

Application of Strategic Management Accounting Techniques in Feed Manufacturing Enterprises in Hanoi



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ABSTRACT: Strategic management accounting (SMA) 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 applied strategic management accounting. Vietnamese enterprises in general and animal feed manufacturers in Hanoi in particular need to apply SMA techniques in a highly competitive environment. However, due to many reasons, the use of SMA in animal feed enterprises in Hanoi is still low. This greatly affects the performance of businesses. In order to improve management efficiency and help businesses stand firm in a competitive economy, managers need to be equipped with modern management knowledge with the support of accounting information system management in general, and SMA in particular to provide appropriate and timely information to serve decision-making administrators.

KEYWORDS: Strategic management accounting, strategic management accounting techniques, feed manufacturing enterprises.

1. INTRODUCTION

Management accounting in general and SMA in particular have a key role in providing information and governing the production and business activities of enterprises. This is an important basis for managers to make short-term and long-term decisions to ensure sustainable development in the market economy. In Vietnam, up until now, the accounting system has undergone many important changes, mainly focused on financial accounting. Management accounting has been taught in universities in Vietnam for more than 20 years, but management accounting has not been given due attention. In order to improve management efficiency and help businesses stand firm in a competitive economy, managers need to be equipped with modern management knowledge with the support of accounting information system management in general and SMA in particular to provide appropriate and timely information to serve decision-making administrators.

With the desire to study the current situation of applying SMA technique in animal feed production enterprises in Hanoi, on the basis of analyzing the situation, the authors make recommendations to promote and increase the use of SMA in animal feed production enterprises in Hanoi.

2. LITERATURE REVIEW

Strategic management accounting

SMA was first introduced by Simmonds in 1981, the basis for which he introduced this concept comes from Porter's Strategic Framework (1980), which provides and analyzes management accounting data of enterprises and competitors, helping businesses develop and monitor business strategies.

Strategic management accounting techniques

(1) Strategic Costing

Attribute costing: Attribute costs (Guilding et al., 2000) include satisfaction, reliability, warranty coverage, level of completion, as well as after-sales service and product attribute combinations with consumer tastes.

Life-cycle costing: Benefits of product life-cycle costing include improved evaluation of alternatives, increased management awareness of decision outcomes, improved forecasting, and improved understanding about the trade-off between an asset's performance and its cost while being data-free and time-consuming. This technique is widely used by companies in Europe to assess the cost of an asset over its life cycle (Tabitha, 2016).

Quality costing: Guilding et al. (2000) suggested that product or service quality can be a competitive advantage. Therefore, product quality becomes a prerequisite to competing in the market.

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Target costing: Target costing is a set of management tools and methods that enable cost and performance goals to be achieved at the design and planning stages of a new product. The method also allows for a basis of control at the production stage and ensures these products reach their defined profit targets in line with the product life cycle.

Value chain costing: a value chain approach with a cost advantage after identifying the main activities and supporting activities, businesses should determine the cost of each activity. For labor-intensive activities, costs can include hours worked, wages, speed of work, etc. Businesses should determine the link between activities, if costs decrease in one activity, they can be reduced in other activities. Businesses can then identify opportunities to reduce costs.

(2) Strategic planning, control and performance measurement

Benchmarking: Chenhall and Langfield-Smith (1998) suggested that benchmarking is more beneficial in high-performing firms with product differentiation strategies. It is a technique with an externally descriptive focus that aims to improve the performance of a business by comparing factors such as productivity, competitiveness, cost methods, and best alternative quality with competing businesses.

Integrated Performance measurement: This technique not only looks at organizational performance internally, but multiple investors and shareholders can track the organization's results. Managers can monitor four aspects of the organization: financial, customer, internal business, and growth learning.

(3) Strategic decision making

Strategic Cost management: John Shank (2007) argued that strategic management cost is the explicit use of cost information in the stages of strategic management, including strategy formulation, strategy communication across the organization, developing and implementing tactics to execute strategies, and developing implementation controls to monitor the success of objectives.

Strategic Pricing: The pricing strategy proposed by Simmonds (1982) is a pricing strategy that focuses on a strategic definition of price, taking into account the actions and reactions of competitors, price elasticity, the growth of the forecast market, and the economies of scale and experience in the valuation process.

Brand valuation: Brand valuation is part of brand management accounting and is an important development in SMA. In fact, brand valuation is a technique that can only be used by companies with branded products and services. When the management accounting perspective deals with brand valuation, it becomes a measure of marketing performance in companies with strong brands.

(4) Competitor Accounting

Competitor cost assessment: According to Simmonds (1987), a competitor's cost assessment focuses on the competitor's structure, includes regularly updated forecasts of competitors' costs per item offered; Develop a systematic approach to competitor cost assessment that, in addition to assessing competitors' production facilities, takes into account economies of scale, product technology design, and relations with the state.

Competitor position monitoring: Monitoring competitor position, as mentioned by Simmonds (1987), represents a more holistic approach to competitor assessment. It extends the analysis to assess the sales, market share, volume, unit cost, and sales of key competitors. Simmonds (1987) found the breadth of these accounting techniques to provide more detailed information about competitors than would result from an assessment based solely on market share.

