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Research on the Awareness and Application of Strategic Management Accounting Instruments in Lithuanian Companies

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Introduction

In recent decades, as the business environment undergone rapid changes due to increasing globalization of companies, growing need for economic knowledge and rapidly evolving technologies, the main goal of modern organizations has become the pursuit of adapting their knowledge, experience and available business opportunities to the changing needs of the market.

This uncertain and changing business situation has become a precondition for the emergence of a new direction of management accounting – strategic management accounting. Strategic management accounting instruments help organisations monitor the success of strategic goals by providing information on customer and competitor strategies, product markets, cost structure, and other information that influences long-term strategic decisions (Noordin, Zainuddin, Tayles, 2009; Shah, Malik, Malik, 2011).

As the strategic management accounting instruments are not widespread in Lithuanian enterprises and there is hardly any detailed research on their application, an empirical study was conducted to determine the current level of awareness and application of strategic management accounting instruments in Lithuanian companies. In order to assess the experience of awareness and application of strategic management accounting instruments in Lithuanian companies, a survey of the companies' managers, accountants and financiers was carried out using the method of the questionnaire online survey data collection. Study population – companies operating in Lithuania. A sample survey of 96 companies with an error of 10% was identified. Convenience sampling and “snowball” methods considered as a type of non-probability sampling were chosen for the survey. 103 companies participated in the survey. The questionnaire of the survey consisted of two groups of questions: the questions in the 1st group were dedicated to identifying the size of companies, the period of existence in the market, the type of activity. The questions of the 2nd group were designed

to implement two tasks of the study: 1) to determine the level of awareness and application of strategic management accounting instruments in Lithuanian companies; 2) to disclose the reasons why companies refuse to implement these instruments.

1. Analysis of the level of awareness and application area of strategic management accounting instruments in Lithuanian companies

The scientific literature provides a wide variety of strategic management accounting instruments. Cadez, Guilding (2007; 2008) systematized the instruments presented by various authors by grouping them into five categories (see Figure 1).

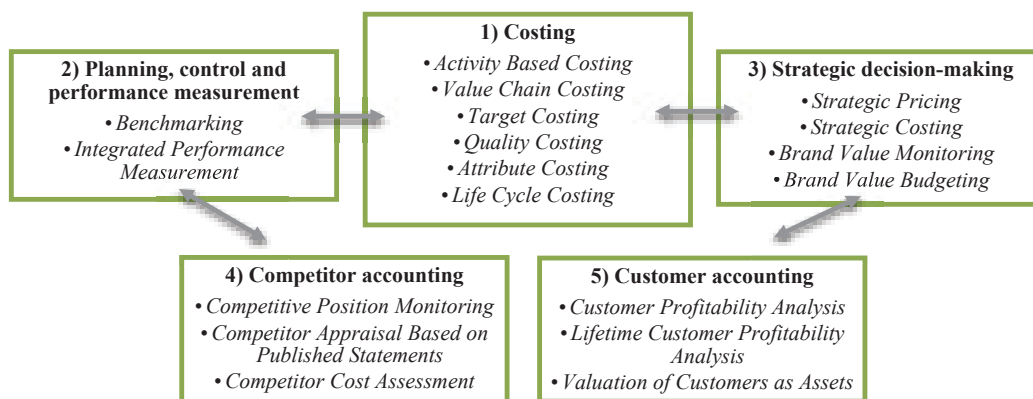


Figure 1. Structure of strategic management accounting instruments categories

Source: compiled by authors based on Cadez, Guilding, 2007; 2008

The questionnaire about the level of awareness and application of strategic management accounting instruments in Lithuanian companies was ranked sequentially according to the five categories of strategic management accounting instruments identified by Cadez, Guilding (2008). The scientific research began from the question of the level of awareness and application of the first category of strategic management accounting instruments, that include *costing instruments*, in Lithuanian companies. The results of the study have shown that 35% of respondents, i.e., 36 out of 103 companies surveyed are aware of and use an Activity-Based Costing instrument. Meanwhile, Life Cycle costing is the least known and used in the business process costing instrument.

Another question in the survey was related to the category of *planning, control and performance measurement instruments*. The replies of respondents about the popularity of Benchmarking and instrument of Integrated Performance Measurement attributed to this group are unevenly distributed: the Benchmarking is better known and more common if compared to the Integrated Performance Measurement of the companies: The Integrated Performance Measurement is known and applied only in more than a fifth of the surveyed companies.

Another question aimed to find the level of awareness and application of instruments belonging to the category of *strategic decision-making* in Lithuanian enterprises. The results of the study revealed that the instruments of Strategic Pricing and Strategic Costing are the most well-known and widely used in practice or they are planned to be used in the future. The least surveyed companies use Brand Value Budgeting.

The level of awareness and application of *competitor accounting* group of instruments in Lithuanian organisations was further investigated. The instrument of Competitive Position Monitoring is the most well-known and widely used in practice. Competitor Appraisal Based on Published Statements is also rather popular. 37.8% of respondents currently use or plan to use this instrument in the future. It should be noted that Competitor Cost Assessment is not only rarely use but also hardly known. Nearly a third of respondents said the instrument was not known to them or they could not answer the question.

Customer accounting instruments are attributed to the last group of the researched strategic management accounting instruments. The results of the study revealed that the majority of respondents use Customer Profitability Analysis in their activity. This instrument is the most popular not only in the category of customer accounting instruments but also among all strategic management accounting instruments.

2. Reasons for the difficulties in implementing the strategic management accounting instruments in Lithuanian companies

To find out the reasons why companies experience difficulties in implementing strategic management accounting instruments, respondents were asked a particular question with a list of possible reasons. As the respondents indicated, the most significant reason for the difficulties in implementing strategic management accounting instruments is the lack of time required to implement the instruments. The statements “there are no competent staff to implement strategic management accounting instruments”, “management lacks knowledge of the benefits of strategic management accounting” and “in order to implement strategic management accounting instruments a lot of data needs to be collected but there is no specialised data recording technology” were also marked as significant reasons. The least significant reason indicated by respondents was the fact that the rapidly changing internal and external environment of the company could complicate the implementation and use of strategic management accounting instruments.

Conclusions

The results of the study have revealed strategic management accounting instruments are not sufficiently known and are rarely used in the activities of the companies as well as the general reasons leading to the difficulties in implementing these instruments. Further in-depth research in this area is needed to identify the detailed reasons for the difficulties in implementing individual strategic management accounting instruments. This would allow specific recommendations to be made to accelerate the development of less popular strategic management accounting instruments.

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