

Successful Managerial Accounting Practices, the Antecedents and Consequences: Empirical Evidence from SMEs Ceramics

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ABSTRACT: The objectives of this research were to study managerial accounting practices of SMEs ceramics, to examined the influence of top management support and accountant competency on successful managerial accounting practices, and to tested the influence of successful managerial accounting practices on decision making effectiveness. The data were collected from 107 accounting managers of SMEs ceramics. The data analysis is conducted with descriptive statistics to find percentage, mean, standard deviation, and inferential statistics analysis with structural equation model. The results showed that SMEs ceramics adaptation 3 highest managerial accounting practices for instance; cost volume profit analysis, cost behavior analysis, cash budget, budget for planning and operation control. The outcome of casual relationship analysis revealed that successful managerial accounting practices had the most direct effect toward decision making effectiveness and followed by top management support had direct effect toward accounting competency. Lastly, top management support had direct and indirect effect on successful managerial accounting practices through accountant competency. The results implied that manager should focus on building accountant competency in order to create successful managerial accounting practice and to get the valuable information for right decision making.

KEYWORDS: Managerial Accounting Practices, Decision Making Effectiveness, Top Management Support, Accountant Competency

1. Introduction

The global economic recession in the worldwide such as a sub-prime crisis in the US or a high public debt in European countries impact on business operations especially the industry emphasize on export for example; ceramics, textiles, and computers. Ceramic industry is the main industry of Lampang province and it is the mascot. At present, ceramic goods from Lampang are sold to the world. There are 249 factories or one third of the ceramic factories in Thailand. However, the ceramic sales are likely to decline because the market is fierce competition with imported goods from China and Vietnam.

The ceramic industry began to have problems operating on a continuous basis. Some businesses have to apply for loans from financial institutions to support their financial status and to repay short-term debt or some cannot adjust their business. Therefore, the ceramic business is going down a lot as the impact of the crisis as mentioned above. In addition, to affect the purchasing power of customers, the issue of operating expenses is likely to increase continuously. Specifically, energy costs are likely to be adjusted including the government's policy is to release LPG, which is the main cost of the ceramic industry. The minimum wage is 300 baht, which directly affects the ceramic industry because ceramic factories require high proportion of workers. Consequently, increasing cost burdens for entrepreneurs. From the situation the ceramic industry must find a way to develop its internal work processes and consider the external environment. Internal workflow development has one purpose that is to obtain useful information for decision making. This affects the management and good performance. Research in the past said that management accounting practices are a part of the information system of the business. This will help the organization get information about costs, expenses, revenues and profits as the purpose of the management. In addition, management accounting practices are one of the factors contributing to organizational performance (Cleary 2015; Shoosmuangpak 2011). This is because when the business has got useful information for the decision. It reduces mistakes in decision-making on various operational issues.

Decision Making is the primary function of a business process. Besides, it is the responsibility of the management to do it together and with other responsibilities by right decision. Choosing the best option from many choices to achieve goals and objectives of the organization's goal, management must make decisions on issues and many management problems, including regular decisions, such as the amount of product produced each day, etc., or decisions that are not normal. This is not a frequent occurrence, such as the release of new products, canceling a production

line, etc. One important factor that will help reduce decision errors is obtaining quality information to support decision-making. That is, the information must be relevant to the decisions that are timely and understandable (Garrison, Noreen and Brewer 2010). Therefore, management should focus on the information that will be used to make decisions, especially accounting data or accounting information. Management accounting is important because it collects information from the inside of a business, which is an essential and indispensable element in making decisions in situations that are frequent and situations are not frequent. However, the ways to achieve success in management accounting or factual factors that affect the application of technology, and management accounting practices. In the context of the ceramic industry, no studies have been conducted before. Combined with small and medium businesses, ceramics need to invest in machinery, equipment, and technology, rather than incorporating local wisdom into the production of Lampang ceramics. Accordingly, it is interesting to study internal components include: How does management accountability and accountant competency influence the success of the accounting practice? As well as how does the information provided by the management accounting system affect the decision making?

