

Strategy and Strategic Management Accounting: A Study of Enterprises In Hanoi



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ABSTRACT: In a globally competitive business environment, each company must have its own unique strategy to succeed. Strategic management accounting information helps managers determine the strategy and strategic position of the enterprise. In recent years, the number of enterprises in Hanoi has been constantly increasing and participating in all fields and business lines. This shows that businesses operate in a highly competitive environment. Research results from 125 enterprises in Hanoi have shown that all surveyed subjects are aware of the importance of strategic management accounting information. The survey results also support the hypothesis that there is a relationship between the types of strategies and the use of strategic management accounting techniques, including the groups strategic costing, strategic decision making, competitor competitor accounting, customer accounting.

KEYWORDS: Strategy, strategic management accounting, relationships.

1. INTRODUCTION

In a globally competitive business environment, each company must have its own unique strategy to succeed. A company can only be successful if it creates a reason for customers to choose its products or services over the choices of its competitors. In each business in each period, the administrator will choose a strategy to suit the business's operational goals. Strategic management accounting information helps managers determine the strategy and strategic position of the enterprise by the related techniques that consider external factors such as the competitive environment (Simmond, 1981). To cope with the global competitive conditions, enterprises manifest in their strategic purpose and define their strategy. Strategic management accounting information helps managers have enough planning basis. Planning is considered a core function, helping managers analyze and forecast key issues, limit possible risks with the lowest damage. Therefore, information from strategic management accounting techniques clearly provides for each object that managers need to plan, short-term or long-term planning.

According to the results of the economic census and the administrative survey in 2022, there are more than 155,000 enterprises in Hanoi, an increase of over 30% compared to the 2017 economic census. Enterprises in Hanoi are constantly growing and participating in all fields and business lines. This shows that businesses operate in a highly competitive environment. Each business itself needs to have different strategies to attract customers and towards sustainable development. Enterprise managers need to be provided with appropriate and effective information for businesses to implement their strategies. Strategic management accounting techniques are an important source of information for managers in a fiercely competitive environment. The question is, currently, what operational strategies do businesses choose, do different strategies affect the use of strategic management accounting techniques? This article aims to explore the relationship between strategies and the application of strategic management accounting in enterprises in Hanoi.

2. LITERATURE REVIEW

According to Garrison et al. (2015), in a global competitive environment, every business needs a strategy to succeed. Strategy helps businesses attract customers by setting themselves apart from the competition. At the heart of a company's strategy is its target customers. Garrison et al. (2015) pointed out that there are three types of corporate strategies, including customer-friendly strategies, operational excellence strategies, and product leadership strategies. For companies that choose a customer-friendly strategy, they want to send a message to their target customers that they understand and respond to customer needs better than their competitors. For companies that opt for a strategy of operational excellence, it means they deliver products faster, more

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conveniently, and at a lower cost than their competitors. For companies pursuing a product leadership strategy, they are telling their customers that their product is a superior quality product compared to the competition.

According to Simmonds (1981), strategic management accounting is a tool to align accounting with strategy by emphasizing the external aspect, focusing on competitor information. Bromwich and Bhimani (1994) argue that strategic management accounting provides and analyzes financial information about a firm's product market, competitor costs, cost structure, monitor the strategies of the business and its competitors in the market in several stages. Roslender and Hart (2003) have defined strategic management accounting as a general accounting approach to strategic positionin, trying to integrate content from management accounting and marketing management within the framework of strategic management.

Strategic management accounting is researched and developed continuously, due to the need for information for the purpose of implementing the enterprise's strategy. Strategic management accounting helps to convey and orient information to support managers to perform effective strategic management functions, make timely and accurate decisions. Strategic management accounting provides clear information for each object that managers need to plan, short-term or long-term planning. In addition, management accounting information will be oriented according to the needs of managers to compare and evaluate for effective control and review.

