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Performance Outcomes of Strategic Management Accounting Information Usage in Malaysia: Insights from Electrical and Electronics Companies

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Abstract

The current research explored the current progress of strategic management accounting (SMA) information usage within electrical and electronics (E&E) companies operating in Malaysia. It was motivated by the scarcity of empirical attention given to the subject despite the claimed importance placed by SMA advocates. The current research sought to substantiate its propositions through two (2) research objectives. The first objective was to investigate the extent of SMA information usage amongst E&E companies and the second was to explore the outcomes of SMA information usage. Survey method was employed for the data collection purposes. Ninety-seven (97) usable questionnaires were received out of the 595 mailed questionnaires. The result suggested that E&E companies used SMA information to high extent. The result indicated that companies' extent of SMA information usage found to be significantly related to certain aspects of companies' performance. The current research has revealed some notable development with regards to SMA. The current result implies that, in Malaysia, SMA has made its progress quite extensively that failed to be reported empirically by fellow researchers. Nonetheless, more work needs to be carried out to set forth the important elements of SMA.

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1. Introduction

The need for Strategic Management Accounting (SMA) information had been set forth in the early 80's (Simmonds, 1981). Interestingly surprising, it has not received much publicity among academia. Empirical researches were sparse. Literature search reveals that the apparent gaps seem to be attributed to its various conceptualisations resulted from some disjointed efforts on the development (e.g. looking at individual techniques such as target costing, life-cycle costing, attribute costing, etc.) and too broad a concept entails by the subject (e.g. interface with marketing, operations, strategic management). To date, researches had been exploratory in nature, attempting to frame the elements of SMA (Guilding, 1999; Guilding & McManus, 2002; Guilding et al., 2000; Rickwood, Coates, & Stacey, 1990), of which had been confined to the strategic nature of the information. This is in line with how SMA has been conceptualised by its advocates as management accounting information that portrays externality (Simmonds, 1981; Bromwich, 1990), marketing focused (Roslender & Hart, 2002; 2003; Wilson, 1991) and future oriented (Wilson, 1991) which was pertinent for monitoring strategy implementation.

Notwithstanding on SMA's various perspectives, this paper attempts to contribute from the structural perspectives. In general, this paper attempts to further enrich the current knowledge on information element that portrays as SMA. Specifically, this paper further develops SMA conceptualisation from strategic information requirement in quest for organisation's sustainable competitiveness. Moreover, inherited by the scant researches available, limited is known about the antecedents and outcomes of SMA information usage. It is an important insight where it can further legitimise the development (SMA) as an important remedial to traditional management accounting system in aiding organisation's long-term survival should the outcome turns out to be positive – i.e. contributing to companies' performance.

Thus, motivated by the aforementioned background, this paper attempts to answer its two main objectives. Firstly, it investigates the level of SMA information usage amongst Electrical and Electronics (E&E) companies operating in Malaysia and secondly, it attempts to explore the performance outcomes of SMA information usage.

The remaining section of the paper will be organised as follows. The immediate section presents the literature review relating to the development of SMA and its performance outcome. It followed by the methodological aspects of the paper. In the final section the results and findings are presented followed by discussion and conclusion.

2. Literature Review

2.1. *Strategic Management Accounting Information Elements*

The earliest writing on SMA was published by Simmonds in 1981 in a professional management accounting magazine. He conceptualised SMA as the provision and analysis of management accounting data about a business and its competitors used for developing and monitoring business strategy (Simmonds, 1981, p. 26). He explicitly highlighted the potential of management accounting in aiding organisation to sustain their competitiveness. Implicitly he argued on the need for management accounting to provide financial information that portrays organisation's competitive position. He criticised the internal cost-volume-profit (CVP) as being inadequate for strategic purpose and calls for externally focused management accounting that can aid managers in formulating and monitoring their organisation's strategy. Moreover, he emphasises on the importance of learning about competitor information in dealing with organisation's strategic pursuit. Bromwich (1990, p.28) in turn, extends the conceptualisation as the provision and analysis of financial information on the organisation's product markets and competitors' costs and cost structures and the monitoring of the organisation's strategies and those of its competitors in the market over a number of periods.

On the other hand, there were also calls for management accounting to be interfaced with strategic marketing and as a result SMA is portrayed as accounting for achieving competitive advantage – thus, organisation's management accounting system (MAS) should provide information that enable organisation to track the progress of chosen marketing strategy (Roslender & Hart, 2002; 2003; Ward, 1992). Another perspective that could be part of SMA development is calls for close link of organisation's control attributes and its strategic priorities (Simons, 1987; 1990; Govindarajan, 1988). This development is viewed as strategic because of the existence of element of strategy

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