Ceramic small and medium sized enterprises can use the research results to make decisions on the application of accounting management practices. It is also used as a basis for successful managerial accounting practices to obtain quality information for decision making

Research Objectives

1. To study the accounting management practices of ceramic small and medium businesses.
2. To test the influence of top management support and accountant competency on successful managerial
3. To examine the influence of successful managerial accounting practices on the decision-making effectiveness.

2. Literature Review

2.1 Top Management Support

Usually, management support is a relatively educational concept. Most of them will study the concept of Organizational Support which is another process that motivates

employees to work willingly to achieve their objectives. Organizational support is what supports that make the organization reach its goals. If employees receive Organizational support as they want they will be loyal, which will be expressed in both psychological and behavioral, ready to sacrifice to dedicate their body and mind to the work and the organization they are responsible for, without coercion, and to give employees the feeling of belonging to stay with the organization. In this research applied the Organizational Support Theory (Eisenberger et. al. 1986) says that the organization's support is of three dimensions: fairness, supervisor support, and organizational reward and favorable job condition. The support from the supervisor is one dimension. Therefore, the support of the management, which means to promote and motivate employees to work, is a morale boost, good understanding, reduce conflict, and emphasize on developing and improving the quality of accounting data (Rhoades and Eisenberger 2002). Therefore, in the organization that the management supports accounting the accountants and related agencies work willingly, the ability to perform effectively and efficiently, as well as to achieve success in the management accounting system.

Hypothesis 1 Management support has a positive influence on the accountant competency.

Hypothesis 2: Management support has a positive influence on the successful managerial accounting practices.

2.2 Accountant Competency

Accountant Competency refers to the ability to perform tasks assigned to success. Competency is assessed by the efficiency and effectiveness of the task. Accountant competency will complete the task of accountability. The quality of the accountant's ability in this research includes the use of information technology, planning, coordination, evaluation, collaborative work, other human relationship in professional ethics, knowledge of accounting skills, communication skills (Abbasi 2013). If the accountant has the competency, he can help to contribute to the successful management accounting system due to the technique and practice of accounting management must use accounting professional, such as accounting knowledge, package, and calculation skills as well as other skills, such as thinking system, thinking reasonably. He can find solutions to work problems.

Hypothesis 3 Accountant competency has a positive influence on the successful managerial accounting practices.

2.3 Management Accounting Practices

Managerial Accounting is the accounting information for presentation. It is useful for users of information within a business to make decisions, planning, directing, and control so that limited resources are used for maximum efficiency, accuracy, and appropriateness by processing data as information to support operational activities and working in the organization to achieve the goal and appointed objectives. Management accounting practice refers to the application of management accounting techniques to the organization's achievement of objectives by focusing on efficiency and effectiveness of planning, directing, controlling, and decision making (Dean and Bowen 1994). These techniques and practices can be classified into 19 techniques consisting of (1) Customer Satisfaction (2) Standard Cost (3) Differential analysis (4) Budget planning and control (5) Flexible budget (6) Cash budget (7) Breakeven analysis (8) Variable and constant cost classification (9) Analysis of the investment budget (10) Financial Ratio Analysis (11) Cash Flow Analysis (12) Return on Investment (13) Transfer Pricing (14) Base Costing (15) Management Activity (16) Balanced Score making (17) Targeted Costs (18) Leading Organizations to Best Practice and (19) Economic Value Added.

So when an organization applies a management accounting technique, it provides useful information on planning, control and evaluation. The management decided correctly and it is good for the organization.

Hypothesis 4 Successful managerial accounting practices has a positive influence on the decision-making effectiveness.

3. Research Methodology

Sample population in this research was the accounting executives of ceramic small and medium businesses in Lampung province according to the list of 249 factories from Pottery Association. The returned questionnaires were total 107.

Research tools in this research were based on the study of textbooks, documents, and related research papers to create a closed-ended questionnaire consisting of 5 parts. The first part was a questionnaire about basic information of the sample. The second part was an introduction to establishment information. The third part was about management accounting practices, it is the choice of answer used or not used. The fourth part was questions about the top management support, accountant competency,

successful managerial accounting practices, and the decision-making effectiveness. It is estimated at 5 levels. The last part was other comments.

