

Strategic management accounting and decision making: A survey of the Nigerian Banks

Collins S. Oboh*, Solabomi O. Ajibolade

Department of Accounting, Faculty of Business Administration, University of Lagos (UNILAG), Akoka, Lagos, Nigeria

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Abstract

This paper attempts an empirical examination of the practicality of strategic management accounting (SMA) adoption in banks in Nigeria, a developing country. It investigates the extent of practice and contributions of SMA to strategic decision making. Survey data were obtained from 71 bank managers across 20 registered banks in Nigeria. Simple regression estimation technique and Pearson Chi-square test were used for data analysis. The results suggest that SMA is distinct in its features and orientation towards the practice of management accounting. The study found out that banks in Nigeria practice SMA; not as a concept, but as a principle of operation, and that SMA contributes significantly to strategic decision making in the area of competitive advantage and increased market share. The study offers value for banks in other developing economies in that it supports the argument that they can benefit from SMA adoption as part of banking strategies.

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Keywords: Strategic management accounting; Decision making; Market share; Banks; Nigeria

1. Introduction

Over two decades ago, the ideology of strategic management accounting (SMA) was introduced into the literature as a seminal development with Simmonds and Bromwich as lead academics. During this period, SMA came to prominence among other innovative techniques designed to restore the declining relevance of management accounting practices (AlMaryani & Sadik, 2012; Cinquini & Tenucci, 2007; Drury, 2002; Juras, 2014; Moores, 1992; Roslender & Hart, 2003; Roslender, 1995; Simmonds, 1981; Tillmann, 2003). At first, the term SMA was used by Simmonds in the 1980s to identify an externally oriented approach to the practice of management accounting (Roslender & Hart, 2010). Along this thought, Bromwich (1990) described SMA as positing a sophisticated & more involving order of management accounting practices, of which Roslender and Hart (2003), Cadez and Guiding (2007) and Juras (2014) noted to be an important departure from the traditional management accounting practice to a dynamic and strategic positioning.

*Corresponding author.

E-mail address: coboh@unilag.edu.ng (C.S. Oboh).

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In the literature, SMA is thought to be both an extension and a distinct orientation that provides a complete external approach towards management accounting practice from its archaic tradition towards a strategic innovation outside the norms (Drury, 2002; Juras, 2014). In itself, SMA incorporates a broader emphasis and longer-term outlook than the greater part of management accounting. An approach that lies at the interface between strategic management and accounting (Juras, 2014; Roslender & Hart, 2003, 2010).

At present, the 'external' orientation of Simmonds' description of SMA has been widely established in the literature. It has also attracted mixed viewpoints among academics and practitioners. In Cinquini and Tenucci (2007), the term 'external' refers to 'competitors.' Simmonds (1981) idea of relating external with competitors was based on the expectation that to understand competitors' information organizations develop and monitor new business strategies. The term 'external' also speaks of suppliers and customers in a sense that demonstrates expediency of external information that helps companies explore fruitful linkages with suppliers and customers (Shank & Govindarajan, 1993; Simmonds, 1981). Similarly and more specifically, the term 'external' speaks of the market, of which apt attention is given to products offered to satisfy customers' needs with a careful recognition of the product attribute costs (Bromwich, 1990; Roslender & Hart, 2003; Simmonds, 1981).

SMA as a thriving concept both in literature and in empirical studies is open to a number of interpretations and diversities of persuasions depending on a researcher's scientific background, underlying assumptions and starting points (Juras, 2014; Fu, 2007). However, Roslender and Hart (2003, 2010) described SMA as a generic approach to accounting for strategic positioning, defined by an attempt to integrating insights from management accounting and marketing management within a strategic management framework. Hitherto, despite its novel introduction scholars still hold that there is little or no consensus on what constitutes the term strategic management accounting (Drury, 2002; Juras, 2014; Roslender & Hart, 2010). Although, it is well accepted that SMA describes a generic approach to accounting for strategic positioning (Roslender & Hart, 2010), this only leaves unsolved the problem of defining what is intended with the term SMA. Thus, there is yet to be a well-defined framework for SMA (Drury, 2002; Cinquini & Tenucci, 2007; Juras, 2014; Roslender & Hart, 2010; Tomkins & Carr, 1996).

Since its introduction in the literature, academics and practitioners have expressed doubts on the practicality of SMA adoption and implementation as part of management accounting practices (Dixon, 1998; Juras, 2014; Roslender & Hart, 2010). Besides, only little research effort has been committed to examining the possibilities of SMA practices in organizations (Cadez & Guilding, 2007; Juras, 2014; Tillmann, 2003). Moreover, among the little available empirical researches on SMA, only few evidence points to its adoption in leading edge companies in the United Kingdom, a developed nation (Roslender & Hart, 2003). Most research efforts focused on SMA practices in the developed nations, while evidence from developing nations remains obscure. Even with this, there is still no persuasive conclusion of what SMA entails and how it replaces traditional management accounting practices (Drury, 2002; Roslender & Hart, 2003, 2010). Some scholars still believe that the practice of SMA is mere academic figments yet to gain a convincing practicality across the globe (Alnawaiseh, 2013; Juras, 2014).

This study attempts to investigate the practicality of SMA adoption in banks in Nigeria, a developing country. More specifically, it examines whether banks in Nigeria practice SMA and the benefits SMA offers the industry. Historically, the Nigerian banking industry is known for instability, majorly due to poor management and fraudulent activities. It is largely regulated and most times, governmental policies and political manoeuvres abruptly interfere with its managerial oversight and operations, causing a paradoxical shift and disintegration from the conventional banking norms (Adeyemi, 2011; Okpara, 2009; Ogunleye, 2010; Sanusi, 2010). These in most cases leave the banks pressured for survival and sustainability. Likewise, the dwindling oil prices, persistent devaluation of the Nigerian naira and economic recession make it imperative for banks in Nigeria and other African nations to re-strategize for sustainable growth. SMA adoption and practice therefore, will not only expedite stability and growth in the industry, it will also ensure strategic positioning for sustainability.

2. Literature review

2.1. Historical development of SMA

Ever before Simmonds and Bromwich introduced SMA in the literature, the traditional management accounting techniques were fundamentally in use (Drury, 2002). It was the late 1980s diagnoses of an enfeebling and dissatisfying significance within management accounting and much criticism of its traditional practices that aroused

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