

Managerial Decisions and Organizational Efficiency with Mediating Effect of Traditional Management Accounting Practices

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Abstract

The study envisioned looking at the magnitude of the managerial decisions (MDs) on organizational efficiency (OE) with intervening consequences of traditional management accounting practices (TMAPs) in Nepalese companies. The study's outcomes were depended on survey data gathered from 171 working representatives of the Nepalese manufacturing companies (NMCs). The reliability and validity of the analysis were performed by means of Cronbach's alpha, composite reliability (CR), and average variance extracted (AVE). The outcomes showed no significant intervening consequence of TMAPs in the relationship of MDs and OE. The study was limited to the NMCs and applied only one method of survey technique to gather data. No studies were found to show the connection between MDs and OE in NMCs. The study's outcome may further enhance OE if MDs are executed as a feature of an overall organizational strategy. The NMCs can utilize the study model as a rule to present another strategy that integrates MDs, TMAPs, and OE.

Keywords – Accounting, managers, manufacturing companies, organizational performance

Paper type – Research paper

JEL Classification – L25, M41

Introduction

Management accounting (MA) processes and disseminates accounting data to management to plan, evaluate, and control an association's resources (Arora, 2009). It is a decision-making support system that assists the management at all levels (Granlund & Lukka, 1998) and can be viewed as a value-adding process of persistent improvement (Ederer, 2005). The management accounting practices (MAPs) are information systems within enterprises that offer pertinent information to stakeholders (Langfield-Smith, 2009). In addition, the practices can support managers becoming devoured in accounting and data processing routines and enable them to make decisions based on the rule of exception (Yeshmin & Hossan, 2011), resulting in improved organizational efficiency (OE).

The MAPs are primarily concerned with resources planning, controlling activities, and managerial decision-making processes. Managerial decisions (MDs) emphasize managers' engagement in leveraging external information resources by providing the knowledge necessary to create practical competencies for fully utilizing internal organizational resources (Knight & Collier, 2009). Managers' performance is inextricably concerned with MA procedures, which might contribute to managers making necessary modifications and revisions to ensure operative and successful MDs (Abrahman et al., 2016; Dahal et al., 2020a).

OE is expected to advance the allocation of accessible resources through value-added performance-based MDs (Cavalluzzon & Ittner, 2004). Decision-makers practice MA information to assist their pronouncements and choices for enhancing the OE. Contextual variables influence MDs inside and outside the associations. Each association segment must support and improve itself to accomplish superior competitive advantages and performance targets (Moores & Yuen, 2001). This study acclimated MDs to structuring an OE premise with an intervening impact of TMAPs in the NMCs, which was previously unheard of. The study was concerned with the accompanying questions (i) Is there a significant association between MDs and OE in the NMCs? (ii) Are MDs and TMAPs significantly associated with the NMCs? (iii) Is there any correlation between TMAPs and OE in the NMCs? and (iv) Do TMAPs mediate the link between MDs and OE in the NMCs? Based on the issue raised, the objective of the study was framed as to examine the impact of MDs on OE while taking into account the mediating role of TMAPs in the NMCs

TMAPs are utilized by different stakeholders, particularly managers/supervisors, to make various MDs concerned with innovation, research and development, strategy formulation, budgeting, assessment, production planning, pricing, and more (Dahal, 2021b). Hence, the study sought to examine the mediating role of TMAPs in the relationship between MDs and the OE. TMAPs are basically utilized in different manufacturing operations and play a

significant role in the MDs. The TMAPs, particularly in manufacturing associations, might be decisive for assessing, planning and monitoring, and mobilizing corporate resources to accomplish superior OE in relation to MDs. However, there were no empirical studies in the Nepalese context on the role of TMAPs in OE. Because of this, the study examined the relationships between MDs, TMAPs, and OE and filled a gap in the Nepalese context.

Literature Review and Hypotheses

The process of decision-making entails acquiring, sharing, and extricating pertinent thoughts from various sources (Collins, 1999). It is a system for continuously choosing the best option based on the most concrete criteria and accessible information. When managers face decision-making difficulties, they often excuse their activities by asserting that we never desired the unselected alternative. According to Chenhall (2003), decision-making should be built around contextual elements, and contingency fit ensures ideal practices (Gerdin & Greve, 2004). MDs are more fit to a specific organizational setting and enable organizations to make appropriate and consistent decisions that are steady with their internal policies and external environment (Saukkonen et al., 2018). The association between environmental factors and outcomes differed extensively (Bisbe et al., 2007; Yazdifar & Tsamenyi, 2005). OE is used to determine whether an association has performed effectively (Triatmanto et al., 2019). Understanding the fundamental proficiency was the primary factor that prompted the association to proceed.

