0.046]
<b>R</b>	0.830
<b>R<sup>2</sup></b>	0.688
<b>Adjusted R<sup>2</sup></b>	0.678
<b>F</b>	69.716***
	(0.000)

Significant level is indicated by \*\*\*, \*\*, \* for 1%, 5% and 10% respectively.

Significant levels are shown in parentheses and standard errors are reported in square brackets.

Source: Survey Data, 2020

As per the result of ANOVA (Table VIII), the regression model was significant (F=69.716; p=0.000). According to Table VIII, the score of R<sup>2</sup> indicates that strategic costing, strategic decision-making, competitor accounting, strategic performance, customer accounting (Independent Variable) explains approximately 68.8% of the variance in Organizational Performance (Depended Variable).

According to the coefficient result, the regression model can be express as follow;

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + e \quad (1)$$

$$Y = 0.205 + 0.211X_1 + 0.064X_2 + 0.111X_3 + 0.368X_4 + 0.197X_5$$

Where,

0.211X<sub>1</sub> strategic costing + 0.064X<sub>2</sub> strategic decision-making + 0.111X<sub>3</sub> competitor accounting + 0.0368X<sub>4</sub> strategic performance + 0.197X<sub>5</sub> customer accounting

The result is above Table VIII indicates that, the unstandardized constant statistics is 0.205 it shows that the model would predict if fall all the variable were zero. Coefficient table helps to identify which among the independent variable most impact variable on dependent variable. According to Table VIII beta value under standardized coefficient, it is concluded that Strategic Performance (t = 4.364, p < 0.05, β = 0.368) is the most impact factor to the Organizational performance. Strategic costing (t = 2.119, p < 0.05, β = 0.211) Strategic decision-making (t = 2.215, p < 0.05, β = 0.064) Competitor accounting (t = 2.011, p < 0.05, β = 0.111) Customer accounting (t = 4.320, p < 0.05, β = 0.197) are important factors to the organizational performance respectively. . Based on the results of correlation and regression, can be concluded hypotheses are accepted.

## **Discussion**

According to the first objective, the level of Strategic management accounting practices of manufacturing firms in Kurunegala District is discussed here. The researcher found that the level of SMAP was at a high level (M = 4.05, SD = 0.39). According to the frequency level of the variable of SMAP, noted that among 164 respondents about 90.2% of respondents have a high level of SMAP, and 9.8% of respondents have a moderate level. Dimensions of SMAP, such as strategic costing, strategic decision-making, competitor accounting, strategic performance, customer accounting are contributed to this high level of strategic management accounting practices of manufacturing firms in Kurunegala District. Emiaso et al. (2018) stated in their study mentioned that strategic management accounting practices have a high level in manufacturing firms.

Furthermore, indicators of strategic management accounting practices such as competitor cost assessment technique and benchmarking technique contribute to the moderate level of strategic management accounting practices of manufacturing firms in Kurunegala District. Heinen and Hoffjan

(2005) mentioned that the competitor cost assessment technique has a low level in manufacturing firms.

As per the second objective, to identify the level of organizational performance of manufacturing firms and the researcher found that the level of organizational performance was at a high level ( $M = 4.04$ ,  $SD = 0.45$ ). According to the frequency level of the variable of organizational performance, noted that about 83.5% of respondents have a high level of organizational performance and 27% of respondents have a moderate level of organizational performance. Indicators such as customer satisfaction, sale of a product, return of asset are contributed to this high level of organizational performance.

The results show that organizational performance significantly correlated with strategic management accounting practices [ $r = 0.821$ ,  $P < 0.05$ ] and it shows a strong positive relationship with organizational performance. As reported by Emiaso et al, 2018; Abdel & McLellant, (2013) indicated that strategic management accounting practices have a significant positive relationship between strategic management accounting practices and organizational performance. Mohomud et al. (2015) suggested that implementation of strategic management has a positive relationship with organizational profitability.

