UNIVERSITY OF KWAZULU-NATAL

THE EFFECT OF MANAGEMENT ACCOUNTING IN SUPPORTING THE STRATEGIC MANAGEMENT PROCESS IN THE MOTOR INDUSTRY

BY

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DECLARATION

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ABSTRACT

Many organisations, locally and internationally, have placed huge importance on involving accountants in business related decision. In South Africa, particularly organisations in the motor industry, have not recognised the significance of using management accounting to support the strategic management process. Many of these organisations have not allowed accountants to be involved in the strategic issues of the business. This may lead to poor financial performances due to miscalculated business decisions being made without using well analysed financial information collected and analysed by accountants. The aim of this study was to determine the impact of management accounting on strategic decisions.The study was qualitative and data was collected by means of interviews. An interview schedule was the research tool of choice used to collect data. Participants were invited using a non probability method of purposive sampling. Participants were selected from dealership around Pinetown and Durban representing the general motors franchises as well as Audi, Toyota and Mazda. The findings of this study are based on 14 interviews held with accountants and other finance professionals working in the motor industry. The findings of the study indicated that accountants and other finance personnel's efforts add value to the strategic management process of the business. The techniques used to aide strategic management are not sophisticated and vary from one organisation another. The involvement of accountants in the strategic process was influenced by several factors such as a range of qualities possessed by the accountant, organisational factors, as well as systematic factors that allow the accountants to perform their roles. The study further looked at the terms being used by finance professionals in the motor industry as they carry out their roles. Business issues emerged as a term that was used and best described how accountants got involved in strategic management process. Based on the findings of the study, it was recommended that dealership accountants make an effort to engage with other managers on issues of strategy. It was also recommended that accountants would need to possess good interpersonal skills, as they are as important as technical skills, in order for them to be able to contribute significantly to the organisation's success.

Key words: management accounting; strategic management; motor industry: business issues

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CHAPTER ONE: OVERVIEW OF THE STUDY

1.1 Introduction

Critics of management accounting in the 1980s viewed it as a concept that did not provide managers with information to make sound strategic decisions; it was seen as being focused on internal issues of operations. Simonds (1982), crafted a new phrase now widely known as Strategic Management Accounting (SMA), which refers to a concept that relates to the provision and analysis of management accounting information about a business and its competitors, in order to achieve competitive advantage in the market (Simmonds, 1982). The term Strategic Management Accounting has not found its way into the lexicon of practicing accountants and scholars seem not to agree on the correct definition (Cadez and Guilding 2008).Strategic management accounting is becoming popular in smaller organisations and its impact cannot be underestimated. A combination of management accounting and strategic management accounting is the backbone for making sound strategic decisions that would give organisations a competitive advantage, as well as positively affecting the performance of the organisation (Nixon & Burns, 2012).Kaplan (1984) defined management accounting as the application of appropriate practices and concepts to process historical and expected economic data of an organisation, in order to assist management in creating a plan for practical financial objectives and in the making of reasonable decisions, with a view to achieve these objectives.The impact of management accounting in supporting strategic management accounting must not be underestimated.Inappropriate financial management results from the lack of strategic management accounting techniques in organisations. The motor industry in KwaZulu-Natal (KZN) is no different, as many organisations have not recognised the impact of management accounting on the strategy of the business. In this fast changing industry, accurate financial information, properly analysed in line with business issues, would add competitive advantage to the organisation. This present study further investigates the impact of management accounting in supporting strategic management process in the motor industry.

1.2 Background to the study

Organisations that practices management accounting has a good base to fight competition in fast changing markets or businesses. Such organization will earn a competitive advantage which will keep their management motivated and guide their actions, supports and creating necessary cultural values to achieve the strategic goals. The primary focus of management accounting is to have internally managers who develop accounting information internally.Management accounting identifies, accumulate measure, prepare interpret and communicate economic information to assist managers to achieve strategic goals of the organization. Contrary to financial accounting which is more concerned with providing information for creditors, stockholders and other stockholders outside the organization.

Management accounting provides the essential data that is used to run the organisation, it focuses on the evaluation of performance and establishing future estimates whereas financial accounting provides a record used to judge a company’s past performance highlighting the historical data such as legal financial matters as ownership, taxation, investment, regulation, and adhering to the consistent and conservative external reporting, within the generally accepted accounting principles(Pitcher 2014).

Management accounting is manager oriented and any study conducted in this area must be done after understanding what managers do, the information they need and the general business environment. Pitcher, (2015) asserts that the essential characteristic of management accounting is flexibility because it presupposes that careful consideration has been given in identifying the important needs of management, with many that cannot be identified exactly ahead of time.

Information that is provided by management accounting is generated by accountants in order to make decision making simple. The best management accounting information is that which provides managers with relevant information that can be used for decision making, encourages taking action towards improving the strategic goals as well as improving the cultural values and mind-sets in a business. A management accounting system can be developed to align with the demands of managers as well as the environment. Technological change, Customer needs and globalisation is causing organisational changes and requires management accounting to adapts to change (McWatters, 2001). For any business to remain competitive in the global market today, it must continually improve. Organisation will need sound management accounting practices that will help them to improve repeatedly. Due to these changes, all over the world there are several management accounting techniques and tools developed and practiced, what is the effect of such in supporting the strategic management process.

1.3 Motivation of the study

The primary focus of management accounting is the accounting information that is developed by managers internally. It is the process whereby managers identify, accumulate, measure, prepare, interpret and communicate the information that assists management to accomplish theorganisational objectives. This makes management accounting mainly concerned with providing the management with information that can be used in planning and controlling operations, or decision making. On the other hand, Strategic Management Accountingis concept that relates to the provision and analysis of management accounting information about a business and its competitors,allowing a business to compete competitivelyin the market (Pitcher 2015).Many organizationshave not been able to achieve their goals due to failure to make use of management accounting information correctly you match strategy. Strategic decisions whose success or viability is not assured by management accounting or finance information is like gambling. The lack of management accounting in the motor industry and the disregard of the effects of management accounting in supporting strategic management prompted the researcher to carry out the study.

1.4 Focus of the study

This study focused on the effect of management accounting in supporting the strategic management process, given the latest developments in the motor industry, where margins are shrinking and competition is increasing. The study brought to attention new techniques in management accounting that are developed and used in the motor industry. The accountants' involvement in strategy was analysed and factors affecting such involvement were identified. Strategic management accounting techniques used in the motor industry were analysed as well.

1.5 Problem Statement and Rationale

The motor industry and business environment at large has increasingly become competitive and businesses are striving and implementing all necessary strategic techniques that will keep them profitable and in business. The motor industry has seen competition increasing as a result of business innovations, technological advancement and change in customer taste and demands. This has compelled many organisations to develop systems and waysof maximizing profitsand the motor industry is no different. A business can be able to remain competitive if it is able to minimize costs and optimize profitsthus improving its competitive advantage, through the implementation of strategies that reduce cost of sales and increase revenue. If management accounting systems are well developed, these may give an organization power to attract and influence a large number of stakeholders to prefer an organisation's products and services. Nixon and Burns (2012) are of the view that a company that uses a sound management accounting system will earn a competitive advantage over its rivals. What impact do these management accounting techniques have in supporting the strategic management process?It is necessary to have a new look into how management accounting impacts strategic decisions. Technology and philosophies are fast changing and management accounting systems are not moving at the same pace. The latest investment appraisal techniques, costing techniques as well as measures of non financial performance are evidence of how fast the environment is changing. In today's world, businesses are resorting to automating management accounting processes using new information technology systems (Nixon 2012). As a result, we have to question whether management accounting is keeping up with the rapid change in technology. Fundamentally, a summary of the research problem are:Few management accountants with expertise and business knowledge has reduced management accounting's support to strategic management process. The lack of knowledge of advantages of traditional and evolving management accounting techniques is due to the size of the organization, industry or strategy of theorganization.How fast changing technologieshave greatly affectedthe nature of management accounting, in relation to the strategic management process? Howfuture techniques or systems of management accounting can aid in the strategic management process in the motor industry?

Management accounting tools are not being used in the motor industry to assist in providing information that is reliable and sustainable for decision making and as a result, this may impede the financial performances of dealerships (Nanda, 2010). Despite the previous research studies being vital, deficiency of management accounting practices for decision making, as well as the lack of technical skills, are a big obstacle in many organisations in the motor industry (Otley, 2016). Management accounting tools such as attribute costing, benchmarking and Activity based costing(ABC) may provide information that can be used by managers in strategic management (Pitcher 2015). The study thus sought to establish the impact that management accounting practices have in supporting the strategic management process in the South African motor industry. In this view, the study has the following aims and objectives.

1.6Aim of the study

The main aim of this study is to assess the impact of management accounting in supporting the strategic management process in the motor industry. For the purpose of this study, thebalance score card benchmarking and ABC included the practices that were assessed theoretically. The practices that were theoretically and empirically assessed included target costing, benchmarking and customer profitability analysis.

1.6.1 Objectives of the study

The following are the objectives the study:

1. To establish how effective is management accounting in supporting the strategic management process and decision making in the motor industry.
2. To examine the elements of management accounting which are considered to be substantial and what influences an accountant's involvement in strategic decision making in the motor industry.
3. To investigate the management accounting tools, alternative techniques and strategic management accounting techniques used in the motor industry toensure strategic decisions are viable.
4. To investigate the extent to which there is a possibility to describe strategic management accounting as a concept encompassed in the comprehensive definition of management accounting.

These objectives are expected to be met in the study and in the end to state the impact that management accounting has in supporting the strategic management process.

1.7 Significance of the study

A study of this nature will benefit organisations in the motor industry, finance professionals, professional educators, as well as investors and top managers. Efforts will need to be made by those who aspire to become accountants in the motor industry to improve their business knowledge, interpersonal as well as technical skills(Pitcher 2015). As expected, management accounting aids strategic decision making through financial analysis that focuses mostly on the assurance that strategic decisions will probably be viable, where strategic factors are prioritized (Pitcher 2015).

Dealerships or organisations in the motor industry would benefit from this study through the knowing what influence the accountants to participate in the strategy of the business. The study would enhance the understanding that certain organisational factors hamper the accountant's involvement in strategic element of the business. It would also highlight the need for the dealerships to be structured in a way that gives room for accountants to be involved in business issues.

Finance professionals, accounting information that is generated and analysed internally, would only be useful if it can be relied on to give assurances that a strategic decision can be viable. Finance professionals would benefit from this study, as they become aware that information that is not combined with knowledge of business issues will not give assurance on the strategy of the organisation. Certain decisions are not easily backed up by financial data, hence, it is imperative for finance professionals to be involved in business issues and share ideas with other managers.

Professional educators and other bodies responsible for training and developing accounting and finance staff would benefit as a result of improved knowledge that strong interpersonal skills are as essential as technical skills. An accountant does not need to function in a box. He needs to interact with different managers in the organisation, which improves his business knowledge and ultimately, allowing him to analyse financial data with the strategy of the business in mind.

Top managers would benefit from the study through knowing that allowing accountants to engage with other managers on matters of strategy would improve their organisations. The results of the study would entice top management to offer managers, accountants and other finance personnel, to take up training that improves their skill set to participate in strategy formulation. It is believed that competitive advantage can be increased if managers can think and act like owners.The study will be of importance to those organizations that would like to keep improving their strategic management process through the use of management accounting.