Most of the review concerning MAPs led in the world is on manufacturing firms. However, studies of efficacious organizations have featured the capability of MA information as a strategic weapon (Dahal, 2021a). MAPs assist executives in serving customer needs, accelerating decision-making processes, and managing the corporate value chain (Dahal, 2019). Decision-makers regarded the TMAPs as contextual strategies (Moore & Yuen, 2001). In the present hyper-competitive corporate world, decision-makers must focus on the factors that offer added value, particularly for consumers (Bisbe et al., 2007). A business system/strategy can deliver value for businesses and recognize them from contenders (Simons, 1987). However, a business technique/strategy alone isn't sufficient to accomplish a competitive benefit. So, it ought to be refined through proactive MA techniques that offer managers forward-thinking while making economic decisions.

Studies noticed an association between the MAPs and OE (Polnaya et al., 2018). Nor et al. (2016) observed the connection between the MAPs and the financial efficiency of the listed manufacturing firms of Malaysia and tracked down that the factors had a significant association. The exercising of TMAPs can assist employees in focusing on accomplishing

differentiation strategies (Seal, 2006), such as proficiency, productivity, appropriation and client assistance and loyalty, and the performance of strategic effectiveness. The implementation of TMAPs can, consequently, empower the relationship to furnish prevalent OE.

The MA framework relies upon specific conditions where an affiliation depicts itself (Waweru & Uliana, 2005). Incorporating TMAPs into organizational frameworks and procedures maintains directing utilitarian activities (Wahyuni & Triatmanto, 2020). Studies (like Baines & Langfield-Smith, 2003; Laitinen, 2014, etc.) suggested that TMAPs in an affiliation functioned as a driving force to inspire working representatives. OE is viewed as a contextual component in an affiliation that might have an association with TMAPs. OE factors are the delayed consequence of the MDs and TMAPs within the affiliation. If TMAPs support fitting MDs, it will upgrade OE (Baines & Langfield-Smith, 2003).

Organizational accomplishment, either a point of reference or a result of MDs and TMAPs, were the indicators of different methods/procedures that the affiliation has involved as context-oriented components with OE (Moore & Yuen, 2001). The review expected to view at the relationship between OE as a reliant variable and MDs as an autonomous variable with the intervening impact of TMAPs. H1, H2, and H3 had an immediate association, while H4 had an indirect relationship, as represented in Figure 1. Hence, TMAPs were proposed as an intervening factor in the connection between MDs and OE.

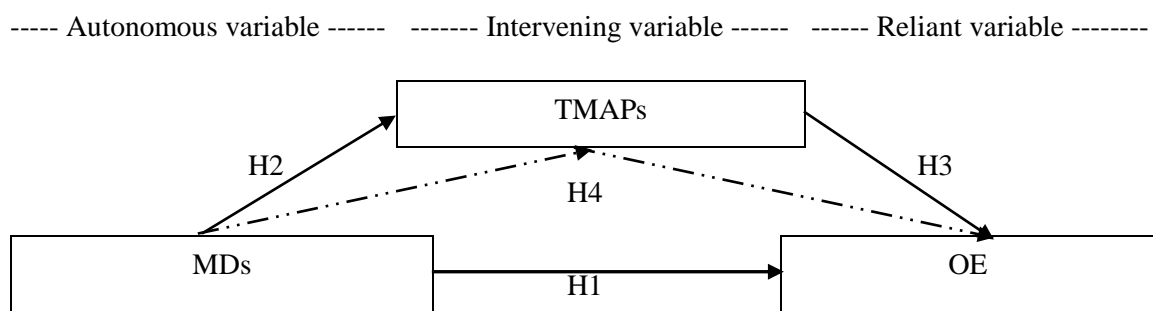


Figure 1 The study design

The study hypotheses:

H1: There was a positive and significant association of MDs on OE in the NMCs.

H2: MDs and TMAPs were positively and significantly associated with the NMCs.

H3: TMAPs and OE were positively and significantly associated with the NMCs.

H4: TMAPs can positively and significantly mediate the effect of MDs on OE in the NMCs.

Method

The quantitative approach was used to address the study hypotheses, and a perceptual measure was included in the data gathering assortment to make the study more convenient. The people that participated in the study were those who work in the NMCs. According to information available on the NEPSE (Nepal Stock Exchange) website, as of 30 June 2021, 18 companies were classified as manufacturing companies under the sub-category of manufacturing firms. The study sample consisted of four companies whose shares were traded on a regular basis on the NEPSE and their employees. The information from the respondents was gathered through the use of a well-organized questionnaire. The questionnaire was divided into four sections and comprised 26 questions in total pertaining to the sample companies and the responders (4), MDs (5), OE (5), and TMAPs (12). On a five-point Likert scale, respondents were asked to rate their responses to 22 questions about the MDs, the OE, and the TMAPs. The scale was determined for MDs and OEs (1 = strongly disagree to 5 = strongly agree) and CMATs (1 = never to 5 = always). A total of one hundred and seventy-one properly filled-up responses were gathered during the 60-days of July-August 2021. The number of responses pertaining to the sample companies – consumer products (41), beverage processing (45), alcoholic beverage (36), and cement and its allied products (49).