Data collection, the researcher collected data from questionnaires by submitting mail and some were self-collected. Time to collect data was for 3 months.

The data analysis has 2 parts. Part 1 is the analysis of the characteristics of the sample using descriptive statistics, frequency, percentage, and part 2, the analysis is based on the Structural Equation Model (SEM) to reduce errors that may be caused by multiple regression analysis and to enhance the accuracy of the analysis

4. The Results of Study

4.1 Characteristics of Respondents

Most of the accounting manager were female 75 (70.1%), age more than 40 was 67 (62.6%), marital status 74 (69.2%), education level was bachelor degree or equal (72%), working experience more than 15 years was 67 (62.6%). Monthly salary was from 30,001 - 45,000 baht. Current job was 46 account managers (43%)

4.2 Features of the sample

Ceramic Small and Medium Business was partnership for 43 firms (40.0%). Capital in operation was over 5,000,000 baht for 51 companies (47.70%). The current employees were more than 90 for 52 companies (48.6%). The average annual income was more than 50 million baht for 52 companies (48.6%).

4.3 Management Accounting Practices for Ceramic SMEs

Table 1 Techniques and Practices in Management Accounting for Ceramic SMEs

Techniques and Management Accounting Practices	Use	Not use	Total	Order
1. Customer satisfaction evaluation	68 (63.6)	39 (36.4)	107 (100)	5
2. Standard costing	67 (81.3)	40 (18.7)	107 (100)	6
3. Variance analysis	67 (62.6)	40 (37.4)	107 (100)	6
4. Budgeting for planning and control of operation	77 (72.0)	30 (28.0)	107 (100)	3

5. Flexible budgeting	68 (63.6)	39 (36.4)	107 (100)	5
6. Cash budgeting	86 (80.4)	21 (19.6)	107 (100)	2
7. Cost –Volume-Profit analysis	87 (80.4)	20 (19.6)	107 (100)	1
8. Fixed/Variable cost analysis	86 (80.4)	21 (19.6)	107 (100)	2
9. Capital Budgeting	74 (69.2)	33 (30.8)	107 (100)	4
10. Ratio analysis	64 (59.8)	43 (40.2)	107 (100)	7
11. Cash flow analysis	52 (75.7)	55 (24.3)	107 (100)	9
12. Return on investment	63 (58.9)	44 (41.1)	107 (100)	8
13. Transfer pricing	33 (30.8)	74 (69.2)	107 (100)	12
14. Activities based costing	52 (48.6)	55 (51.4)	107 (100)	9
15. (Activities based management	52 (48.6)	55 (51.4)	107 (100)	9
16. Balance scorecard	33 (30.8)	74 (69.2)	107 (100)	12
17. Target costing	48 (44.9)	59 (55.1)	107 (100)	10
18. Benchmarking	67 (62.6)	40 (37.4)	107 (100)	6
19. Economic value added	34 (31.8)	73 (68.2)	107 (100)	11

Table 1 shows that most of the small and medium sized ceramic businesses use the three most advanced accounting techniques and practices including Analysis of breakeven point (80.4%), variable and constant cost classification and cash budget (80.4%), and budget for planning and control (72%). Thai businesses still use traditional accounting techniques such as budgeting for planning and control, control the break-even point, the cash budget, full cost calculation, investment analysis, and standard cost. This is due to the fact that the company is aware of the benefits such as

the use of data from the standard cost of inventory valuation. Cost estimation done quickly while accounting techniques and practices were modern and complex such as cost of activity base. There are also quite few applications. This may be the reason for the complexity of the production process and the number of products was not so few. So small and medium enterprises do not use modern management accounting techniques, and another reason may come from the level of accountant knowledge. Based on preliminary data, most account managers still graduate in undergraduate studies. Therefore, there may be restrictions on the application of modern management accounting concepts and techniques.

