

**STRATEGIC MANAGEMENT ACCOUNTING PRACTICE AND MANAGEMENT ACCOUNTANTS NETWORKING: THE ROLE OF ORGANIZATIONAL CULTURE AND INFORMATION SYSTEMS**

**N. D. I. Karunarathna<sup>1,\*</sup> and H. H. Dedunu<sup>2</sup>**

*<sup>1,2</sup> Department of Accountancy and Finance, Faculty of Management Studies, Rajarata University of Sri Lanka, Mihintale, Sri Lanka*

\*Corresponding author (email: isharikarunarathna@gmail.com)

**INTRODUCTION**

Traditional management accounting is no longer sufficient for managers' decision-making. "Strategic Management Accounting" (SMA) includes new long-term, future-oriented, and externally focused techniques. The growing importance of information from outside the firm's boundaries has prompted more research on strategic management accounting. According to the study of Carlsson-Wall et al. (2015), SMA has developed into a well-established accounting. However, recent reviews have disclosed no universally accepted definition of SMA. An institute's prime objective in management accounting is to assist the management in their responsibilities. A management accountant should be an essential management team member with a high level of expertise (Sunarni, 2013). Management Accountants were involved in both the strategic formulation and implementation of strategic management practices (SMP). An organizational culture (OC) and information systems are essential for implementing SMPs. One of the contextual variables that may explain the success of quality management has been recognized as organizational culture (Gambi et al., 2015). Organizational culture is a set of norms, values, beliefs, assumptions, and attitudes that influence behavior within an organization (Kassem et al., 2019). Main actors in the IS development process may interpret content and objects in a way that motivates or hinders developers' actions (Chtourou & Romdhane, 2019).

According to Chtourou and Romdhane (2019), an information system (IS) plays a significant role in the organization and supports strategic alignment and performance. Prior research (Lee & Bai, 2003) has shown that IS alignment is a multidimensional construct with high complexity. This study discusses management accountants' networking and strategic management accounting practices. It will also examine the role of organizational culture and information systems. The rapid changes in the business environment have significantly impacted management accounting practices (Sunarni, 2013). In today's highly competitive world, every business must constantly ensure its long-term suitability in the global marketplace. This study is based on primary data. There was no use of a control variable in this study. Various control variables like firm size and competition can be used to evaluate the effects of SMA. As a result, the outcome will differ from the choices made for the variables.

## METHODOLOGY

The selected population in this research was Management Accountants already in management accounting practice in Sri Lanka. The sampling method of this research was the non-probability method. The sampling technique was the convenience sampling technique. Data relevant to this study could be collected from primary data sources such as a survey. The quantitative research strategy was used in this study. Data were drawn from a survey of management accountants already in management accounting practice in Sri Lanka. The questionnaire was mailed to 180 business units, and 132 viable responses were received.

The researchers also considered a descriptive approach to research. Understanding the behaviour of the variables is made more accessible by descriptive statistics. To conclude, mean and frequency are utilized as strategies to examine the data. A reliability test was undertaken to improve the instrument's reliability. Validity is a measure of the degree of validity or the validity of a research instrument. Correlation and regression were used to test the hypotheses. The results of the Pearson correlation analysis show how closely the independent and dependent variables are related. The impact has been analyzed separately, the first model evaluates the independent and dependent relationship, and the second model evaluates the relationship with the moderate variable. Accordingly, the study visualized the following research model and associated hypotheses.

H<sub>1</sub>: There is a significant impact of management accountant networking on implementing SMA practices.

H<sub>2</sub>: There is a significant impact of IS on the implementation of SMA practices.

H<sub>3</sub>: Information systems moderate the relationship between management accountant networking and the implementation of SMA practices.

H<sub>4</sub>: There is a significant impact of organizational culture on implementing SMA practices.

H<sub>5</sub>: Organizational culture moderates the relationship between management accountant networking and the implementation of SMA practices.