The standardized regression weights of the study variables were determined for each construct in which they appeared. According to the recommendations of Hair et al. (2006), the observed factor stacking 0.50 and greater was taken into consideration for the appraisal. Due to the fact that they had factor stacking values of at least 0.50 or greater, five MDs variables, five OE variables, and six TMAPs variables were retained. Nunnally (1993) advised that the reliability of the constructs is measured using Cronbach's alpha (α), and as suggested by Fornell and Larcker (1981), the validity of the constructs be measured using AVE (average variance extracted) and CR (composite reliability). According to Podsakoff et al. (2003), the study analyzed the Harman single factor test to identify the incidence and extent of the CMB (common method bias). The particulars of the observed and latent variables, Cronbach's alpha, CR, AVE, and CMB statistics with recommended cut-off values, were presented in Table 1.

Table 1

Observed and latent variables, Cronbach's alpha, CR, AVE, and CMB insights

	Latent Measures			Total
	MDs	OE	TMAPs	
Observed variables	Resources Allocation	Sales Growth	Ratio Analysis	
	Facilitation	Profit Growth	Cash Flow Analysis	
	Speeding up Steps	Reduce Costs	Variance Analysis	
	Best Solution	Operational Processes	Segment Reporting	
	Encouragement	Operational Efficiency	Break-even Analysis Budgetary Control	
No engaged variables	5	5	6	16
			Cut-off value	Suggested by:
Reliability insights:				
Alpha (α)	0.825	0.926	0.842	≥ 0.70 Nunnally, 1993
Validity insights:				
CR	0.836	0.924	0.862	≥ 0.70 Fornell & Larcker, 1981
AVE	0.507	0.712	0.513	≥ 0.50 Fornell & Larcker, 1981
Common method bias:				
Harman Single-factor variance		34.41 %	≤ 0.50	Cho & Lee, 2012

As shown in Table 1, the reliability, validity, and CMB insights outcomes met or above the required cut-off values. Therefore, the variables/constructs that were examined were reliable, valid, and free of the CMB, allowing for further investigation.

Results

The study surveyed the employees' perception of the relation between MDs and OE with a mediating consequence of TMAPs in the NMCs. 53.2 % male and 46.8 % female employees participated in the study. Regarding employees' status, 2.9 % board members, 18.7 % managers, 31.0 % officers, and 47.4 % assistants contributed to the study. Concerned hypotheses were tested to describe the effect of each latent measure using analysis of moment structures (AMOS). The model insights and the standardized estimates of the hypotheses were presented in Table 2 and Figure 2, respectively.

Table 2

Model indicators

Model	Estimate	Standardized Estimate (β)	Standard Error (SE)	Critical Ratio (CR)	p-value	Remarks
Direct consequence:						
H1: MDs ----> OE	0.872	0.872	0.038	23.192	***	Accepted
H2: MDs ----> TMAPs	-0.121	-0.121	0.076	-1.586	0.113	Rejected
H4: TMAPs ----> OE	-0.142	-0.142	0.076	-1.870	0.062	Rejected
Indirect consequence:						
H4: MDs ----> TMAPs ----> OE	-0.037	-0.037	0.038	-0.98	0.328	Rejected

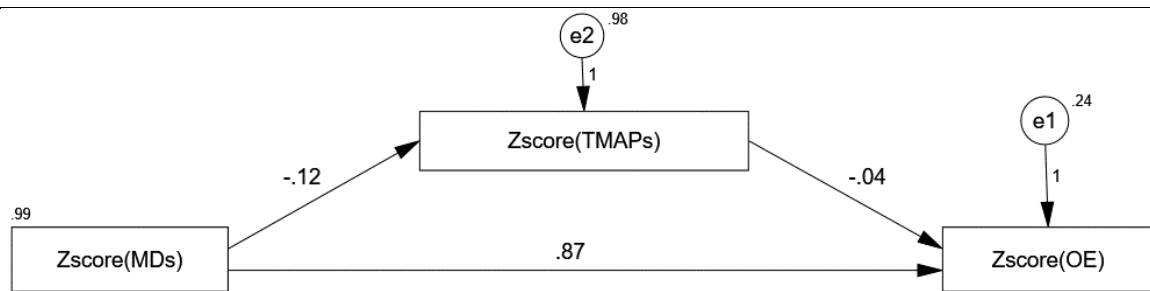


Figure 2 The study outcomes

The model insights indicated that MDs had a statistically significant effect on OE ($\beta = 0.872$, $CR = 23.456$, $p < 0.01$). The study ruled out the mediating role of TMAPs on OE. Table 3 introduced the model summary indicators.