4.4 Results of Hypothesis Test with Structural Equation

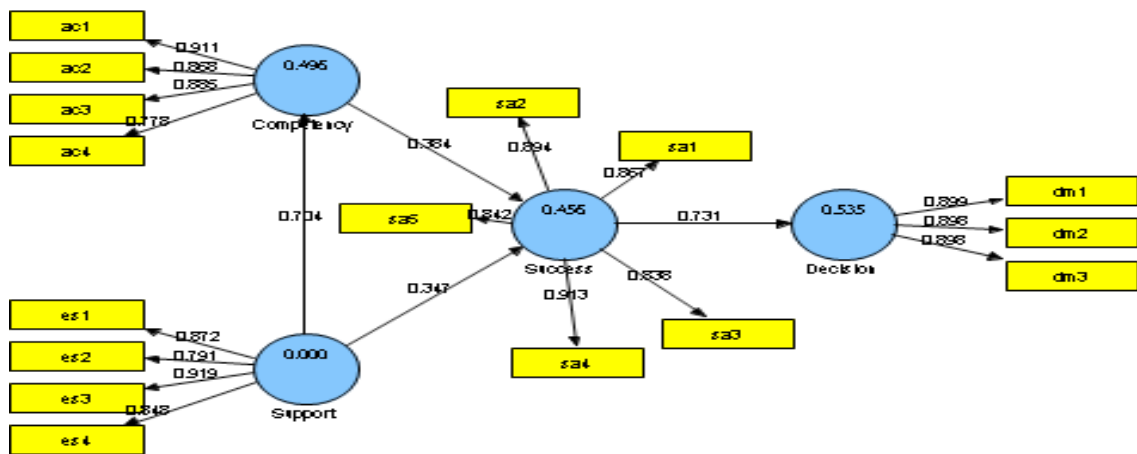


Figure 1 Structural Equation Model

Figure 1 shows the results of the structural equations analysis. It was found that the successful managerial accounting practices has the direct influence on the decision-making effectiveness the most with a linear coefficient 0.731 and R2 = 0.535, followed by top management support, which directly influenced the accountant’s ability. The coefficient of the path was 0.704 and R2 was 0.495. Success in management accounting practices has a path coefficient of 0.384; top management support has a direct influence on the successful managerial accounting practices. The path coefficient was 0.347.

Accountants' competency and top manager support joint forecast successful managerial accounting practices was 0.456. Top management support indirectly influenced successful managerial accounting practices through the accountant competency with the path coefficient was 0.270.

Table 2 shows the analysis results of direct effect indirect effect, and total effect

Dependent Variable	R ²	Effects	Antecedent		
			Sup.	Com.	Sus.
Com.	0.495	DE	0.704	N/A	N/A
		IE	0.000	N/A	N/A
		TE	0.704	N/A	N/A
Sus.	0.456	DE	0.347	0.384	N/A
		IE	0.270	0.000	N/A
		TE	0.617	0.384	N/A
Dec.	0.535	DE	0.000	0.000	0.731
		IE	0.452	0.281	0.000
		TE	0.452	0.281	0.731

Note. TE = Total Effect, DE = Direct Effect, IE = Indirect Effect, N/A = Non Applicable, Sup. = Top management support, Com. = Accountant competency, Sus. = Successful managerial accounting practices, Dec = Decision-making effectiveness

From Table 2, the factors affecting the variables were found to have direct, indirect and total influence on the variables as follows.

1. Top management support had direct influence and total influence on the accountant competency of 0.704, had total influence on successful managerial accounting practices was 0.617, divided into direct effects of 0.347 and indirect influence. The accounting variables were 0.270 and indirectly affected. The effectiveness of decision making was 0.452 through variables of accountant competency and successful managerial accounting practices
2. Accountant competency influenced directly to the success in management accounting practices was 0.384 and indirectly affected decision-making effectiveness through successful managerial accounting practices was 0.281.
3. Successful managerial accounting practices had direct effect on decision-making effectiveness was 0.731.

Based on hypothesis testing, top management support, accountant competency, successful managerial accounting practices towards the effectiveness of ceramic small and medium enterprises. The results of the tests are as follows.

Table 3 Results of Hypothesis Testing

Research hypothesis	Coef.	t-stat	Conclude
H1: Top management support has a positive influence on the accountant competency	0.704*	12.52	accept
H2: Top management support has a positive influence on the successful managerial accounting practices.	0.347*	2.95	accept
H3: Accountant competency has a positive influence on the successful managerial accounting practices	0.384*	2.90	accept
H4: Successful managerial accounting practices has a positive influence on effectiveness. of decision making	0.731*	14.74	accept

Note: * signifies statistically significant at the 0.01 level.