Competitor performance appraisal: Evaluation of competitors based on published financial statements involves the analysis of published information as part of an assessment of a competitor's competitive advantages (Guilding et al., 2000). This is considered a good source of information to evaluate competitor performance based on published financial statements, including tracking sales trends, profit levels, assets, and variables related to competitors' actions.

(5) Customer Accounting

Customer profitability analysis: According to Bellis Jones (1989), customer profitability analysis has been introduced as a powerful technique to provide a solution to the problem of measuring customer profitability and can be used as a strategic aid customer-focused strategy. Measure profitability of segments and manage customer relationships based on customer value so that both the customer and the company achieve their goals.

Life customer profitability analysis: Dwyer (1989) defined a customer's lifetime value assessment as the present value of the expected profit (e.g., total profit), reducing costs for the customer. According to Guilding and McManus (2002), customer lifetime value assessment is an advanced development of customer profitability analysis. However, a customer's lifetime value assessment is a fundamental and quantitative measure of the financial results of the relationship a company has with its customers.

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Value of customer as asset: The technique of evaluating customers or customer groups are an asset involved in calculating the value of a customer for a company (Cadez and Guiding, 2008). Thus, classifying customers as assets makes customers' part of the company's value (Gupta and Lehmann, 2003). Defining and creating customer value is considered a prerequisite for a company's long-term survival and success.

3. RESEARCH METHOD

Secondary data, including domestic and foreign research works, is collected through sources at libraries, published publications, online searches, and access to websites. The secondary data used in the scientific paper also includes data related to SMA in enterprises. These data are provided by enterprises or exploited from previous research works such as articles, theses, theses, etc.

Descriptive statistics: Using primary and secondary data to evaluate and systematize data on the status of applying SMA techniques in animal feed production enterprises in Hanoi.

Analysis and synthesis: The collected data on the application of SMA techniques will be analyzed and synthesized so that it can be compared and evaluated at the animal feed production enterprises in Hanoi.

Survey form: The survey form is designed for an online survey and is available on paper. The online survey form is sent via a link in an email. Paper-based vouchers are sent by post. The questions in the survey form apply a 5-level Likert scale: 1- Strongly disagree; 2 - Disagree, 3 - Normal, 4 - Agree, 5- Strongly Agree.

Research sample

According to statistics, by the end of 2022, Hanoi has 34 enterprises producing animal feed. At the end of the survey period of nearly 3 months, from January 2023 to March 2023, out of 34 enterprises that sent survey questionnaires, the research team received responses from 32 enterprises with 31 valid questionnaires.

Size of business capital: There are 19 companies (accounting for 61.3%) with business capital of less than 20 billion VND, 07 companies (accounting for 22.6%) with business capital from 20 to 100 billion VND, and 05 companies (accounting for 16.1% of business capital 16.1%) surveyed with business capital exceeding 100 billion VND.

Regarding the size of the number of employees: There are 21 companies (accounting for 67.7%) with less than 200 employees, 4 companies (accounting for 12.9%) with a number of employees from 200 -300 people, and 6 companies (accounting for 18.4%) with over 300 employees.

According to statistics, if the enterprises are classified as large, medium, and small according to Decree 56/2009/ND-CP, the majority of enterprises operating in the field of animal feed processing have a capital of medium or small.

4. RESULTS

(1) Strategic costing

In the five strategic costing techniques, data at the livestock feed production enterprises in Hanoi were surveyed, showing that all five techniques are used but to different degrees. The most commonly used costing methods are target costing and quality costing, with a mean of 3.87 and 3.81, respectively. Compared with studies on the use of target costs in enterprises, this result is highly appreciated. The attribute costing method is the least used technique. With the remaining two techniques, including life-cycle costing and value chain costing, businesses have learned and started to put them to use to provide information to managers at a low cost. The means are 3.55 and 3.58, respectively.

Table 1. Actual situation of using strategic costing

Cod	Techniques	Mean
SC1	Attribute costing	3.10
SC2	Life-cycle costing	3.55
SC3	Quality costing	3.81
SC4	Target costing	3.87
SC5	Value chain costing	3.58

Source: Data processing by the author's team

(2) Strategic planning, control and performance measurement

In animal feed production enterprises in Hanoi, this technical group has also been put into use. Business managers are aware of the importance of measuring performance in an increasingly competitive environment. According to the survey results, the level of use of the benchmarking technique is lower than that of the performance measurement technique, measuring mean values of 3.45 and 3.52.

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Table 2. Actual situation of using strategic planning, control and performance measurement

Cod	Techniques	Mean
SM1	Benchmarking	3.45
SM2	Integrated Performance measurement	3.52

Source: Data processing by the author's team

(3) Strategic decision making

Strategic decision-making techniques include: Strategic cost management, strategic pricing, and brand valuation. The results show that all three techniques are used sparingly in feed production enterprises in Hanoi city. The brand valuation technique is most interesting with an average value of 3.08; while the other two techniques are less interesting and are not used by most businesses.