Initially, strategic management accounting techniques appeared and applied individually as an immediate solution, supporting managers. For example, technical groups related to costs and competitors (Bromwich, 1981; Guilding et al., 2000) and when Roslender & Hart (2003) extended the link between management accounting and further management marketing to enhance the marketing aspect of the strategic management accounting concept. Guliding et al. (2000) identified 12 management accounting techniques to ensure: Environmental or marketing orientation, focus on competitors and long-term orientation towards the future. The number of these sets was further increased when Cinquini & Tecnucci (2007) studied and applied 14 techniques. Cadez & Guilding (2008) increased this number to 16 techniques divided into 5 different groups in the study of more than 500 large-scale enterprises of various sectors in Slovenia. Another aspect is also concerned when the growth rate of production scale of companies has caused environmental pollution, requiring companies to be responsible for environmental protection. At that time, environmental information also needs to be managed and become part of a company's long-term strategy (Smith et al., 1997; Tanc, 2015). Therefore, environmental management accounting was born as an additional piece for the set of strategic management accounting techniques. Since then, some researchers are talking about increasing the number of strategic management accounting techniques to 18 techniques, divided into six groups: costing, planning, control and performance measurement, strategic decision making, competitor accounting, customer accounting, and environmental management accounting.

3. RESEARCH METHOD

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

Qualitative research aims to learn about assessing the importance of strategic management accounting for managers. Qualitative research is used through in-depth interview technique. The interviewees were 10 directors and deputy directors at enterprises in Hanoi.

Quantitative research aims to assess the level of application of various types of strategies in enterprises and examine the relationship between the type of strategy the company is implementing and strategic management accounting techniques. Quantitative research was carried out through the following three 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 140, sent to 140 enterprises, and the number of votes collected was 125 from 125 enterprises. All receipts met the required information requirements. The characteristics of the survey sample are shown in Table 1. Most of the surveyed companies are joint stock companies, with fewer than 200 employees, and less than 20 billion VND in business capital.

Step 3: We analyzed the data on SPSS 22 software with the following tools: Frequency statistics, mean statistics and Chi-squared tests.

Hypotheses are developed to assume the relationship between the independent variable (strategic type) and the dependent variable (strategic management accounting technique):

H0: There is an independent relationship between the strategy and the use of strategic management accounting techniques

H1: There is a relationship between strategy and the use of strategic management accounting techniques

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Table 1. Characteristics of surveyed enterprises

Characteristics		N = 125	Percentage (%)
Type	Joint Stock Company	82	66%
	Limited liability company	43	34%
Number of employees	< 10 persons	16	13%
	10- 200 persons	70	56%
	200-300 persons	23	18%
	> 300 persons	16	13%
Capital	< 20 billion VND	95	76%
	20 – 100 billion VND	21	17%
	> 100 billion VND	9	7%

4. RESULTS

Recognizing the importance of strategic management accounting in enterprises in Hanoi

The results of the interviews with the subjects showed that: All the interviewees said that strategic management accounting is an important management tool. All interviewed enterprises are applying strategic management accounting techniques to provide information to managers. However, many interviewees do not understand all the techniques of strategic management accounting. In 10 interviews, the main ideas were summarized as follows:

"In my opinion, strategic management accounting is very important in providing information to managers. My company uses a number of strategic management accounting techniques such as target costing, competitor cost assessment, and I find this information essential to me." (Director, interview)

"I think using strategic management accounting techniques is necessary in businesses, especially businesses operating in a highly competitive environment. The information provided by strategic management accounting is important information for managers to help business managers monitor business strategies." (Director, interview)

"Strategic management accounting information helps me determine the strategy and strategic position of the business because the related techniques have considered external factors such as the competitive environment. At the same time, I can identify risks so that I can have a mitigation plan or an action plan during the implementation of the strategy" (Director, interview)

"I find strategic management accounting information very important. I use strategic management accounting information to help me make decisions on a daily basis. However, some of the strategic management accounting techniques that you mentioned, I have no knowledge of, such as assessing customers as assets or life cycle costs or attribute costs" (Director, interview)

Assess the level of use of various types of strategies in the enterprise

The author surveys the strategies businesses are implementing in the current period. All three types of strategies are being produced in Hanoi, but to varying degrees. The customer-friendly strategy is the strategy chosen by many businesses. The strategy of leading in quality is the strategy chosen by few businesses. This data is shown in Table 2.