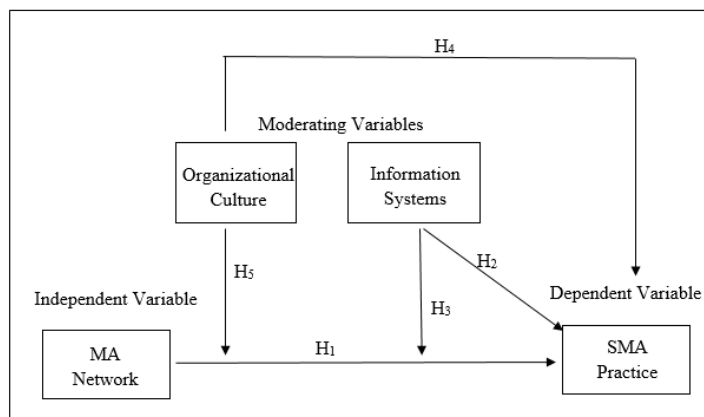


Figure 1 Conceptual Framework

## RESULTS AND DISCUSSION

The study checked the face and content validity of the questionnaire at the beginning through the literature survey. In the data analysis process, confirmatory factor analysis is used to ensure the test's construct validity. According to the confirmatory factor analysis, estimates of items were more significant than 0.7. It indicated that an item explains more than 70% variation of the respective dimension. KMO values of all dimensions were more significant than 0.5. Accordingly, both estimate and KMO values were above the standard level (Estimate 0.7 and KMO 0.5) of convergent validity. Another hand, the discriminant validity of the study is also ensured through the confirmatory factor analysis. Further, the Shapiro-Wilk Test sig value ( $> 0.05$ ) confirms the normality of the data set. According to the descriptive analysis, most of the responses to the questions thoroughly agree with the answers on the Likert scale.

Table 1 Descriptive Statistics

	Min.	Max.	Mean	SD
SMA Practices	3	6	4.89	0.572
MA Network	3	7	5.76	0.586
OC	4	7	5.82	0.531
IS	4	7	5.85	0.519

According to the descriptive analysis, the mean value of SMA practices, MA Network, OC, and IS were 3,3, 3 and 4, respectively. These values indicated that respondents' satisfaction with SMA Practices and MA network were near to satisfactory level, and the remaining two variables respondents at a satisfactory level. So, the mean value of this sample has been distributed to 3-4. The MA network has the most significant standard deviation (0.586), which shows that it has significantly more deviated than others. Information systems show the lowest standard deviation (0.519).

Table 2 Correlation Analysis

	SMA_Practices	MA_Network	OC	IS
SMA_Practices	1			
MA_Network	0.414**	1		
OC	0.476**	0.705**	1	
IS	0.520**	0.673**	0.739**	1

\*\* Correlation is significant at the 0.01 level (2-tailed)

The correlation analysis was used to identify the relationship between independent and dependent variables, according to the correlation analysis result. The association between SMA practices and MA networking was statistically significant at the 0.01 level, with a Pearson correlation coefficient of +0.414, demonstrating that using SMA techniques and MA networking have a positive relationship. Further, SMA practices have a significant relationship with organizational culture (0.476) and information systems (0.52). In addition, the management accounting network also has a significant positive relationship with organization culture, and information systems and organization culture also have a significant positive relationship with information systems. According to the finding above, there was a clear correlation between SMA practices and organizational culture, information systems, and MA networking.

Table 3 Model Summary

Analysis Between	Model 1			Model 2		
	R	R <sup>2</sup>	Sig.	R	R <sup>2</sup>	Sig.
MA, SMA & OC	0.489	0.239	0.000			
MA, SMA & IS	0.527	0.278	0.000			
MA, SMA, OC & Interaction MA and OC				0.489	0.239	0.000
MA, SMA, IS & Interaction MA and IS				0.537	0.283	0.000

The study used two models to analyze the result of this study. Model 1 has evaluated the relationship between MA network and SMA practices and the relationship between OC and IS, DV, and the relationship between DV, IV, and MV. Moreover, the researcher used model 2 to evaluate the relationship between DV and IV with the moderate variables (OC & IS). According to the first model's model, R-value was 48.9%, and the R square value was 23.9%. It implies that the model was appropriate for showing the relationship between independent and dependent variables. It shows that 23.9% variance of the SMA practices was explained by the independent variables (MA and OC) 76.1% of the variation of SMA practices were unable to explain the variance of the independent. In addition, IS and MA reflects a 27.8% variation in SMA practices. However, second model MA and SMA practices with IS moderate variable reflected 28.3% of the variation of SMA practices.

Table 4 Coefficients Summary of Regression Analysis

Analysis Between	Model		Coefficient	Sig.
SMA practices (DV), MA network (IV), OC (MV), and interaction of MA network and OC	1	(Constant)		1.000
		MA Network	0.156	0.153
		OC	0.367	0.001
SMA practices (DV), MA network (IV), IS (MV), and interaction between MA network and IS	2	(Constant)		0.984
		MA Network	0.155	0.161
		OC	0.365	0.001
		Interaction_MA_by_OC	-0.004	0.963
SMA practices (DV), MA network (IV), IS (MV), and interaction between MA network and IS	1	(Constant)		1.000
		MA Network	0.118	0.246
		IS	0.441	0.000
		(Constant)		0.742
		MA Network	0.131	0.203
SMA practices (DV), MA network (IV), IS (MV), and interaction between MA network and IS	2	IS	0.469	0.000
		Interaction_MA_by_IS	0.082	0.335

