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Enhancing the Governance of Government Linked Companies via Strategic Management Accounting Practices and Value Creation

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Abstract

Government Linked Companies (GLCs) are expected to achieve sustainable growth and improve their competitiveness in the global market. Value creation can be influenced by the alliance management capability which is a firm's ability to manage several alliances effectively. A strong alliance management capability assists the firm to have an effective implementation of inter-organizational relationships that will benefit alliance partners. Meanwhile, strategic management accounting (SMA) practices consist of various techniques which can enhance value creation in organizations. This practice provides management accounting information used for competitive strategy, firm development, market changes, corporate strategic program, strategic implementation and strategic control. This paper aims to ascertain the mediating role of strategic management accounting (SMA) practices on the relationship between alliance management capability and firms' value creation in Malaysian GLCs. This paper contribute by providing empirical review which enables the top management, management accountants and policy makers to review the implementation of SMA techniques in order to create firm's value.

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1. Introduction

In Malaysia, Government Linked Companies (GLCs) serve as the backbone of the economy and play a major role in every commercial concern ranging from transportation, energy, telecommunications, construction, oil and gas to financial services (Lau & Tong, 2008). GLCs are described as an organization that hold a main profit-making objective which the Malaysian Government possess a direct controlling stake. Controlling stake refers to the Government's power to assign board members, senior management and decide on major decisions for GLCs either directly or through its Government-Linked Investment Companies (GLICs). A company is classified as a GLC if the government owns an effective controlling interest which is more than 50 percent. Vision 2020 highlighted the role of GLC as growing and shaping the economy.

Despite the significant impact of the GLCs on the Malaysian economy, some performance of GLCs has been poor and lack-luster as early as 1990. Possible of the critical success factors of the GLCs which some GLCs shows above average performance and underperform could be due to how well they create firm's value through the their talent, skills and capabilities in the organization itself (Amirul & Daud, 2012).

Value Creation has become a global issue as a result of a continuing stream of companies failure, product discontinued, stock market pressure, brand destruction and the competitive market (Lau & Tong, 2008; Prahalad & Ramasamy, 2004). Value creation has been found to have a positive impact on business performance (Fuller, 2001; Gholami, 2011; Kraaijenbrink & Spender, 2011). According to Fuller (2001), firm value creation is more important and it is endless process. It started with operations of business model, prioritize sections for more detailed investigation and discover opportunities for development. This process followed by implementing the changes needed to maximize the company achievement as well established the measurement and revision and this process will be continued which allows management oversee the changes in the market and long term in nature to sustain competitive advantage (Fuller, 2001). Studied by Anderson et al., (2014) concluded that alliances that have value creation at their management controls will understand both economic and behavioral aspects of inter-organizational exchange, coordination and communication between partners. Therefore it is crucial for Government Linked-Companies (GLCs) to understand the importance of value creation in order to achieve competitive advantage and sustain economic growth.

Alliance capabilities will help GLCs able to create, share and access knowledge and explored the use of informal regional network, developed by accounting practices for the efficient transfer of and access to knowledge between alliance members. The role of SMA practices is to provide the management with relevant, accurate and reliable information on the firm's critical success factors within and outside organization for long term period. This practice might assist GLCs to achieve business excellence as well as enhance value creation of the firm. Through this practices the organizations are able to minimizing cost, improving profit growth and enhance shareholder value by using SMA techniques for example monitor progress against internal and external benchmarks.

Therefore the primary objective of this paper is to ascertain based on empirical literature on strategic management accounting (SMA) practices contributes on the relationship between alliance management capability and firms' value creation in Malaysian Government Linked Companies (GLCs). Subsequently this paper will accumulate empirical literature whether firm's value creation contribute positively to firms' performance. This paper is structured as follows: first, explanation on the concepts of SMA, value creation and alliance management capability. Second, discussion on the argument between SMA, value creation and alliance management capability. Finally, the conclusions and implications about this paper on researchers and top management, and considerations of SMA practices to enhance value creation.

1.1. Strategic Management Accounting

Simmonds (1981), describes strategic management accounting is used to develop and monitor the strategy of the business which is a form of the provision and analysis of management accounting data related to the business and its rivals. Prior studies illustrate several different definitions about strategic management accounting such as, Govindarajan and Shank (1992) demonstrate that strategic management accounting played a key role in strategic description, strategic announcing, strategic implement and strategic control. Study by Ward (1992) states that strategic management accounting provides management accounting information for competitive strategy, firm

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