1.8 Methodology

The study is qualitative and interviews were used to collect the information.As a narrative research, interviews were held where participants shared their own experiences. Primary data collection was done using interviews with accountants, finance managers, financial directors and other finance personnel representing different organisations in the motor industry. 14 participants were invited and an interview schedule was used in order to manage the interviews efficiently. Purposive sampling was used to select and invite 14 participants. In addition to this, literature review for this study involved using library books, subject websites as well as scholarly journals which guided and provided necessary information for the study. Most of the information was obtain from UKZN library, Google books, CIMA website as well as other online journals.

1.9 Definition of key terms

Management accounting can be defined as a process that identifies, measures, accumulates, analyse, prepares, interprets, and communicates financial information used by managers to plan, evaluate, and control within an organization to assure appropriate use of and accountability for its resources. Management accounting also comprises the preparation of financial reports for non-management groups such as shareholders, creditors, regulatory agencies, and tax authorities(Pitcher 2015).

Strategic management accounting:

A process of providing management accounting data analysis of a business and its competitors, for use to develop and monitor business or organizational strategy (Pitcher 2015) (Simmonds 2000).

Strategic management:

A process that involves efforts to match or fit organization with its changing environment in a competitive way possible (Digman 2003).

Motor industry:

The motor is a wide range of organizations and companies that manufacture, market and sale motor vehicles (Maxcy and Silberston 2017).

1.10 Limitations of the study

There were some limitations encountered in the study. Scheduling time to interview the participants proved to be a challenge as the invited participants were busy individuals in their jobs. The motor industry in KZN is broad and covering the whole area was not feasible. Participants were selected from Car dealerships within Durban Pinetown and PMB. The issue of bias could have limited the study as well. Despite the above, these limitations were mitigated through various techniques and the study provided an understanding on how management accounting information can be used to support the strategic decisions of an organisation.

1.11 Chapter Outline

This dissertation is made up of five chapters, whose content and structure are outlined as follows. Chapter 1 has provided an overview of the study. In the chapter, pertinent issues were highlighted and these include the background to the study, the problem statement and rationale, the aims and objectives of the study, as well as the significance of the study. A brief overview of the methodology has also been highlighted. Key concepts are defined, while the limitations of the study are also indicated.

Chapter 2 is a review of the literature on the impact of management accounting in supporting the strategic management process. It further unpacks the literature on management accounting techniques, as well as strategic management accounting.

Chapter 3 explains the research methodology implemented in this study. Included in this chapter are issues like research methods, population, methods and collection of data, as well as interviews.

Chapter 4 covers the discussions and findings of the study. This chapter also includes the interpretations of the findings.

Chapter 5 is the final chapter providing the conclusion of the research. The chapter also includes the recommendations, as well as suggestions for further studies or research.

1.12 Summary

Chapter 1 has provided the background of the study. Motivation of the study, focus of the study and the objectives of the study were also discussed in this chapter. The chapter also gives a brief research methodology, as well as the chapter outline. In Chapter 2, in-depth literature on management accounting, strategic management accounting, management accounting techniques, decision making tools and other concepts, is reviewed.

CHAPTER TWO: REVIEW OF LITERATURE

2.1 Introduction

The foundation of this study was laid down and justified in the first chapter. Management accounting is defined as the collection, analysis and communication of relevant financial and non-financial data, for the purpose of generating and preserving value of organisations (Stoll 2016). A theoretical review of theories of management accounting and strategic management process is presented in this chapter, covering different concepts being studied. Management accounting has mainly been viewed as the application of a set of practices that generates and communicate non-financial and financial information to managers who are responsible for internal controls and decision making (Groot and Selto 2013). There have been a number of studies carried out in management accounting practices and in this chapter, an empirical review of these studies will be carried out. From the beginning of the research to the end, particular definitions of management accounting, as well as strategic management accounting, are considered. The chapter will discuss management accounting, strategic management accounting as well as strategic management process. In the discussions, the accountants' roles, decision making tools such as budgeting will be discussed in this chapter. Balance score card and other strategic management accounting techniques are discussed. Figure 2.1 presented a summary of the strategic management process.

Strategic management accounting is defined as the provision and analysis of management accounting data about a business and its competitors, for use in the development and monitoring of business strategy(Pitcher 2015).This section of literature review will be concluded after a thorough review of available literature on management accounting practices and strategic management accounting.

2.2 Defining Management Accounting

The management accounting function is there to provide decision makers with information, as well as advice to managers, based on the information provided. Management accountants provide information that covers all areas of operations and strategy. The information is also used for planning, controlling and other forms of decision making (CIMA, 2005).Management accounting information is used indifferent levels of the organisation, from operations to strategic decision making and the top level. Scholars who criticised management accounting viewed it as internal work that was limited to daily plans and controls ofoperations(Kaplan 1984). Now into the 21st century, there is still doubt whether management is fulfilling the needs of managers(Ahmad and Zabri 2015).

There is no one size fits all for management accounting practices(Otley 2016). Business organisations fall into different sectors or industries and hence, there are no accounting practices that would be applied to suit all organisations (Otley 2016). Firms are unique and each firm has practices that would suit their needs. These practices and techniques need to be tailor made to suit each organization.Otley (2016) applied the contingency theory to management accounting practices and explained how techniques used vary from business to business. The global business environment is rapidly changing, leading to marketing and production activities shifting from volume to quality-based, which in turn reduces the value of the conventional management accounting techniques (Nandan 2010). There are several factors that managers consider in choosing management accounting techniques that are appropriate for their business. Some of these factors include technological changes, culture of the organization, skills and staff compliment, as well as the available infrastructure. For example, a car dealership may want to change its stock control system and make use of computer backed hand held scanner which marks the position of the vehicle and count the stock. The dealership would require skilled personnel to operate suchadvancedsystems, as this would also influence what type of the management accounting techniques needs to be used in the organisation.

2.2.1 Budgeting as a management accounting technique

A budget is a set of financial and non-financial information or activities that takes place in future (Achim and Pântea 2009). Blumentritt (2006) defines budgeting as the process of allocating an organisation’s resources into units, divisions, activities or investments where they are used to generate value for the organisation. CIMA (2005) defines a budget as a quantitative statement for a defined period of time which may include planned cashflows, assets and liabilities. The analysis of management accounting information is vital in both small and medium enterprises, as well as large firms. Management accounting techniques need to evolve from merely playing the passive role of providing information for decision making (CIMA 2005). Many organisations are using management accounting techniques in their day to day business (Dugdale 1994). Budgeting for controlling costs and performance evaluation is a technique that is highly used.Dugdale (1994) found out that budgeting is an important technique that can be used in directing and managing the process of any organisation. Budgeting gives managers a forecast in the future of what they are likely to experience and its impact on theorganisation's future cashflows, revenue, as well as strategic decision making. Any economic activity whose background is rigorous planning has some assurances of survival and development of these activities in the economy (Achim, 2009). This is one of the reasons why Dugdale, Achim and others highly rate budgeting as a preferred management accounting technique. Many companies are using, among other techniques, budgeting as an effective tool to plan and achieve set goals (Dugdale 1994). In many organisations, managers have become aware that managing and controlling cost can be enhanced by a well-oiled budgeting process (Luther &Logen, 2001).

2.2.2 Management accountant's roles and participation in decision making

The role of accountants has traditionally been viewed as limited to providing useful information to decision makers.Most organisations today are including management accountants to be part of their strategic decision making process (Johnston, Brignall et al. 2002). The level of participation differs with organisations, it is relatively high in the manufacturing and service industries like the motor industry, while relatively low in logistics and public services(Johnston, Brignall et al. 2002). Increased competition in business today has forced many firms to focus more on customer satisfaction and strategic decision making is now being made by teams made up of members from across different fields, including management accountants(Johnston, Brignall et al. 2002).

The roles of a cost accountant and management accountant are separated in otherorganisations. Most firms today include cost related activities in the roles of a management accountant(Pickering and Byrnes 2016). The participation of the management accountant in strategic decision making is partly influenced by the knowledge of product costs (Pickering and Byrnes 2016). Being able collect and code product costs from financial transactions, as well as valuing inventory in the final accounts, allows the management accountant to be in a better position to give advice when deciding on the future of a product or its profitability. This is one of the traditional roles that management accountant performs.

Another traditional role that a management accountant performs, which influences their participation in strategic decision making is to develop, populate and consolidate annual divisional budgets into an enterprise-wide budget. The management accountant administers the annual planning and budget cycle (Pickering and Byrnes 2016).

Participation is also influenced by the role of producing management reports like monthly or quarterly income statement and the balance sheet that is accompanied by performances analysis of the organisation. This role allows the accountant to analyse set standards versus actual results and report on variances(Pickering and Byrnes 2016). This kind of analysis helps support the operational managers and other senior decision makers. The management accountant's participation is influenced by the importance that senior executives put on the change of projects, as well as developing and implementing new systems that will affect the profitability of the business.

Management accountants have historically beenstereotyped as bean counters due to the amount of time that they take gathering information to produce reports with minimum time being spent on supporting operational activities or decisions(Pickering and Byrnes 2016). Lately, many firms are beginning to view management accountants as business partners who support operational managers by providing them with relevant management information, accompanied by insightful analysis. Automation of systems through the implementation of Enterprise resource planning (ERP) is now influencing the participation of the management accountants in strategic decision making (Pickering and Byrnes 2016).

2.2.3 Management accounting and decision making

Management accounting practices are a set of techniques which are relied on in many firms and support the organisation's management accounting process (Sunarni 2013). There are a number of techniques that make up the management accounting practice, such as performance evaluation, budgeting, information for decision making, as well as strategic analysis. Some of these techniques are widely used, while others are not. In recent years, there has been the development of new management accounting techniques, resulting in advancing the management accounting principles and how they add value to various practices (Sunarni 2013). There are some techniques that managers have found to be difficult to implement in their organisations. Available literature also points out that absorption and marginal costing are not as popular as touted before. Their weakness is not being able to provide a more accurate way of recording costs that allow managers to make sound decisions (Jones and Dugdale 2002).

In accounting, information required for decision making can be both financial and non-financial. Many definitions of accounting emphasises the important role that both sets of information plays in decision making. The primary purpose of accounting is considered to be that of control (Otley 2016).

Accounting can be defined as a process of identifying, measuring, systematically recording, interpreting and communicating economic information to permit informed judgment and decision by the users of the information(Drury 2013).Whilst Otley argues that the primary purpose of accounting is that of control, the decision making is of greater importance and it is part of the management control process. The understanding of accounting information aids in the decision making. Management accountants and financial controllers can influence the decisions that are taken by senior managers (Horngren 2009). Relevant information should be decided by the decision makers in the organisation. The information that is gathered and analysed by the management accountants will affect the decisions if it is relevant (Drury 2013)

2.2.4 Decision making tools

Managers in business need to be aware of the costs that are generated in the organisation. One of the most fundamental tools in a business is the costing systems,because it guides the decision making of many projects. Managers use this information deciding on the next course of action, based on costs associated with the activity (Drury 2013). Several costing techniques such as target costing, job costing and process costing can be used to aid in the decision making.In most cases, experienced managers do not only rely on quantitative data to make decisions. They sometimes rely on their intuition, experience, personal glory, as well as moral conviction. Managers decide in this way because not all the information available is quantitative and as a result, sometimes qualitative information is more valuable when deciding the course of action to take.