From Table 3, it was found that the top management support and accountant competency had a direct influence on the successful managerial accounting practices significantly at the level of 0.01. Besides, the top management support directly influenced the capacity building of accountants significantly at the level of 0.01. In addition, the successful managerial accounting practices directly influenced the decision-making effectiveness statistically significant at the level of 0.01.

5. Conclusions

Top management support has direct and indirect influence to the accountant competency and successful managerial accounting practices. Administrator plays an important role in the operation of all activities; specifically, policy formulation, monitoring, and control. Management support can be considered from materials and equipment, accounting software package, providing budget for training and development to maximize the accountant competency and other necessary things to drive accounting management techniques to achieve their goals. In addition, the focus on data and information obtained from management accounting practices. This will directly affect the involved people, such as accountants, to realize the importance of the job. Especially with the context of Thai society that has a high power distant. If management encourages the use of management accounting techniques, it will increase the level of success of the application in accordance with the research of Sunarni (2013) states that manager who provides time and resources with budget management and cost management will result in successful management accounting practices.

The accountant competency has a direct influence on the successful managerial accounting practices. Accountants must have the skills needed to perform many tasks, such as computational skill, report presentation, communication skills, and ability to think including skills in applying accounting technology in addition to the management accounting practices must have good knowledge of accounting, skills in presenting information to the management for decision making. Therefore, if the accountant has the competency it will influence the successful managerial accounting practices used by the entity. According to research by Ahid and Augustin (2012), mentioned that management accountants with knowledge of accounting skills, communication skills, Code of Conduct, and unique characteristics, such as the sort of work to be done clearly, solve problems in the work well affect the effectiveness of the work. However, the accountant competency will affect the effectiveness of work better if the accountant in the organization is satisfied with the work, the environment and technology that are conducive to the operation.

Successful managerial accounting practices has a direct influence on the decision-making effectiveness. Information obtained from the management accounting system is a useful and relevant to decision making. The characteristics of management accounting information include: Relevance to decision making, timely, and understandable. Therefore, when a business adopts management accounting techniques such as breakeven points, it will let the business know the number of sales units that will allow the business to break even or use a cash budget. It will make the business know the cash deficit or cash out of need in any month in order to plan and decide on a loan or invest more. It is according to the research of Wu et al. (2007) studied the perceived benefits of management accounting techniques, and found that executives perceive the benefits of information gained from the management accounts to use in planning, controlling, and decision-making at a high level. Then in addition, it is in the same vein with the research of Tillmann and Goddard (2008) argues that the information obtained from the management accounting practice is useful for sense-making of the administrators. In summary, the management accounting practices allow the management to get accurate information and timely so that management can make the right decisions, reduce errors, and generate good returns for the organization in both the short and long term. This research is beneficial to ceramic small and medium sized enterprises in the application of techniques and management accounting practices that management should prioritize as well as direct support and indirectly through the development of accountant competency to have knowledge to be able to apply advanced techniques.

However, the results showed that techniques and management accounting practices used by small and medium enterprises is still a traditional technique that emphasizes

control, modern techniques such as cost based activities and management activity are not used to create useful information for future decisions. Therefore, educational institutes or related organizations should educate about the appropriate techniques and management accounting practices for each type of business including there is also a training workshop for accountants to apply.

The results of the research are interesting issues that can be used as a guideline for future research. Top management support has direct and indirect influence on the successful managerial accounting practices. Therefore, future research should be studied the level of influence at each stage of management accounting practices. What role should management play? The accountant competency in this research is the overall skill and potential of the accountant. The future research should study about the competencies of management accountants directly in order to benefit the educational agencies in the production of personnel to meet the needs. Besides, this research uses the techniques and management accounting practices as a whole. Future research should focus only on techniques such as cost based activity, equilibrium assessment for more insights and from the research results; the level of application of modern techniques is minimal. Future research should identify why businesses do not apply modern administrative accounting techniques. This is the information for the relevant agencies.

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