Organizational performance significantly correlated with strategic costing [ $r = 0.756$ ,  $P < 0.05$ ], and it shows a strong positive relationship with organizational performance. According to the studies, Cescon et al. (2018); Sulanjaku and Shingjergji (2015) indicated the strategic costing has a significant positive relationship between strategic costing and organizational performance. There is significantly correlated with strategic decision-making and organizational performance [ $r = 0.235$ ,  $P < 0.05$ ] and it shows a weak positive relationship with organizational performance. Cescon et al. (2018) identified that strategic decision-making demonstrates a positive association with organizational performance. Naidu (2016) found that there is a positive relationship between strategic decision-making and organizational performance.

According to the research findings organizational performance significantly correlated with competitor accounting [ $r = 0.620$ ,  $P < 0.05$ ], and it shows a strong positive relationship with organizational performance. According to the findings of Alsoboa (2015) indicate that in his research competitor accounting and organizational performance have a positive relationship. Conforming to findings organizational performance significantly correlated with strategic performance [ $r = 0.773$ ,  $P < 0.05$ ] and it shows a strong positive relationship with organizational performance. Kiple et al (2012) mentioned that strategic performance measurement is very important for the financial success of any organization(Mushref & AL-Jabiri, 2016).

There is a strong positive relationship between customer accounting and organizational performance [ $r = 0.605$ ,  $P < 0.05$ ]. In line with Al-Mawali et al. (2012), usage of customer accounting information lead to higher organizational performance. Customer profitability analysis is an indicator of customer accounting. Al-Mawali et al., (2012) mentioned that customer profitability analysis has a moderate relationship between management and business unit performance.

Based on the third objective multiple regression, strategic costing was found to have a positive impact on organizational performance with a strength of b-value 0.211. Alsoboa et al. (2015) mentioned that strategic costing has a positive influence on the improvement of organizational performance and strategic decision-making was found to have a positive impact on organizational performance with a strength of b-value 0.064. Elbanna and Naguib, (2008) stated that strategic decision-making has a positive impact on organizational and financial performance.

With the assistant of the research findings, competitor accounting was found to have a positive impact on organizational performance with a strength of b-value 0.111. According to Alsoboa (2015) suggested that competitor accounting has a positive impact on organizational performance According

to the results of multiple regression strategic performance was found to have a positive impact on organizational performance with a strength of b-value 0.368. According to Mushref and AL-Jabiri, (2016), indicated that strategic performance has a significant influence on organizational performance.

The results reveal that customer accounting was found to have a positive impact on organizational performance with a strength of b-value 0.197. According to Al-Mawal et al. (2012), customer accounting has a positive impact on organizational performance and they mentioned that their study.

## **Conclusions**

To survive and flourish in today's ever-competitive, complicated, and changing business climate, strategic management accounting practices have become critical for all firms, particularly manufacturing ones. The primary aim of the research was to investigate the influence of strategic management accounting practices on the organizational performance of manufacturing firms in Kurunegala District. In order to achieve that aim, the researcher was selected 164 manufacturing firms in Kurunegala District. This research was conducted with 164 Accountants/Managers in manufacturing firms in Kurunegala District. Descriptive statistics, correlation analysis, and regression analysis were formulated to come up with findings related to the research problem. The level of strategic management accounting techniques and organizational performance of manufacturing enterprises in the Kurunegala District were investigated using frequency analysis and descriptive statistics. The association between strategic management accounting techniques and organizational performance was also investigated using correlation analysis. And also regression analysis was used to examining the impact of strategic management accounting practices and organizational performance.

The first objective of this survey is to identify the level of strategic management accounting practices of manufacturing firms in Kurunegala District. According to the descriptive analysis results, the mean value of the study variable, based on the decision rule indicates there is a high level of strategic management accounting practices in manufacturing firms. When comparing to all mean values of five dimensions of strategic management accounting practices, strategic decision-making has scored the highest mean value (4.13), competitor accounting (3.88) has received the lowest amount of mean value.