2.3 Strategic management process

The strategic management process is the organisation of a company's resources into functional areas to achieve the set objectives. Senior management has to adopt a set of policies that would guide and direct the entity's way forward, taking into account the environment in which the entity operates(David 2011). Many authors have described strategic management differently, but the general consensus is the development of strategic objectives that gives an organisation a sense of direction. These objectives are then implemented, followed by monitoring and evaluation and at times corrective action where necessary (Nixon and Burns 2012). Management accounting takes a key role in the strategic management process by providing the support for decision making through the collection, analysis, monitoring, evaluation and proposing a number of choices or options that can be selected. Many argue that this process can either be formal or informal, but management accounting plays a key role(Nixon and Burns 2012). An entity's objective can further be enhanced through the gathering and analysis of internal and external data, regardless of the resource position and changes in the environment. If the result of the analysis is negative, management would need to rethink their strategy and generate more options and choose one that would leave the company in a more profitable position. Strategic management is an ongoing process as it requires constant evaluation. The business environment changes and hence, action taken in the past might need modification to fit the new environment. Strategy managers must stay close to where the activities are taking place, in order for them to assess if there is need to change strategy or reorganise(Robbins and Coulter 2007).

2.3.1 Strategic Management Accounting

Strategic Management Accounting (SMA) is defined as management accounting that is more strategic (Roslender and Hart 2010). It is defined by Simmonds as the management accounting data for an entity and its competitors, that are collected, analysed and later used in crafting and monitoring business strategy (Lapsley and Rekers 2017). Bromwich's definition of SMA limits it to financial information that focuses on the performance of competitors. SMA is much broader than what Bromwich asserts, asit is limiting to view SMA as confined to financial information and cost only because non-financial information is a vital element of SMA.

SMA was introduced as one of the new techniques that would restore the relevance of management accounting in the early 1980s. The academic advocate of SMA considered management accounting to be mainly internally focused and SMA was seen to be different due to its external orientation (Bhimani and Bromwich 2009). The term strategic is to differentiate and also seems to suggest that SMA has an offering of a higher order management accounting. SMA incorporates a long term and broader outlook than that of management accounting (Bhimani and Bromwich 2009). Although Bhimani and Bromwich (2009)made SMA popular, Simmonds initially introduced the SMA into management accounting in the earlier years. SMA is a technique that was introduced with an external orientation approach used for data collection and analysis of cost prices, sales volumes and cashflows for the business and its rivals (Pavlatos 2015).

There is a growing interest in SMA, but there is still a limited consensus as to what constitutes it(Demartini 2014). Investigations into SMA found out that in the past, entities were mainly focused on production first and then embark on selling,whereas with the use of SMA, firms are becoming market oriented. Entities now identify the needs of the customer and make the necessary adjustment to earn a profit (Cadez and Guilding 2008). Another dimension that SMA brings is the participation of the accountant in the strategic management process. Most entities are putting more effort to serve and provide value to customers. The decisions that are made to serve customers are now being made by cross functional teams including management accountants. SMA has brought the notion that views strategic management accountants not only as providers of information, but also as important and vital players of the strategic management process who are empowered decision makers(Cadez and Guilding 2008).

Accountants suggested the use of key strategic tools for SMA as the activity based costing, as well as the balance score card (Martello, Watson et al. 2016). As highly pointed by Cadez and Guilding 2008, it is noted as a noble suggestion that accountants should be at the fore front of the strategic management process. This research will identify the levels at which this is being achieved in the motor industry.

The SMA process can be made out of four stages, according to(Rosli, Said et al. 2014). Although Dion and Smith's four stages are made out of business unit identification, cost analysis, market analysis and evaluation, other authors like Lapsley and Rekers (2017) believe that SMA should be "more thoroughly infused with marketing issues, theories and concepts to form a marriage of equal partners", leading to brand management accounting.

A different understanding of SMA is shown by the process that was put forward by Lord (1996), which involves data collection about competitors, taking advantage of cost reduction opportunities and aligning the importance of accounting with strategic position. The term SMA is widely used in many countries but in others, it is viewed as the same as strategic cost management(Lapsley and Rekers 2017).According to Henri, Boiral et al. (2016) strategic cost management is the blending of the financial analysis elements of three themes from the strategic management literature – value analysis, strategic positioning analysis and cost driver analysis.

The review above clearly indicates that there is no general agreement among scholars, on what should make-up SMA. The gap is whether SMA should focus on financial information only, or combine non-financial information with quantitative data. The literature available has not drawn a clear difference between strategic management accounting and information that supports strategic management process. It is viewed to be a problem if there is no widely accepted definition of SMA. There will be no uniformity if requirements and expectation of SMA is left to individual users.

2.3.2 Strategic management accounting techniques used by management accountants

The scholars of strategic management accounting have barely agreed on the widely-accepted definition of SMA. It is no different to the consensus as to which methods and techniques to include on the strategic management accounting list (Langfield-Smith 2008). Lifecycle costing ad target costing are techniques of strategic management accounting that are used often.However, strategic cost analysis is the third generally accepted method.

Cravens and Guilding (2001)believe that organisations that need to use SMA can implement one or a combination of techniques, while several other authors believe that SMA is not a complete stand-alone concept, but a combination of various techniques that are repackaged and rebranded. The study done by Cravens and Guilding (2001) depicts a combination of several management accounting techniques that were put together to model SMA. In their study, Cravens and Guilding (2001)considered life cycle costing as part of SMA.

Life cycle costing: This technique is used to calculate the total cost of a product form design, introduction, market growth, maturity up to decline. The technique has a long-term element in it that combines finance, accounting and marketing perspective(Cravens and Guilding 2001). The technique assists managers to understand cost consequences in the life cycle of a product and identify areas where cost reduction efforts can be effective (Juras 2014).

Attribute costing: Goods and services are packaged into a "combos", where cost is established upfront. The idea has an external orientation as it is aimed at customers(Cadez and Guilding 2008). Management accountants are heavily involved in ascertaining the cost of these products and services that are put together to be sold as a combo(Juras 2014). Such information becomes vital as the decision makers will decide based on the information provided. Attribute costing involves an additional approach that is different from ABC and strategic cost management. Bromwich (1990)highlights the distinction where the attribute costing hinges on costing product attributes provided by the firm and the other technique costs, the functions that provide value to customers.

Target costing: The technique requires the use of many external factors to be considered; it is a customer oriented technique mainly used in Europe and Japan (Drury 2013). Similar to Cravens and Guilding (2001), Drury (2013) observed target costing as a technique that seeks to determine the customer's perceived value of a product arising from its attributes and functions. Target costing exhibits the external orientation of SMA and places prominence not only on the competitors, but on the market place, as well as on the customers (Roslender and Hart 2010).

Bench marking: In this technique, the best practices are identified in business and market as a whole, which are then compared to the performance of the organization with the aim of improvement (Cadez and Guilding 2008). Continued improvement (Kaizen) is at the centre of setting these benchmarks. Benchmarking has an external orientation approach in the direction of competitors(Drury 2013). According to (Simmonds 1982), organisations develop strategies that are monitored in order to understand competitor's information. Drury (2013) argued that bench marking indentifies and ensures that improvements are implemented on customer activities that are lacking.

Activity based costing: This strategic technique places emphasis on tracking and managing activities that give rise to costs in order to achieve a competitive advantage.Cravens and Guilding (2001)identified it as a constituent of SMA. When management becomes aware of costs by activities, it becomes a catalyst that requires efforts that would lead to becoming competitive (Drury 2013). The main aim of this technique is to fulfill customer needs and wants, while requiring little use of the company's resources (Simmonds 1982). Cadez and Guilding (2008)identified strategic costing and value chain costing as constituents of SMA. ABC is seen as an emphasis that costing techniques must be strategic and pursue competitive advantage on a long-term basis. This technique offers an accounting approach that would reflect all activities from design to the distribution of the product. Such an approach would lead to exploiting efficiencies derived from other linkages within the firm, its customers or suppliers (Drury 2013).

The above techniques were developed and function individually. Cravens and Guilding (2001)combined these techniques and modeled them into a single SMA technique. The combined package of these techniques differs from Simmonds' original view of SMA. Simmonds (1982) viewed an accounting practice that is fully externally oriented towards a strategic side of working with financial and non-financial information on competitors, customers, as well as highlighting the market environment. According to Simmonds (1982), SMA operates as a stand-alone technique which management accountants should embrace. SMA has been seen to be a technique that provides the base for decision making that improves the performance of a company through competitive advantage over competitors (Aziz 2012).

2.3.3 Balanced scored card

Kaplan and Norton (1996)developed the balanced scorecard to help organisation reduce the limitations of mainly relying on financial measures. The model makes use of financial and non-financial measures, which is a move away from the traditional accounting system that relies on historic data that are vulnerable to manipulation by management (Norreklit, Jacobsen et al. 2008). In their later publications, Kaplan and Norton emphasised how the balanced score card has maintained the four perspectives of financial, customers, internal business processes and innovation (learning and growth).

Despite the BSC receiving a worldwide adoption and approval, the results of using the BSC are not all positive and Antonsen (2014)believes that some organisations may abandon the BSC for better performance measurement systems.Awadallah and Allam (2015), despite the above critique, the concept and practice of the BSC is a useful strategic management accounting system that depicts the impact of management accounting in supporting the strategic management process.The strategic management process is enhanced by tracking the execution of projects. The BSC allows lagging behind tasks andunder-resourced activities,as well as those where knowledge and skills are lacking,to be identified. The BSC provides a more comprehensive picture outside the usual objectives of cost, time and risk(Antonsen 2014).

The view of the organization is limited by the absence of a clearly defined relationship with the firm's performance and failure to define key factors that are necessary to identify the Key

Performance indicators (KPI) and the four aspects (Awadallah and Allam 2015). Balance score card is known to be more effective in organisations which have hierarchical structures.Awadallah and Allam (2015)assert that these limitations are contributing to some organisationopting to drop the BSC as a measuring system.

Many of the techniques that have been mentioned above outline ideas which can be implemented in determining the impact of management accounting in supporting strategic management process SMP. The activity based costing has been the major technique with many others only being extended version or application of the traditional methods such as the ABC.