Table 2. Corporate strategy

	Frequency	Percent	Valid Percent	Cumulative Percent
Operational excellence strategy	39	31.2	31.2	31.2
Customer-friendly strategy	60	48.0	48.0	79.2
Strategy to lead in quality	26	20.8	20.8	100.0
Total	125	100.0	100.0	

A comparison of SMA techniques used by the companies on the three strategy types: Results of Chi Square test analysis

The relationship between types of strategies (Operational excellence strategy, Customer-friendly strategy, Strategy to lead in quality) and the use of 5 groups of strategic management accounting techniques (Strategic costing; Strategic planning, control and performance measurement; Strategic decision making; Accounting Competitor Accounting; Customer Accounting) is considered through the chi-square test.

In the relationship between strategy types and cost engineering groups, the value of Chi-Square = 20,171 and Sig. = 0.000. This shows that the difference in the types of strategies and the level of use of cost techniques in strategic management accounting is significant with 99% confidence.

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In the relationship between types of strategy and Strategic planning, control and performance measurement, the value of Chi-Square = 1.814 and Sig. = .404. This shows that there is no difference in the types of strategies and the level of use of Strategic planning, control and performance measurement.

T In the relationship between strategy types and Strategic decision making, the value of Chi-Square = 16,555 and Sig. = 0.000. This shows that the difference in the types of strategies and the level of using Strategic decision making in strategic management accounting is significant with 99% confidence.

In the relationship between Strategy Types and Accounting Competitor Accounting, the value of Chi-Square = 8.112 and Sig. = .017 less than 0.05. This shows that the difference in the types of strategies and the level of using Accounting Competitor Accounting in strategic management accounting is significant with 98% confidence.

In the relationship between Strategy Types and Customer Accounting, the value of Chi-Square = 28,871 and Sig. = 0.000. This shows that the difference in the types of strategies and the level of using Customer Accounting in strategic management accounting is significant with 99% confidence.

Table 3. A comparison of SMA techniques used by the companies on the three strategy types: Results of Chi Square test analysis

SMA techniques	Strategy types**			χ ² statistic	p value
	Operational excellence strategy	Customer-friendly strategy	Strategy to lead in quality		
Strategic costing	100.0%	61.7%	80.8%	20.171	.000
Strategic planning, control and performance measurement	66.7%	53.3%	61.5%	1.814	.404
Strategic decision making	25.6%	45.0%	76.9%	16.555	.000
Accounting Competitor Accounting	33.3%	50.0%	69.2%	8.112	.017
Customer Accounting	43.6%	91.7%	53.8%	28.871	.000

5. CONCLUSION

Qualitative research results have shown that all surveyed subjects are aware of the importance of strategic management accounting information. However, companies have not used all 15 strategic management accounting techniques. Many strategic techniques have not been explored by managers. The survey results support the hypothesis that there is a relationship between the types of strategies and the use of strategic management accounting techniques (except for the group of Strategic planning, control and performance measurement). For companies pursuing a strategy of operational excellence, that is, they deliver products faster, more conveniently, and at lower costs than their competitors. As a result, these companies used strategic management accounting techniques for costs. This result is consistent with the theoretical literature. With businesses pursuing a customer-friendly strategy, they understand the needs of their customers and always try to serve them the best. According to the research results, these companies used management accounting techniques on customers the most. This is quite reasonable in theory. For companies pursuing a strategy of quality leadership, managers are using almost comprehensively strategic management accounting techniques.

Strategic management accounting provides managers with a framework of technical groups that help businesses plan, control, and evaluate performance. Many businesses around the world operating in different fields have successfully applied strategic management accounting. The research results show that there is a relationship between corporate strategy and strategic management accounting techniques. Therefore, businesses in Hanoi need to apply strategic management accounting techniques in a highly competitive environment. There are many strategic management accounting techniques that are new knowledge for business administrators and accountants. Each enterprise should learn and participate in training courses to foster knowledge about management accounting in general and strategic management accounting in particular to improve the ability to provide useful and effective information.

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