A positive impact on information systems that attenuate the impact of management accountant networking on the adoption of SMA practices is shown by a P-value of 0.000, which is less than 0.05. That means the IS is a moderate variable, not an independent variable. Researchers discover that quality IS has a beneficial moderating effect on the link between networking and SMA implementation. This suggests that in businesses with high-quality integrated IS, it may be simpler for management accountants who contact or communicate with other decision-

makers to suggest and implement SMA practices. Therefore, the theory was approved. The regression coefficient, which has a P-value of 0.000, which is less than 0.05 suggests that adopting SMA techniques positively impacts corporate culture. Therefore, the theory was approved. Findings support the positive effects of the organizational culture reported in the case of BSC and extrapolate them to a broader range of SMA practices.

A P-value of 0.001, which is less than 0.05, indicates a positive impact on organizational culture that moderates the effect of management accountant networking on adopting SMA practices. If the P value was significant, the variable was moderate. The study also found that organizational culture and information systems significantly shaped the relationship between SMA and the MA network.

## CONCLUSIONS AND IMPLICATIONS

Management accounting procedures and the function of the management accountant inside a company have been significantly impacted by recent rapid improvements in the business environment. To survive in the market, businesses must be able to compete both locally and globally. Due to globalization, management accounting has grown from SMA, which was only used for internal data. However, the employment of SMA significantly improves several characteristics of company performance in both developed and emerging economies - such as OC and IS. The study concluded that to meet business needs, it was necessary to investigate strategic management accounting practice and management accountant networking (Hadid & Al-Sayed, 2021). According to the final result of the study, it could be identified a significant positive impact on implementing SMA practices and MA networking. Also, the study found a significant positive relationship between SMA practices and the MA network. Moreover, the organizational culture and information systems moderate the relationship between MAs and MA networks. Findings highlight the value of networking in improving management accountants' capacity to suggest and execute SMA practices. These findings support the strategy put forward in earlier studies to help management accountants reclaim their position as significant information suppliers. Management accountants must learn new management accounting techniques through networking with internal and external parties. As a result, they should be able to suggest and implement the most appropriate and practical management accounting tools to aid decision-makers in performing their tasks successfully.

**Keywords:** Information systems, management accounting network, organizational culture, strategic management accounting practices

## REFERENCES

- Auzair, S. M., Amiruddin, R., Majid, A. A., & Maelah, R. (2013). Linking business strategy to management accounting: a study in Malaysian service organizations. *Jurnal Pengurusan*, 37, 45–52. <https://doi.org/10.17576/pengurusan-2013-37-05>
- Carlsson-Wall, M., Kraus, K., & Lind, J. (2014). Strategic management accounting in close inter-organisational relationships. *Accounting and Business Research*, 45(1), 27–54. <https://doi.org/10.1080/00014788.2014.965128>

- Chtourou Ben Amar, N., & Ben Romdhane, R. (2019). Organizational culture and information systems strategic alignment. *Journal of Enterprise Information Management*, 33(1), 95–119. <https://doi.org/10.1108/jeim-03-2019-0072>
- Gambi, L. D. N., Boer, H., Gerolamo, M. C., Jørgensen, F., & Carpinetti, L. C. R. (2015). The relationship between organizational culture and quality techniques, and its impact on operational performance. *International Journal of Operations & Production Management*, 35(10), 1460–1484. <https://doi.org/10.1108/ijopm-12-2013-0563>
- Hadid, W., & Al-Sayed, M. (2021). Management accountants and strategic management accounting: The role of organizational culture and information systems. *Management Accounting Research*, 50, 100725. <https://doi.org/10.1016/j.mar.2020.100725>
- Kassem, R., Ajmal, M., Gunasekaran, A., & Helo, P. (2018). Assessing the impact of organizational culture on achieving business excellence with a moderating role of ICT. *Benchmarking: An International Journal*, 26(1), 117–146. <https://doi.org/10.1108/bij-03-2018-0068>
- Lee, G., & Bai, R. (2003). Organizational mechanisms for successful IS/IT strategic planning in the digital era. *Management Decision*, 41(1), 32–42. <https://doi.org/10.1108/00251740310445536>
- Sunarni, C. W. (2013). Management accounting practices and the role of management accountant: Evidence from manufacturing companies throughout Yogyakarta, Indonesia. In *Rev. Integr. Bus. Econ. Res* (Vol. 2, Issue 2). [www.sibresearch.org](http://www.sibresearch.org)