The Strategic management process has become an integral of many organizations and this can be summarized as shown in figure 2.1

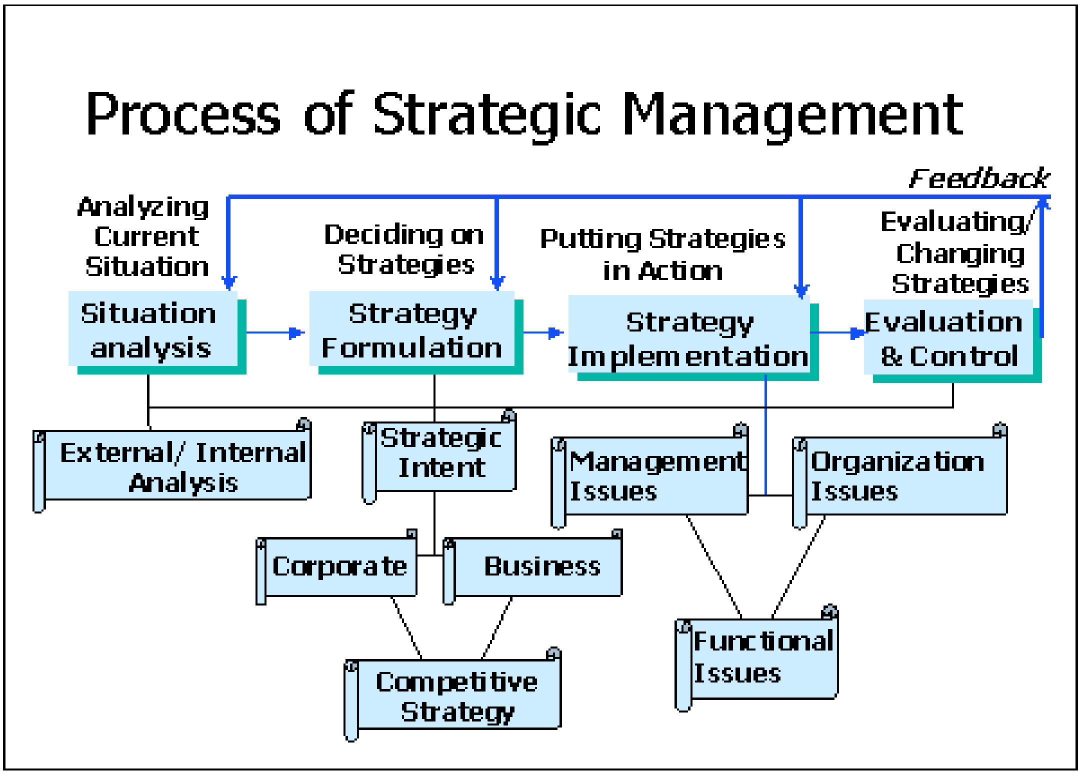

Figure 2.1: Strategic management process: Adopted and modified from Ward 1992

2.4 Summary

In this chapter, a review of literature is presented, clearly reviewing the elements of management accounting that support the strategic management process. Another angle of note reviewed is that of the early researchers of management accounting practices, whose role has been ever changing.

A review of the extended versions of some traditional management accounting practices is carried out, as many organisations are evolving and the systems used have to be changed to adapt with the new environments.

Antosen (2014), Awadallah and Allam (2015) and Aziz (2012), agree that industries are different and unique and some environments are fast changing.This requires management accounting techniques that are flexible, to be implemented in either slow or fast-moving environments. Certain organisations follow other entities with the view of being on the same level, implementing institutionalised practices (Powell and DiMaggio 1991). In the review, a number of researchers raised concerns in which management accounting information is used by senior managers when making decisions. Many researchers who have worked on management accounting and SMA believe that there is still the need to study further, the effects of management accounting practices in supporting the strategic management process.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes how this study was undertaken. The chapter describes the research design, geographical area, population and sample, as well as the methods used to collect data and how it was analysed. Validity and reliability are of utmost importance in any study, thus, the chapter further describes ways that were implemented to maintain such.

3.2 Aim of the study

The primary goal of the study is to evaluate the impact of management accounting in supporting the strategic management process. This was be done by examining some of the management accounting practice and techniques used in the motor industry.

The secondary goal is to evaluate what elements are common in management accounting and strategic management process. This is carried out by examining the strategic management accounting techniques, some of which are extended versions of management accounting practices.

The specific aims of this study are as follows:

Aim 1. To what extent does management accounting supports strategic decision making and what influences the accountant's participation in the strategic management process? This will be investigated in the way management accounting information is prepared for decision making.

Aim 2. To what extend does management accounting or strategic management accounting techniques used by practicing management accountants supports strategic decision making. This will determine the reliability of the information that is presented to senior managers or decision makers in the motor industry.

Aim 3. What are the common elements and tools of management accounting noted to be significant in strategic decision making? There is a slight difference in management accounting and strategic management accounting and noting the difference would assist in establishing these common elements.

Aim 4. Is strategic management a branch of management accounting and what are the factors of management accounting that assist in strategic decision making through the supply of financial analysis that centers on assuring that the decision madeis potentially viable? Financial analysis results can indicate the financial health of the organisation, as well as increasing the chance of a strategic decision to be potentially viable.

3.3 Research designs and methods

A narrative research was used in this study. According toClandininand Connelly (2000), narrative research is a way of understanding experience that involves collaboration between the researcher and participants, overtime, in a place or series of places and in social interactions with settings. In a narrative research, we systematically gather and analyse data from participants through their stories as experienced by them, which challenges the traditional and modernist views of truth, as well as knowledge and reality.

Interviews were used in this study as way of collecting data. An interview is between two people who converse, with the main objective being to collect data for research (Creswell 2013). An interview schedule was used to self-administer interviewswith participants on a face to faceplatform. An interview was chosen because it gathers stories that are based on experiences and it also allowed the researcher to observe feel and listen to the participants. This method was also chosen to allow the researcher to be able to achieve the set objectives of investigating and establishing the levels at which management accounting supports strategic management as a process and aid decision making in the selected organizations from the motor industry around Durban, Pinetown and Pietermaritzburg.

3.4 Research paradigm

A paradigm can be defined as a cohesive number of substantive concepts, variables and problems which have tools and methods that match(Creswell and Poth 2017). The nature and conduct of research has a set of values and assumptions that researcher follows. Dankasa (2015)asserts that a paradigm is a pattern, values and assumptions or a framework of scientific ideas.Ontology, epistemology and methodology are the three dimensions of the research process (Antwi and Hamza 2015). According to Antwi and Hamza (2015), a paradigm is a word that comes from Greek meaning pattern.

Our aspects of reality about how we view the world can be ontological or epistemological. Research paradigms may reflect our beliefs about the world we live in, or we want to live in.

Paradigms can be placed into three categories as critical post modernism, positivism and interpretivism.Interpretivism highlights that there are so many ways of looking at phenomena,other researchers like Antwi and Hamza, advocate that there is no restriction to theories that one can use to achieve the results(Antwi and Hamza 2015). The results need to be judged on how interesting and relevant they are to those involved in the research and study area. Constructs are only derived through proper examination of the issue at hand. It is assumed that results and knowledge in interpretivism comes through as a result of interpretation (Gephart1999). Objectivity is not independent of human reasoning and thinking. According to Meyers (2009), reality is reached through social construction and conversations that bring a shared meaning. In the interpretive paradigm, a researcher can collect data or information through observation, which he will then interpret and make meaning, basing it on abstract patterns(Creswell 2013). According to Antwi and Hamza (2015), phenomenais better understood based on the meaning that people ascertain to it.

In the researcher's analysis, the phenomena were understood from individual's subjective experiences, as it is in the interpretive paradigm where methods such as interviews or participant observations that derive meaning from the researcher and participant relationship. In the study, no variables were defined as independent or dependent, as interpretive research places attention on the intricacy of human being's ability to make sense through the given situation (Kaplan and Maxwell 1994). This paradigm's aim is to make meaning from subjective explanations. According to (Creswell 2013), the researcher is part of the process as a participant or observer who takes part in the activities and derives meaning from the information that comes from conversations.

3.5 Study setting

The motor industry is one of the biggest industries in South Africa. It has different segments and a study in this industry is relevant since the country relies to some extent on vehicle sales as an economic growth indicator. As a fast-moving industry in terms of technology, brands and products, it is ideal to study the findings of the importance is management accounting in supporting the strategic management process in the industry. Any delayed decision making in this industry may prove to be catastrophic for an organisation. Recently, the industry has been rocked by the withdrawal of General Motors from South Africa and the closing of production forall Chevrolet vehicles by December 2017. There is never a time that management accounting becomes critical in these instances. Decision making is further enhanced by the use of management accounting information that is provided to senior managers or decision makers in the organization. Most of the companies in the motor industry make use of financial controllers and have their financial statements prepared in-house. This further strengthens the case of the study of the impact management accounting information in supporting the strategic management process.

3.6 Population and sample of the study

Population in research can be defined as a collection of objects and individuals who form part of the scientific phenomenon to be studied (Patton 2005). The population of this study was defined to include senior managers, accounting and finance personnel in the motor industry in KwaZulu Natal. It is estimated that there are over 1000 finance personnel that include Accountants, Financial directors, financial controllers working in car motor industry in KZN. In addition to the finance personnel, managing directors were included in the population, as they constitute decision makers, as well as custodians of strategic plans in their organisations. They are better placed to answer some of the researcher's questions that relate to how management accounting information supports the strategic management process.

A sample is drawn as a subset of the objects of individuals that make up the population. A fraction of the total population makes up a sample (Patton 2005). A sample is made up of those selected to participate in the study.The nature of the phenomenon studied required the researcher to reach a targeted sample quickly and proportionality was not the primary concern. In this study, a total number of 14 participants who included managing directors, financial directors, financial managers and financial controllers were purposively selected from dealership around Durban, Pinetown and Pietermaritzburg representing different franchises such as General motors, Toyota and Audi.

3.7 Sampling method

Sampling helps because it is more economical to collect data from a sample than the entire population (Patton 2005). It can be difficult to identify all population members and therefore,sampling is regarded as rational (Creswell and Poth 2017). There are two categories of sampling methods which are probability sampling and non-probability sampling.

Probability samplingcan be defined as a method that gives every element of the population an equal chance to selection (Cooper, Schindler et al. 2006). Elements of the population are selected by chance, randomly and this removes the sampler' bias (Cooper, Schindler et al. 2006). There are four main types of probability sampling which include stratified random, cluster random, simple random and systemic random sampling (Patton 2005)

Simple random sampling:This is a method that ensures that all elements in the population has a known equal chance of selection (Hair, Bush et al. 2000). Where the total number of the population is odd, this method is not the best to use (Sekaran and Bougie 2016).

Systematic random sampling: This technique selects the nth unit of the population for a list of the randomly selected units. It is a practical and cost-effective way of sampling and has become a popular method (Sekaran and Bougie 2016).

Stratified random sampling: This technique divides the population into groups where samples are drawn from these strata or groups. The methods seek to do away with sample that consists of members with the same characteristics, for example, a group or specific suburb(Welman and Kruger 2001).

Cluster Sampling: This technique uses groups from the population. These groups are named clusters. This technique is as similar to the stratified random sampling, but it is different because it uses clusters and not individuals (Hair, Bush et al. 2000).

Non-probability sampling considers a number of methods where a chance of selecting an element is not known and this selection is done based on the knowledge and judgement of the researcher. Cresswell and Plano Clark (2011)follow an approach that is subjective. According to Greenfield (1996), a mix of sampling techniques can be used in a research. Non-probability sampling is widely used because it is inexpensive and convenient. The following are types of non- probability sampling.

Conveniencesampling:This is a technique that draws from an already available sub-population or group. Hair (2007)argues that the method should only be implemented if other techniques are not effective, as it is considered more opportune and easy to engage participants.

Homogeneous case sampling: When using this technique, the researcher selects elements from a particular group to do an in-depth study. The method is widely used where the participants share the area, or are part of the same profession, or have the same qualification (Teddlie and Tashakkori 2003). The researcher made use of this sampling, combining it with purposive sampling.

Snowball sampling:Hair, Bush et al. (2000)define this technique as a method that is used to find initial participants who will in turn nominate or select more participants for the study. This method is very useful where participants are not easy to identify (Cooper, Schindler et al. 2006). Some authors refer to it as the referral sampling method. This method was not effective in this study.