Table 3

Model summary indicators

	Direct Effect Without Mediator	Indirect Effect	Direct Effect in the Presence of Mediator	Remarks
MDs -----> OE	0.872 (*) (p = 0.000)	0.004 (NS) (p = 0.130)	0.867 (*) (p = 0.001)	No Mediation
Mediator: TMAPs		No Mediation		

Discussions

The study witnessed 22 variables inside three latent measures, specifically MDs and OE (with five variables each) and TMAPs (with twelve variables). The first latent variable MDs was framed with resources allocation ($\beta = 0.75$, $p < 0.01$); facilitation ($\beta = 0.64$, $p < 0.01$); accelerating arrangements ($\beta = 0.81$, $p < 0.01$); best solution ($\beta = 0.61$, $p < 0.01$); and encouragement ($\beta = 0.73$, $p < 0.01$). The second latent measure ‘OE’ was shaped with sales growth ($\beta = 0.88$, $p < 0.01$); profit growth ($\beta = 0.97$, $p < 0.01$); reduce costs ($\beta = 0.78$, $p < 0.01$); operational processes ($\beta = 0.88$, $p < 0.01$); and operational efficiency ($\beta = 0.68$, $p < 0.01$). Out of twelve TMAPs observed variables, six variables (namely absorption/variable costing, differential costing, capital budgeting, cost benefit analysis, inter firm comparison, theory of constraint) were dropped in the analysis since such practices had lower factor stacking than 0.50. Such outcome indicated that the practices were not appropriately utilized in the NMCs despite having with significant effect in the earlier examinations (like Angelakis et al., 2010; Dompere, 1995; Jones et al., 2012; Lucas, 2000; Baines & Langfield-Smith, 2003; Laitinen, 2014; Palermo 2018, etc.). Hence, with six observed retained variables, the latent measure TMAPs was framed with ratio analysis ($\beta = 0.77$, $p < 0.01$); cash flow analysis

($\beta = 0.73$, $p < 0.01$); variance analysis ($\beta = 0.76$, $p < 0.01$); segment reporting ($\beta = 0.58$, $p < 0.01$); break-even analysis ($\beta = 0.83$, $p < 0.01$); and budgetary control ($\beta = 0.59$, $p < 0.01$).

As reliable with Saukkonen et al.'s (2018) study, MDs had a positive and significant association with OE ($\beta = 0.872$, $p < 0.01$) and as contrast with the studies (like Moores & Yuen, 2001; Nor et al., 2016; Polnaya et al., 2018 etc.) the outcomes of the study showed that MDs had no influential relationships with TMAPs ($\beta = -0.121$, $p = 0.113$) and the TMAPs with OE ($\beta = -0.142$, $p = 0.062$) in the NMCs. Similarly, the study's outcome with respect to the hypothesized relationships between MDs, OEs, and TMAPs revealed no significant interceding impact of TMAPs in the association of MDs and OE ($\beta = -0.037$, $p = 0.328$). As with earlier studies (Rompho, 2018; Waal, 2010, etc.), the study concentrated on operational efficiency and financial outcomes while assessing OE.

Conclusions

MDs rely on managers' commitment and dedication, believing that this will disclose innovative potential and improved OE. Suitable MDs in businesses take new shapes commensurate with the market intensity and apply different procedures that accumulate strategic, operational, and financial information. TMAPs are multidimensional features of progress that take into account management's barriers in future activities that are dependent on consumers, businesses, rivals, organizational decisions, procedures, strategies, operations, and so on. In case MAPs are utilized properly, they broaden the scope of organizational decisions' strategic components that empower the association to leverage insider and outsider information. In this way, the examination's outcomes may further improve OE if MDs are carried out as a feature of general organizational strategy.

The investigation focused exclusively on manufacturing organizations without distinguishing the outcomes of each industry. To improve the examination's generalizability, additional areas/sectors and initiatives should be evaluated. To obtain the most generalized results, a larger sample size, diverse areas/sectors, or novel hypotheses or theories can be used. Similarly, it may shed light on the distinctive characteristics of practices by recreating the quantitative portions of this research with a comparable sample (i.e., longitudinal exploration to look at the different changes through time). It will be an incredible opportunity to determine whether activities change over time. Do MAPs follow a path of relevance throughout daily life?

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