Table 3. Actual situation of using strategic decision making

Cod	Techniques	Mean
SD1	Strategic Cost management	2.89
SD2	Strategic Pricing	2.73
SD3	Brand valuation	3.08

Source: Data processing by the author's team

(4) Competitor Accounting

According to the survey results, only the competitor's cost assessment technique is chosen by businesses to apply more, with a mean of 3.39. The remaining 2 techniques have low usage in enterprises, the technique of competitor position monitoring has a mean of 3.00, and the technique of competitor performance appraisal has a mean of 3.16.

Table 4. Actual situation of using competitor Accounting

Cod	Techniques	Mean
CO1	Competitor cost assessment	3.39
CO2	Competitor position monitoring	3.00
CO3	Competitor performance appraisal	3.16

Source: Data processing by the author's team

(5) Customer Accounting

Customer profit analysis is a management accounting technique chosen by many businesses. However, the research results in animal feed production enterprises in Hanoi show that the rate of application of the customer profit analysis technique is not high, only at a mean of 3.10.

The remaining two techniques in the group of customer accounting techniques have occasional results. Specifically, the technique of assessing life customer profitability has a mean of 3.13. The technique of evaluating customers as assets only stops at a mean of 2.65.

Table 5. Actual situation of using customer Accounting

Cod	Techniques	Mean
CU1	Customer profitability analysis	3.10
CU2	Life customer profitability analysis	3.13
CU3	Value of customer as asset	2.65

Source: Data processing by the author's team

5. CONCLUSION

SMA techniques are not only new to animal feed manufacturers in Hanoi, but also to businesses in many countries around the world. In some countries, the level of application of the SMA technique is quite low. As in India, in Joshi's study (2001), the average adoption rate of SMA techniques is less than 30% compared to 50% in Australian enterprises, according to research by Chellhall and Smith (1998).

Strategic costing

According to the survey results, target costing is the cost technique most commonly applied by businesses. Most businesses have adopted this technique for the purpose of cutting costs. Attribute costing technique are of least interest to businesses.

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This proves that the attribute costing technique is less popular among feed producers in Hanoi than the other four techniques.

Strategic planning, control and performance measurement

This is a group of technical tools used to plan, control, and evaluate activities in an enterprise. The results show that the animal feed production enterprises in Hanoi have begun to learn and use this group of techniques. Business managers are aware of the importance of measuring performance in an increasingly competitive environment.

Strategic decision making

The results show that all three techniques are of little interest to feed production enterprises in Hanoi. This shows that the enterprises participating in the survey are mainly small and medium sized enterprises, these are the businesses that are priced according to market prices, and the brand has not been valued by the managers.

Competitor Accounting

All three techniques have not been highly appreciated by managers, or managers at animal feed production enterprises in Hanoi have not approached the implementation method and benefits, leading to their non-use in enterprises.

Customer Accounting

Of the three techniques of the client accounting technical group, the technique of evaluating customers as assets is rarely used. The remaining two techniques, customer profit analysis and life customer profitability analysis, have been studied and put into use by business managers, especially in large-scale manufacturing enterprises.

From the survey results on the actual application of SMA techniques, the author found that the SMA techniques applied in animal feed production enterprises in Hanoi are still low due to the following reasons: Firstly, business managers are not aware of the great role of applying SMA techniques in improving the efficiency of asset use and creating an internal competitive position for enterprises. Enterprises have not been interested in management accounting in general and SMA in particular, have not paid attention to research, and have not learned to apply management accounting techniques to businesses to improve the efficiency of using economic resources as well as business performance. Secondly, the need for information to support the decision-making of managers is the reason why SMA techniques used in feed production enterprises in Hanoi are still limited. Many business managers often use less information provided by accountants to decide how to run their businesses. Executive activities and the decision-making of managers are mainly based on experience. Managers have little understanding of SMA, so they do not know that SMA has a role and effect throughout the decision-making process. This is an important reason why SMA in particular, and management accounting in general, have not been paid attention to and developed in feed production enterprises in Hanoi city. Third, the level of decentralization and assignment of responsibilities by divisional managers in the enterprise is still low. At that time, managers had not yet been able to evaluate performance through performance evaluation criteria, so they did not have the need to use information to plan, control, and evaluate performance. The activities of the business also focus on the overall profit goal of the business. Fourth, the full understanding and proficient use of SMA techniques by accounting staff also affects the status of applying strategic management accounting techniques in enterprises. The limited understanding of SMA techniques leads to the information provided by accountants not meeting the information needs of managers in the decision-making process. Finally, the cost of application is also one of the factors affecting the application of SMA techniques in enterprises. Techniques should only be applied if the benefits from applying the techniques outweigh the costs of adopting them.

In summary, SMA, first introduced by Simmonds in 1981 and later developed by researchers, has provided managers with a framework for engineering groups to help businesses plan, control, and evaluate performance. Many businesses around the world operating in different fields have applied SMA. Vietnamese enterprises in general and livestock feed manufacturers in Hanoi city in particular need to apply SMA techniques in a highly competitive environment.

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