Purposive sampling

In purposive sampling, it is important to carefully select where data will come from, sound judgement must be applied to reduce problems that arise as a result of data that are improperly collected (Tonco 2000). The qualities of the participants are important to note before selecting them. This method does not require underlying theories,or a defined number of participants.

In purposive sampling, the researcher decides what needs to be studied and makes an effort to find the participants who are willing to provide the information, based on their experience or knowledge (Bernard 2002). The method allowed the researcher to find participants who were well-informed about the phenomenon (Cresswell and Plano Clark 2011). While Bernard (2002) views knowledge and experience as of utmost importance in purposive sampling, Aronson (1995)believes that willingness and availability of participants, as well as their ability to reflect, express and articulate opinions and experiences,are important.Purposive sampling is different from random studies in the sense that it considers certain participants whose characteristics will add relevance to the research.Purposive sampling thus allowed the researcher to get the opinions of the target population. The researcher sampled with a purpose. The sample was constructed to serve a very specific need, that is to gather data from management accountants and finance personnel. The researcher’s specific group was that of financial directors, financial managers, management accountants, financial controllers and managing directors invited from selected dealerships around Durban, Pinetown and Pietermaritzburg. The researcher only concentrated on the target group, inviting and interviewing those that were available. A non-probabilistic homogeneous sample was used since the research questions that were being addressed were specific to management accountants, finance personnel and other strategic decision makers in the business.

3.8 Construction of the instrument

An interview schedule was designed by the researcher as an instrument for gathering data. Financial managers, financial directors, management accountants and managing directors were interviewed using the interview schedule. Questions in this interview schedule were designed to collect the relevant and necessary information for the research.The impact of management accounting in supporting the strategic management process required questions that would cover a broad area in order to get the relevant information, refer to appendix section where the interview schedule is attached.

The interview schedule had three sections: A, B and C

Section “A”, was on the participant, his position and other information

Section “B” was on management accounting principles, it had5 major items and sub items:

Section “C” was on the importance of management accounting in supporting the strategic management process. This section had 5 major tems and sub items.

The instrument was structured by the researcher in a way thatit provided open ended questions where participants could share their experiences and opinions on relevant matters of the study.

3.8Data Collection and research tool

After the researcher, had ran a few trial-runs and made some amendments on the interview schedule, 14 interviews were successfully conducted, where data were recorded on an electronic device. The interview time varied from 30 minutes to an hour and this depended on the length of responses provided by the participants. The researcher took upon the task of recording the data onan electronic device and carefully saving the collected data.Any additional data required was followed up through emails and phone calls.Qualitative data were collected from the participants. This type of data is measured or pressed not in numbers, but rather as a description in natural language.

3.9 Data Analysis

According to(Mugenda and Mugenda 2003),the process of putting a meaning to the mass information that was collected is called data analysis. It is also known as a series of developments and actions where collected qualitative data are converted into some interpretation or explanation and understanding of people and situations being investigated. Qualitative data analysis is interpretative and it seeks to examine the representational and meaningful content of qualitative data. From the collected data, the researcher evaluated the attitude of the speaker towards the message, as well as examining if the content was representing group shared or individual ideas. Part of the analysis was to weigh up how the participants' responses represented actual or hypothetical experiences.

3.10 Pilot study

A pilot study is a mini version of the study while preparing for a full-scale study. A pilot study is a mainly used for pre-testing the research instrument such as the interview schedule or questionnaire. It can also be referred to as a feasibility study (Holloway 1997). The researcher carried out a pilot study after he had a clear vision of the research topic, questions and methods to apply in the study. The researcher tried out all the techniques and methods which he had in mind, to see how well they were working in a real study. The researcher decided to modify his interview schedule to exclude questions that were not aligned with the research questions. The researcher also narrowed down questions in instances where set questions were not answered satisfactorily. The pilot study for this study can be taken as a pre-testing of interview the schedule.

Areas where too much time was used were highlighted and corrected in the actual interviews. It became clearer to the researcher that a pilot study in the current research was crucial in order to minimise time money and energy.

The pilot study was needed to detect possible flaws in the study. The researcher assessed the feedback received from participants. Time was identified as a critical factor in the study from scheduling appointments with participants to the actual interviews. The value of the pilot study was great in the current study. The researcher measured the time taken in the pre-test. Feedback was also measured to clear out difficulties in questions, duplication of information and time spent in the setup.

A pilot study was useful and important in identifying unclear questions in the interview schedule. The current study made use of a designed interview schedule and piloting the use of this schedule was necessary.

The researcher also used a pilot study to assess the non-verbal behaviour of the participants, to get information that may adversely affect the study. This was valuable as the study was purely qualitative. Non-verbal behaviour identified through the pilot was crucial in establishing and determining the participants' willingness to share the information.

The researcher was also able to gauge and assess any warnings about where the main research was likely to fail. The researcher was also able to identify where research protocols might not be followed. Another advantage of a pilot study is that the researcher is able to identify practical problems in the study, as well as indicating whether instruments are appropriate or methods are complicated (Welman and Kruger 2001).

The advantages of a pilot study listed above are relevant to the current study. The pilot study was mainly used to identify practical problems in the method used. The research's goal was to assess the impact of management accounting in supporting the strategic management process. The pilot study assisted the researcher to identify if the research instrument and method was appropriate.

3.11 Reliability and Validity of the study

Validity and reliability are critical and important elements of all research, especially in qualitative research. The interpretation of qualitative data could be clouded bythe researcher'ssubjectivity, thus, it is vital to ensure the validity and reliability of the findings, in order to avoid any skepticism by other parties.

Validity can be defined in general as how correct the data that were obtained through the research instrument. Validity can be measured and classified as both external orinternal (Creswell 2013). Validity is thus of great importance since there are several factors that could affect or influence the validity of the data collected.

The interview schedule was tested for validity through trial runs of interviews that were done preliminarily by the researcher and some participants. According to (McBurney and White 1994) content validity is essential on research instruments to check if the content will test what it is supposed to test. Through the trial runs, the researcher was able to make some adjustments to the interview schedule and made use of simple English and edit questions that were going to require one-word answers.

The validity of this study could have been affected by some internal and external factors. If an event occurs and it is not related to the study, it may have a bearing on the findings, presenting some internal validity issues (Creswell 2013). History and experience of certain participants posed a threat to internal validity, hence, the results on non-financial measures or information on appraising employees was viewed with extra caution. An example is that of personnel who have spent a number of years in the organization starting from the bottom through internal sourcing and such participants are likely not to share the negative part of the business.

Another area was the process of selecting the participants for the study.Whilst most of the participants were invited by the researcher, one was nominated by a senior manager in one of the dealerships and hence, validity may have been compromised (Cooper, Schindler et al. 2006). The researcher made extra effort to assure that there was anonymity in the reporting and the interview questions were kept open ended to allow for personal experiences.

Another issue on validity was the fact that the participants were aware that they are taking part in a study. The Hawthorne effect indicates that participants will display a particular behaviour when they are aware that they are taking part in a study (Hair 2007).

The sampling method proved to be a challenge to generalize the results on the whole population. The use on a non-probabilistic sampling method of purposive sampling needed certain results to be viewed with caution. A probabilistic method could have better proved to be more time consuming and expensive (Hair 2007).

Reliability, on the other hand, is achieved through the consistency of repeatable measurements (Ihantola and Kihn 2011). If repeated test under the same conditions give the same results, then there is reliability. A valid instrument will provide reliable data, exhibiting the relationship between validity and reliability. If the repeated result has very little to no variations, then reliability exist (Ihantola and Kihn 2011). A technique of consistency was used to ensure reliability in the responses. The extent of the interviews did not provide enough time to repeat the process.However, the participants were given an opportunity to communicate further information at a later date, if they wished to do so.

3.12 Bias

Many researchers struggle to keep bias off their research. Unbiased interpretation is more reliable. Purposive sampling might be viewed as a biased way of sampling, but combining this with a non-probabilistic method of a homogenous sample reduced the bias that would have come as a result of sampling.

Another area where bias was dealt with came in form of the researcher's capacity and quality. The researcher consulted and practiced using a given guideline in the process. In research, researchers need to find systematic ways to guard against their own biases.

3.13 Ethical consideration

Financial managers, management accountant, financial directors including managing directors face ethical issues in their day to day duties. This is the same with the researcher. Where participants are people, there is need to take great care of other people's rights without infringing on them. Participants will need to be protected, hence, the researcher reported his findings in anonymity (Ihantola and Kihn 2011).

Consent was obtained for conducting and electronically recording interviews with the participants. The participants consented to these interviews. The Research ethics committee of UKZN also granted the researcher an ethical clearance certificate. The researcher also granted the participants the right to privacy, as the interviews were done individually and the collected data were kept confidential. The data collected were used for research purposes only.

3.14 Summary

This chapter described the issues relating to research methodology, addressing the aims of the study, research design and methods, research paradigm, population and sample, data collection, data analysis, issues of bias, reliability, as well as ethical considerations to the study. Issues relating to bias were attended to, particularly in interviews where the researcher's involvement could have resulted in collecting biased information. Validity and reliability issues were addressed as well by adhering to the research ethics and standards.

The next chapter is a presentation and interpretations of the data collected from the 14 participants. The data were collected through structured interviews and recorded on an electronic device. The purpose of this study is to investigate the impact of management accounting in supporting the strategic management process in the motor industry. Enhancing the way in which management accounting information that is used for decision making at strategic level is collected and presented will assist decision makers of firms in the motor industry in KwaZulu Natal and with potential to extend this country wide.

CHAPTER FOUR: PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter provides a discussion of the research findings of the study. It further interprets and explains the findings of the study in conjunction with previous studies conducted,both local and international literature. There are other previous works whose findings concur and also refute with the current study, thus, comparisons will be made to deduce meaningful contributions to both the academic and business community. The participants' work experiences ranged from 3 to 28 years working as accountants, financial controllers and finance personnel in the motors industry.

4.2. Accountants' participation in the strategic management process

In order to figure out the levels at which accountants took part or were involved in using accounting informationin strategic management, Figure 4.1 was developed and used. It was visible that there were several factors that influenced the accountants' involvement in the strategic management process. These included the following:a) accountants' qualities; the attributes and qualities that were possessed by the accountants, including theiranalytical abilities to improve theirorganisation's strategy; b) organizational factors; these are the factors that were directly generated inside the organisation; c) systematic factors; these are ways that allowed the accountants to perform their responsibilities.

Table 4. 1: Influential factors drivingthe accountants' involvement in strategic management process

Accountants' qualities	Organizational factors	systematic factors
Interpersonal	Relationship	Information Systems
Skill set	Culture	Provision of information
Desire	Trust & Credibility	Resource Capacity
Technical	Position in organisation	
Business Knowledge	Business Knowledge	
Ability to add value	Ability to add value	Ability to add value

4.2.1Accountants' qualities

Regarding accountants' qualities, the attributes and qualities that are possessed by the accountant are critical in his participation in the strategy of the organization. All the participants in the study highlighted the importance of an accountant's good interpersonal skills, as well as being able to relate topeople in different areas of the organization. A financial director at one of the organizations pointed out that his love for numbers is what drove him into accounting and finance and did not enjoy getting involved in the strategic processes of the organization. One of the general arguments that were raised by many participants was that an accountant does not need to have good technical skills only, but also requires motivation and genuine aspiration to be involved in the matters concerning the issues and strategy of the business.