The second objective of this research is to identify the level of organizational performance of manufacturing firms in Kurunegala District. According to the descriptive analysis results, the mean value of the study variable (4.03), based on the decision rule developed in chapter four, indicates there is a high level of organizational performance in manufacturing firms of Kurunegala District.

The correlation analysis researcher identified that there is a strong positive relationship between strategic management accounting practices and organizational performance of manufacturing firms in Kurunegala District as per the third objective. Also, the researcher concludes that all of the strategic management accounting practices dimensions (strategic costing, strategic decision-making, competitor accounting, strategic performance, customer accounting) have a positive relationship with organizational performance.

The study is to investigate the impact of strategic management accounting practices on the organizational performance of manufacturing firms in Kurunegala District. According to the regression, analysis the researcher concludes that there is a positive impact on strategic management accounting practices on organizational performance. As well as Researchers indicate that dimensions of strategic management accounting practices (strategic costing, strategic decision-making,

competitor accounting, strategic performance, customer accounting) are a positive impact on organizational performance.

## **Recommendations**

Based on the findings and discussions conclude that strategic management accounting practices significantly influence on organizational performance of manufacturing firms in Kurunegala District. Therefore, maintaining a high level of strategic management accounting practices of manufacturing firms will be an advantage to raise the performance of manufacturing firms. Based on these findings, the following recommendations are suggested by the researcher.

Most of the manufacturing firms are engaged in the implementation of SMAP in the Kurunegala District. Because, as a result of this research, the researcher concludes that manufacturing firms in Kurunegala District have a high level of SMAP as well as high organizational performance. Strategic management accounting practices ensure the efficiency, effectiveness, and realistic decision-making process of the manufacturing firms are the main reason for that.

According to the analysis researcher identified that these manufacturing firms have some moderate level of competitor cost assessment and Benchmarking techniques compare to other techniques. Therefore, organizations must be considered about their competitor cost assessment techniques and benchmarking techniques properly.

Based on the analysis researcher identified that strategic decision-making and performance of manufacturing firms have a weak positive relationship compare to other techniques. Therefore, senior and middle-level Managers/Accountants of manufacturing firms must involve in the decision-making process and leads to encouraging the enthusiasm of their employees. Because a realistic decision-making process enhances the overall organizational performance of the firm and wealth maximization.

A higher percentage of labor in the garment and textile sector implies that the factory is not automated enough. So automation is recommended to reduce production costs and to increase profitability.

## **Limitations of the study**

The study is limited to investigate the influence of the SMAP and organizational performance of manufacturing firms in Kurunegala District and selected samples are 164 manufacturing firms in Kurunegala District. If any study considers the biggest sample size more than this, the findings of this study could be further reconfirmed. This study has considered a single industry approach. It has certain limitations in terms of the generalizability of the findings due to the uniqueness of an industry's environment. Each statement is considered only the Likert's scale (1-5) in this study. However, if any study uses a scale beyond five, the findings of this study could be further reconfirmed. Primary data are limited to questionnaires and also the accuracy of the data of the study depends on the respondents of the manufacturing firms.

## **Suggestions and Implications for Future Studies**

The current study was focused on only internal factors that determined strategic management accounting practices of manufacturing firms in the Kurunegala District. Future studies can explore an analysis of external organizational factors that determine management accounting practices of manufacturing firms in the Kurunegala District.

The sample size is relatively small. Future researchers can study strategic management accounting practices of manufacturing firms in Sri Lanka instead of the District wise across the whole population

of the country. And also future researchers can consider strategic management accounting practices of small-Medium-Sized Enterprises in Kurunegala District and government-owned organizations as well. In the future, similar research may be conducted in different sectors of Sri Lanka. That would help future researchers to find new and novel findings.

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