"Most of the guys that come and join us in the department come with degrees fully qualified but they are not prepared to work with other teams from operations. All they talk about are numbers and frustrate operation managers by cost saving speeches (Interview 13)".

"Our previous manager spent hours and ours building excel spreadsheets, and he did not take time to assist junior staff to engage with business issues (Interview 7)".

The common view of many people was that accountants are professionals in accounting and have very little interest in business matters. The issues raised by participants concurs with what professional bodies and academics are aiming for in future, to have accountants whose desire for business is at par with their profession. Pitcher (2015) argued that accountants who lack knowledge about business issues will or contribute less to the strategic management process that one who is prepared to engage with other managers on business issues.

4.2.2 Organisational factors

In organisational factors, largely the organisationalculture, the relationship between an accountant and top management (Directors), as well as the accountant's level of operation, makes up the organisational influences.There are different sizes of organizations in the motor industry and it was apparent that in many of the large dealerships, not all accountants or finance staff participate in the strategic decision of the company. One of the requirements in the dealerships was to have individuals who will focus on a reporting role. These are individuals whose role was to provide information and to make sure that the best practices, procedures or policies of the organisation are followed. This freed up other finance personnel or accountants to directly deal with management on important levels.

The participants in most dealerships were senior staffs, who were at some point involved in the strategic management process of theirorganisations.The General Motors organizations had well-structured and established finance departments that enabled the staff to be ranked within certain levels, depending on qualifications and years of experience. One of the theories that is put across by Rosli et al. (2014) is that a senior accountant or finance personnel has more input into the strategy of the business. Based on the findings, it was apparent that the more senior an accountant was, the more they interacted with other managers regarding strategic moves or actions required. This indicated that the senior the accountant is, the more he is involved in the strategy and development of the organization. In certain dealerships where communication was visible to be two-way, a number of finance staff had some input in ideas that were considered towards the strategy of the organization. This is what one of the participants had to say in this regard:

> "*We do not look at the finance department in isolation of other areas like operations,marketing and human resources. Coordination between the finance team and all other areas is required for the dealership to achieve its organizational objectives. We spent a lot of time aligning our processes, goals, as well as our culture in all the relative departments, highlighting significant risk areas through communication challenges and misdirected efforts"(Interview3).*

As expressed in the contingency theory of management accounting by Otley (2016), accountants should not be relegated only to balancing books. A finance manager at one of the dealerships shared insights about how he is only considered as the gate keeper and bean counter of the dealership. He is mainly involved in the day to day affairs of the finance department, generating, overseeing and evaluating the controls of the organization. This affirms the general understanding of the traditional roles of an accountant where bean counting is at the utmost:

"I think we function in our different silos as finance staff. We have certain finance personnel whose tasks are ring fenced. Once in a while, we may work shoulder to shoulder with the chairman or the managing directors, these are the people at the top of management". (Interview 6)

Specialisation has been known to bring gains to organisations where different teams focus on certain areas. A financial controller in one of the dealerships pointed out how working interconnected with all the departments of an organisation is time consuming and results in less being achieved, if the finance team is not well staffed. According to Sunarni (2013), cross functionality of accountants is aided by having skilled and sufficient personnel.The amount of staff that the organisation employs in finance team and the workload does influence the accountant's role in the strategic management process:

"For the size of our team and the number of tasks that we have to cover daily, weekly and monthly, it leaves you with very little time to analyse the available data to make timely informed judgments. Of course, this may change as the structure of the organization changes with time". (Interview 2)

4.2.3 Systematic factors

The third factor is hinged on the feasibility of being able to deliver results in a given the role. In order to make good strategic decisions, managers need accurate information at their disposal, so as to make quick informed judgments and decisions. Accountants provide and support managers with information. Three of the participants highlighted that they had access to a system that requires a huge amount of time to get information into meaningful segments that can be easily interpreted by non-financial managers.

"*I wish our organization could upgrade the system to one that is easy to use, where we are able to export data into workable files that are easily accessible. We would need one that if you want to analyse figures, there is easy access to the require set of data on the click of a button (Interview 1)".*

I used to work in an organization which had a system that was easy to collect and analyse data. If our system can be able to provide us data in separate silos, we can be able to anlyse and make informed decision within a short period of time (Interview 4)".

"Our system sometimes hangs and transactions are not processed over night. This sometime results in incorrect information being analysed. We will need a system that does is reliable and easy to use and requires less time to pull out important reports for analyses (Interview 5)".

They spent more time collecting, collating, building excel spreadsheets and analyzing the data tounderstandable. This is as a result of system limitations. The amount of time spent performing the above limited the accountants' participation in the strategy of the business. The number of personnel in the finance department was highlighted as a factor that limited participation in the business matters.A similar notion is shared by Sunarni (2013).

> "*Our controls have weakened as a result of less people we have performing a number of tasks. It is not only segregation of duties that is affected, but also the need to have safety nets where errors can be identified right from the beginning. There has been a hint that with the current changes in the motor industry, there might be the need to employ more in order to improve the organisation's competitive advantage".(Interview 7)*

As pointed by the participants, the above discussed factors are critical in providing support and accurate information to managers. Possessing good qualities and attributes, as well as a balanced skill set can enable an accountant to add value to the organization. Good systems and processes assisted by the right business knowledge backed with capacity, will allow the organization to build strong relationships and trust.

> *(…Changing staff or adding more resources have proved to be an uphill task if your area is not viewed as essential, or your efforts are not recognized with great enthusiasm by top management). (Interview 3)*

4.3 The accountants' roles

4.3.1 Analytic and advisory partner

Four participants highlighted the need to use the financial data to aid in deciding which supplier to order from, what supplies to order, as well as commissions submitted to payroll.

“As we order or vehicles, we do not have a choice of choosing the supplier because we are a francise and hence, we have one supplier but for our accessories we use the financial data that we have to compare costs and the margin we can get on a unit sold (Interview 5)”.

We look at the deals that we close if totality and analyse the profitability of that deal and that determines where we can order items like accessories to maintain a certain margin (Interview 7).

These four participants worked with complicated financial data that theyanalysed and used to provide advice on revenue and expenditure projections and other business operation issues to top management. Three of the participants were mainly hired to improve the coordination between business finances and operations. There was a suggestion that the coordination was implemented with ease through the separate teams. According to Drury (2013), cost of need to be managed in order to improve profitability. Most of the dealerships were running properly structured accounting and finance departments, although in some cases, these teams were referred to as finance, accounts, or administration, they were called different names but they all carried out similar work and had access to liaise with other managers.

> “*Our aim is to allow for operation managers to have more time out there, while we process, collect and analyse the data in order to provide a clear picture of the current and future status of relevant accounts”.(Interview 4)*

One of the participants pointed out how important it was for their organisation to select one person from the finance department to assist a senior operations manager to understand the implications of certain decisions.

> “*We also take time to explain and train our operation managers on the implications of not meeting set targets, as well as not fulfilling their monthly forecasts. This allows our finance teams not to remain boxed, but to be involved in business issues at all times”. (Interview 3)*

The participants highlighted some instances where they had no choice, but to get involved in business issues, while providing accounting information necessary and critical to the needs of business. Taking part in the business issues was seen as essential by most of the participants who took advantage of the available opportunity. The findings of the study reflect how important it is for an accountant to be involved in business issues as Pitcher (2015) argues strongly that for an accountant to be involved in strategic management process, there must be a strong system that propels them to master business issues.

> "*Given the exiting of General Motors, a few organisations were faced with changes ranging from small to big. As a management accountant, you become aware that such decisions will have a huge impact on the organization.Organisational requirements, policies had to change immensely. The change of franchise data required us as management accountants to be aware of what would happen to the organizational staff and it gave us the right responses to customers and associates. For us to be involved in the strategy of the business, working together with top management was the best way forward, ushering new changes. We needed to be aware of the potential opportunities that the new strategy was going to bring. Will it still remain a going concern after the main partner has pulled out?"(Interview 6)*

> *"This is not time to seat and crunch numbers ignoring operations. Almost every manager in our business is involved in ways to grow the business. As an accountant, I have an upper hand because I am able to advise other managers using the information obtained from analyzing financial data (Interview 14).*

> *"Our finance team is involved in our frontline business operations not to only aid other managers but to approve and direct the way forward in the business' strategic projects (interview13)*

This proved the idea that accountants must always be in the front line of safeguarding the finances of the organization, meaning that they need to possess a set of special skills that allows them to speak the language of business.

"Any good management accountant will build a team of people who has the ability to cross function, knowing that they have a solid background in accounting and they can be put in any position and still be able to make sound financial decisions. Such cross functionality will not only benefit the accounts department, but will benefit the organization as a whole and allows other managers to be freed to critical areas".

4.3.2 Providing information

Nine of the participants pointed out that there was great dependence by top managers, on information provided by management accountants. The management use the information to generate and develop the best strategies for the organization.

"…..our business is cost conscious and loss making projects are not welcome. Most of our managers want to maintain to customer satisfaction index but at the same time making profit. They rely a lot on the information that we provide them (Interview 7)

"…the information that we provide to decision makers in the business allows them to implement a scenario analysis in forecasting the future revenue or returns. So they are able to readjust they strategies (interview 11)".

"…as we present our data analysis to other managers, it allows them to see what is likely to happen in future if certain decision are made, and at some point they have had to change their strategy to align it with the expected outcomes shown in our analysis (Interview 3)

The top managers are aided in their decision- making process by the use of financial information of their business, which is recorded by their management accountants. Most of this information is included in the monthly board packs, as well as daily operating control reports. These reports include both financial and non-financial reports.

"Our monthly board packs are a snapshot of how we have performed in the month. Continuous improvement that we do is based on current result which we try to improve monthly. Such information will need to one that you can rely on (Interview 10)".

Most of the dealerships were making use of the balanced scorecard, but a few were beginning to drop the use of the balance scorecard. All participants were from organisations which made use of budgets or forecasts with which actual outcomes were compared on budgeted versus actual. In most of the dealerships, monthly forecasts were used, which were updated at the end of each month. Seven of the participants emphasised how their top managers require operation managers to improve on each result every time.

"*One of our internal policies is for each manager to improve the results earned in the previous month. Our managers are incentivized to better their previous performance "Interview 9)".*

They used the information provided in each of the forecasts and viewed it to be important and the feedback of the comparison of actual versus planned, was used as part of the strategic management process of reviewing the performance and evaluation of the business as a whole. Accountants and managers used recorded financial information to assess the potential consequences resulting from the changes in the motor industry, given the pulling out of General Motors.

> *"We produce the daily operating control reports, as well as the monthly board packs to track the forecasts and to assess the potential profitability of the division. The feedback we get from these reports will allow contributing critical ideas and information into the strategy of the business". (Interview 10)*

> *"Sometimes we input our analysis before the updated forecast are finalised, because business issues that affect strategy should not only be left to a one-sided team. We need to show them the impact of increasing sales at a reduced price, or keeping the work in-house at a higher cost than outsourcing". (Interview 9)*

Evidently, the use of budgets, plans or forecast as they are referred to in different organisations, can be considered as assisting the strategic management process, as it allows the managers to predict the future. The evaluation of the performance is used to update and re-forecast and develop new strategies that take the organisation forward, thereby clearly exhibiting how visible the impact of management accounting in supporting the strategic management process.

4.4 Management accounting's support to strategy

Eleven of the participants highlighted that most strategic decisions taken in the dealerships or organisations were mainly based on financial outcomes forecasted.

“The decisions that we take are usually made after checking to see if the move will add value to the business. Most of it , we check to see if we will make profit or loss on a move. Our forcecasts are based of financial results of the current month. Financial information collected and analysed will be used to decide of future strategies (Interview 8”.

The other three participants pointed out that there was little significance placed on financial outcomes when deciding on strategic moves. The other participants also pointed out occurrences where top management relied on accounting information, in order to come to a decision. They pointed out that decisions were based on both financial and non-financial.

> *“We did not look at the financial outcomes only when we were renovating our Panel shop. We knew that once we had a facility, we would build a business that wouldcomplement our vehicle sales, service and parts sales. Sometimes it’s not the financial figures alone that make perfect sense; intuition is another good push when you are looking to invest. The longer I performed my role as an accountant, the more I came to know that the best decisions in business are made after analyzing financial information, as well as other areas of business, including operations as a whole.” (Interview 6)*
>
> *“The lifetime value f a customer cannot be ignored when deciding on a strategic decision. Yes our profits do shrink but we also look at the repeat business that we are likely to get from the customer (interview 5).*
>
> *“As we decide on issues we do not do guess work but mainly we back our future strategies with accounting information (interview 8)*

There are four main areas that most of the participants described and these include the following: pricing, advertising, market development and expansion. In pricing, there is a need to be aware of what makes up the cost of a product. It is also essential to understand what variable and fixed costs are. The pricing techniques that mostdealerships used were cost plus,as well as market pricing. There was close monitoring of margins per each deal done.Roselender and hart (2010) affirmsintaking the customer into account. Margins were signed off by financial or managing directors before the deals were concluded. All the participants highlighted that margins were tracked per individual deal, as well as being monitored daily on a departmental level. All the participants also confirmed that the overhead costs were traditionally allocated.

" …some of our managers have argued why they have to carry a greater percentage of the cost of the business and yet their departments only employ a few people (Interview 5)".

" Our margins are tracked per each individual deal or unit sold. Each vehicle that is sold, the financial director must sign the margin to authorize the transaction (intervie 13)".

Only one participant pointed out how they tried to implement activity-based costing to analyse and allocate cost, but this was later abandoned as it was viewed to require a lot more resources to track the costs, collect the data and analyse to come up with meaningful information.

"..our attempt to implement ABC was not successful as it required a lot of expertise in tracking costs. We ended up shelving it for another time. We are making progress in getting the required resources to implement such a costing strategy (interview 12".

In order to gauge market development, financial information was used to determine whether there was an improvement or indications that there would be a positive trajectory. It was not for managers and accountants to tie economic value to market development, as most of the dealerships experienced varying sales month by month. The use of financial information was to assure managers that they were on the right plan and not necessarily as a make or break in decision making:

> *"There are certain areas where we have implemented certain projects based on cost benefit analysis to build our brand and to be known and have access in certain areas that we do not dominate. We cannot quantify this in terms of finances, but once we think that there could be a possibility that it might bring future returns and the initial costs are reasonable and affordable, we do not waste time but to go into those areas. My marketing team was in Nongoma recently, where we know that our chances are minimal, but the important thing is to create awareness of who we are and of course, it comes at a cost. We have an understanding as an organization, that there is an opportunity of recovering the costs, we can always take a chance to spend and try to recover the cost or even make a profit". (Interview 5)*

"The decisions that we have made are as a result of being able to combine business knowledge gained through experience, as well as the ability to work with financial information to predict possible out comes through forecasting". (Interview 3)

We try and eliminated guesswork or unsupported decision making. We use collected and analysed date to make meaningful strategic decisions. We have noted that most of the quick decisions are made on instinct and they are often the best decisions that we have come up with. When General Motors announced that they will be pulling out of South Africa, we knew we had to hoard stock of our best seller utility vehicle. This was an instinctive decision and yes, it paid off three months later". (Interview 9)

To determine the closing ratio from face to face enquiries, demos, as well as portfolio calls, sensitive analysis was implemented. The decision to target fleet customers was tested and viability of the decision was put to test. The amount of investment in business development was controlled and monitored by analysing financial information. In this case, the managers did not base their decision on accounting information, but they used accounting information as a key factor to control the success, as well as levels of investment in their strategic decision. This is a contrasting angle,with one of the reports where, for any developmental appraisal, managers had to look at a financial model first in order to decide on an investment decision.

"*We invited our experienced operations guy and we sat down trying different models of coming up with a base cost in order to trade our over-aged stock, as well as our company car demos. Different ideas were raised until and we came to setting a target cost and started marketing our demos, while they are still in use. This eventually became our business method of disposing our units, rather than running them down whilst incurring unnecessary additional costs". (Interview 7)*

On expansion, not all participants had experienced where financial information was used as a key factor to make decisions. Two of the participants indicated that expansion was an issue that required the accountant's expertise, as this decision would need to be taken after carefully analysing the profitability prospect of any expansion. The financial findings were relied on to some extent of covering issues of due diligence. The culture of the organisation was considered to be critical before any expansion was done. Most of the participants pointed out that there was a need to keep the organisation's identity and culture, rather than expanding for smaller returns.

4.5 Strategic and management accounting techniques

Benchmarking, target costing and cost benefit analysis, are some of the techniques that were discussed by all the participants as they were invited to explain any of the techniques that they used in their organisations. Nixon and Burns (2012) believes that these techniques are important strategic and management accounting techniques. Most dealerships had financial and non-financial performance monitoring techniques that they explained. All the participants highlighted the importance of customer satisfaction index as a non-financial measure that they used to measure the operational teams.

> *"We take repeat business seriously and we strive to make customers for life. The retention of customers from vehicle sales to service, as well as part is of importance to our organization. We analyse each customer's margin and the life time value of a customer is important to the organization. The mix of our services is essential to understand in terms of margins". (Interview 6)*

Previous research identified a number of techniques that can be used to determine the use of strategic management and how it supports the strategic management process. Some of these techniques were considered participants to be complicated to implement in the South African motor industry. The techniques that were used in each organisation varied and were based on the availability of resources in the organization. As participants pointed out the techniques they used, they were invited to share a little more about the positives and limitations of these techniques in their environment. Some of the participants did not agree with the use of complicated and time-consuming techniques in the motor industry. As a fast and ever-changing industry, the accountants preferred techniques that were easier to remodel to fit the environment. Table 4.2

has a list of some of the techniques that were used. It is worthy to mention that most of the accountants had developed and built their own excel spread sheets that they used to analysefinancial data. It was a common issue in each participant, that excel had become another choice of program to remodel the techniques in Table 4.2.

Table 4.2. Strategic management accounting techniques

SMA Technique	Used by participants
Activity Based Costing	Rarely used by two participants
Attribute costing	More than 50% used
Benchmarking	Used by many in the industry
Customer Profitability Analysis	Used by all participant to determine margins
Balance Scorecard	All participants for non-financial reporting
Target Costing	Two participants rarely used it.

Most dealerships were using attribute costing, as well as customer profitability analysis. Four of the participants explained how these two techniques had become part and parcel of their daily tracking of costs.

"the amount of accessories that we sale is increasing and varies from one deal to another. Bundling these accessories into combos makes it easy for us to take costs as well as profitability (Interview 7)'.

"we track profitability on each deal and attribute costing has made it easy for our retail mangers to offer specials based on combos where they are able to get discounts from suppliers on accessories and sale them at full retail to improve their margin and profitability (Interview 14)".

The participants who had the bulk of their business going to fleet customers explained how customer profitability analysis was used to monitor the profitability of different customers. Customers were placed in different categories as a result of these techniques. Margin control was stepped up on customers whose profitability was declining. Strategically, certain accounts were handed over to operation managers to be actively managed in order to improve profitability, or increase volumes whilst maintaining the same margin.

> *"The main reason for closely monitoring these groups of customers is to make sure that profitability does not continue to drop beyond the margin of safety. Where a customer is no longer profitable, we look at the direct and overhead costs associated with that particular customer, to try and work out a model that brings back the customer to being profitable. Our organisation is fully resourced and ABC is one of the techniques that we have used to re-look at the cost associated with a customer. The way our organisation is setup makes it possible for us to use these complicated techniques to analyse costs because we have top managers who understand the accounting language and are familiar with these techniques. It is difficult to implement these techniques in companies that do not have enough resources as well as articulate managers who will understand the analysis". (Interview 13)*
>
> *"We have had customers who regularly buy our products and services, but the monthly delivery expenses were higher than the margin earned on the products and services. This required us to revisit the delivery arrangement with that particular customer and say look, we cannot provide you the service at that price anymore, and we have to renegotiate our pricing. We had to agree on deliveries once a week, for small purchases and panic order for urgent deliveries will attract a separate delivery fee." (Interview 11)*

Attribute costing was mentioned by six participants who highlighted the profitability analysis of products and services. This was done mainly on a few products. This improved profitability, mainly on retail customers, while it did not have much of an impact on fleet customers who are very specific and know what they want to buy before they commit.

"..we decided to structure our specials were we had accessories bundled together into combos which proved to be a cheaper and improved our margins (interview 2)".

"We indirectly forced the customers to buy accessories on vehicles by putting them as combos on all our deals. It allowed us to raise more revenue on accessory side (interview 3)".

Fleet customers were known to monitor the market and were always aware of what is available on the market. It is clear that packaging goods and services into combos works for certain customers, but not all of them. All participants pointed out difficulties in packaging goods and services for fleet customers at a profitable margin, as these customers hold an upper hand in negotiating for prices due to bulk buying.

> *"Fleet customers that I have known will negotiate to the last cent in order to get the best deals. We try and retain a five percent on each deal, but the overall margin is diluted due to low profitability of accessories. There is very little that one can do to attain a better margin from big fleet customers." (Interview 12)*

While customer profitability was the main part to evaluate the margins, there was an attempt to implement competitor analysis on price, services and products. The participants responded on how more resources were required to analyse competitors' strategy:

"Given the battle we have with fleet customer to try and retain a better margin, we have tried to compare our prices, services and products, with those of our competitors. Our managers have seen and experienced the services offered by our competitors and are working on improving ours". (Interview 13)

Measuring performance is at the heart of many dealerships, but only interviewee 5,7,11 and 14 reported on the use of a technique that is similar to a balanced scorecard. As affirmed by Martello (2016), a balance score card will enhance the way performance is measured. It is evidenced by participants' responses below, where dealerships have a commission structure for non- productive staff. This was facilitated by the use of a customer satisfaction index system.

> *"We developed an in-house method of appraising individuals and teams who exceed expectations of others. On a scale of 1 to 5, a good result is a 5. However, we encourage our associates that a 4 is as good as a 0. Customer service should always be excellent,even if it is being offered to an internal customer." (Interview 7)*

> *"We have a technique that we use for staff to rate each other's performance in terms of who has exceeded the expectations of others. This does not only motivate one person but it keeps the whole team looking after each other and aware of who is performing which function (Interview 14)".*

Our bottom line award is given to the team member who excels in her main duties as well as being able to assist in other areas. This appraisal is based on financial and non-financial performances of individual team members (interview 2)".

4.6 Strategic Management Accounting

Whilst the majority of the participants studied accounting in their career, there was no indication that the participants believed in strategic management accounting as a stand-alone concept available to be used. They all highlighted management accounting as the main concept that is used in the industry. Strategic management accounting sounded like a foreign term to most of the participants.

"*Things like budgeting and variance analysis have always been practiced in our organization. We have used a lot of management accounting techniques like as I said, budgeting, variable costing as well as absorption costing. So management accounting is what we are used to. We are more used to management accounting not strategic management accounting (interview 3)".*

Strategic management accounting has not been our thing. Ask me about budgeting, variance analysis or investment appraisal techniques…. This is right on tips of what we do daily (Interview 1)".

This concurred with the study of Nixon et al (2012), who found that the term was not widely used in the accounting practice. As we discussed, the common point from participants was that management accounting is about supporting managers in their quest to make meaningful strategic decisions.

"We produce the information that our managers use in order to go out there and make decision that makes the company profitable (Interview 3)'.

Our main purpose is to support the managers, we are in a supporting role unlike our colleagues who I can say are in the production roles and need this information to make sound decisions on project (interview 4)".

Defining management accounting and other techniques, as well as certain activities, was not the utmost issue for the participants, but it was imperative for accountants to be involved in business issues, to increase their knowledge of business, as well as supporting managers. It was not an issue of defining management accounting, but most of the participants including interviewee 9 did not associate the term strategy with accounting.

"Strategic management accounting is a technique or concept that I can say, we have only read about it and I think it is fairly new in the industry, we are not stressing about why we have not used many of the techniques that comes with it (Interview 9)".

The majority of the participants viewed the development of successful strategic long-term relationships with customers, suppliers through implementing best practices to achieve competitive advantage. The view is that this can be done without prescribing a set of techniques and management accounting is substance when accountants support managers.

> *"All I know is that when accountants are supporting the managers to achieve the organisational goals, then that's proper management accounting. It becomes strategic as the efforts of the accountants are aiding the organisation to set and achieve strategic goals. Not any accountant is capable of performing such a role; you will need to have good interpersonal qualities and solid background in numbers and analytical ability as well as reporting."(Interview 9)*

The findings showed that management accounting has a great impact in supporting the strategy of the organization and provides assurance on the viability of a project. While most of the decisions can be made based on non-financial information. Management accounting is relied upon by dealerships and organisations in the motor industry.

4.7 Summary

From the findings discussed in the study, it was noted that the participants shared a lot more information than anticipated, where the question permitted to give an explanation to a response.The findings also show that dealerships in the motor industry use different techniques to monitor and evaluate performance. Bigger organisations make use of more sophisticated techniques and these organisations make extra effort to employ qualified personnel. Customer profitability analysis was pointed as the main concept that all the participants agreed to be of value in improving the organisation’s margin. The above discussed findings show that the participants have used management accounting techniques to support strategy. One of the findings was that the impact of management accounting in supporting strategy is also based on how big the dealership is, as well as the ability of the account to liaise with top management on strategy.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarises the outcomes, with respect of the research questions that were developed in this study. The chapter does not restate the research questions and further outlines them in the discussion. The chapter combines the discussion and findings of the study, together clearly indicating where an outcome arises. Among other things, the following are highlighted in this chapter: Summary of findings, management accounting information, Alaternative techniques, participant's view of strategic management accounting and recommendations for future research. In addition to that, the chapter also presents the limitations of the study and the areas identified for further study or researching. Prior to discussing these issues, it is essential to reiterate what the study was all about. In essence, Chapter 1 gave an overview of the study, Chapter 2 reviewed literature, and chapter 3 gave the methodology of the study followed by chapter which discussed the findings. In view of that, this chapter concludes that study by proving the conclusion, as well as the recommendations of the study. The following section highlights the summary of findings.

5.2Summary of findings

The study on effect of management accounting in supporting the strategic management process in the motor industry revealed several findings. There were several factors which influence an accountant's participation in business strategy. Information provided by management accountants was viewed to be important. There were several tools and techniques used to analyse and information. Strategic management accounting was not seen as a stand-alone concept and that strategic management accounting techniques are slowly becoming popular in the motor industry. There were elements of management accounting noted to be significant in strategic decision and ensured strategic decisions were viable.

5.2.1 Factors influencing accountants' involvement in strategy

Important factors that influence an accountants' participation in the strategic management process were identified to be the accountant's qualities, organisational and systematic factors. The motor industry is known to be fast changing and for an accountant to take part in strategic issues of the business, the organisationalstructure and set up of teams needed to be well coordinated. Regardless of how ready and willing the accountant was to participate in the strategic management process, management accounting information would have little impact on strategy if the organisational and systematic factors were obstructed. Although an accountant can be qualified in his profession, there is need to possess extra qualities such as good interpersonal skills, as well as business knowledge and the ability to build good relations with other managers in the business. This agrees with the findings of Maxcy and Silberston (2017). It was recognised that management accounting information prepared by an accountant with these qualities will have a positive impact in supporting theorganisational strategy.

The several techniques that accountants utilisedto gather and analyse management accounting information had a positive impact only if the information was analysed with a strategic view in mind. It was noted that a mere provision of information did not aid anything, but where management accounting information analysis monitored and evaluated the current performance; it had a positive impact in supportingorganisational strategy. The accountant's role in providing information relating to budgeting and investments appraisals had a positive impact. It was also

suggested that the use of a four-month forward order forecasting assisted in determining the future capital needs of the business. This was seen as a positive contribution towards the strategic management process and indicated were managers needed to pull resources together to develop a new strategy.

Accountants were noted not to be custodians of strategy in dealerships or organizations but the prominence was placed on how they need to work with managers from different areas of the business and assist in monitoring and evaluating strategy. Having the right business knowledge, good qualities and good systems, propelled accountants into better positions that allowed them to participate in the strategic management process.

The findings from the interview data indicated that management accounting is used at greater levels to support the strategic management process, which is why many dealerships are keen to employ accountants who have good interpersonal skills and possess the ability and willingness to be involved in business issues.Nandan (2010) agrees with this notion and believes it will help professional accountants too. All of the participants agreed that an accountant will need good interpersonal skills, as well as the necessary financial skills and that will increase the levels at which management accounting will support the strategic management process.

5.2.2Management accounting information

Management accounting was viewed to be of importance in validating a strategic decision. The information provided by accountants was mainly to provide assurance on the viability of a strategic decision and not to provide ultimate construct or fracture input. Most of the strategic decisions involved market development expansion, as well as pricing.

5.2.3Alternative techniques

The dealerships used a number of tools in analysing their margins and reporting information. Most of the concepts used were made of techniques which were built in excel spreadsheets and were used to monitor and evaluate strategic actions and identify gaps were resources and action were required. As Lapsley and Rekers (2017) affirms, it is more important to have relevant information and tools in order to decide effectively. The accountants made use of some of the common techniques such as attribute costing, customer profitability analysis, as well as bench marking. Collecting the information to use in the techniques was critical, as not all information was suitable for the easy to use techniques. Where accountants did not have the knowhow to implement any intricate techniques due to lake of information, traditional and simpler methods were preferred and used.

5.2.4Participants' view of strategic management accounting

All the participants did not believe in strategic management accounting as a standalone concept. The majority identified and viewed itas part of management accounting. This agrees with the findings of Nixon et al (2011). The participants suggested there was nothing strategic about management accounting and did not see the term strategic belonging to the accounting language. The closer the participants came to strategy involved linking the management accountant's skill set with business knowledge of operations.

5.2.5 Strategic management accounting techniques used by practicing management accountants

All of the participants agreed thatstrategic management accounting techniques were slowly becoming popular. Techniques such as target costing, customer profitability and benchmarking are some of the techniques that were regularly used by the practicing accountants. The study found that these techniques were important in formulating organisational strategies. New techniques might unlock new strategies, if financial data are properly analysed.Pickering and Byrnes (2016) agrees with the notion that new techniques can unlock new strategies.

5.2.6 Elements of management accounting significant in strategic decision making

The participants noted that techniques such as ABC, benchmarking and customer profitability analysis,were some of the common elements that were essential in strategic decision making. Nixon et al' (2011)agrees that benchmarking is essential in strategic decision making.Information for decision making was pointed out by the participants as emanating from management accounting. Business knowledge was also noted to be a significant element of management accounting that would improve strategic decision making.

5.2.7Management accounting factors that ensure strategic decisions are viable

Participants indicated that information pertaining to pricing of products and services were some of the areas were the viability of strategic decisions wasassessed. Margin analysis was considered to be an important factor in financial analysis and had a bearing on whether the business would be profitable. The same idea was shared by Juras and Dugdale (2002). Participants agreed that management accounting generated information that improved the financial performance of the business and allowed the management of the organisation to identify future strategies.

5.3Conclusion

- Management accounting was viewed to be very effective in supporting the strategic management process and decision making in the motor industry. This was noticed through the gathering and analysis of information which was later used to evaluate the viability of new strategies through reforecasting and investment appraisal.
- The accountant's involvement in strategic decision making was based on three factors. These were accountant's qualities, organizational factors and systematic factors. It was noted that even though the accountant was willing to be involved in strategic decision

making, these factors may sometimes limit the possibility of involvement. Given the above, it is not only the accounting skills that are required but a wide range of attributes, including good interpersonal value adding skills. Such is what determined the accountant's participation in the strategic management process. This kind of an accountant's involvement shows effective management accounting supports the strategic management process.

- There was a number of management accounting tools, and techniques used. Target costing, customer profitability and benchmarking. These techniques were crucial in determining good strategies in terms of margins earned. The accountants also use some alternative techniques constructed in excel spreadsheets. These required adequate information and were seen as value adding, thus showing the effect of management accounting in supporting the strategic management process.

- Strategic management accounting was not a term most of the participants were used to. The possibility to describe strategic management accounting as a concept encompassed in the comprehensive definition of management accounting was very slim. It was the term management accounting that was common. The term strategic management accounting still seems foreign in some of the organisation.

5.4.Implications of this research

The research concerns the impact of management accounting in supporting the strategic management process in the motor industry. The main focus was on motor dealerships around Durban,pinetown and Pietermaritzburg in Kwa-Zulu Natal and no particular research had addressed this issue in the areas covered. The research brings its own contribution, providing knowledge in the KZN motor industry. The research addressed what influences an accountant to participate in the strategic issues of the motor industry. Italso investigated the impact of management accounting in supporting the strategic management process.

The study filled the research gap and brought about the knowledge and understanding of why accountants are not good enough as numbers people, but need to possess business knowledge, as well as interpersonal skills, in order to add value to an organisation's strategy

Perhaps educational institutions or accounting bodies would increase the exposure of trainee accountants to business knowledge, as well as develop their interpersonal skills. Lastly, the research presents the importance of using strategic management accounting techniques in the motor industry in KZN.

5.5Recommendations of the study

- **Positive advances:** Participants who were qualified accountants made no mention of how much they have tried to increase their business knowledge, in order to gain ground towards strategic management process. There was no indication that the participants were willing to offer their expertise in numbers to other managers who were outside the accounts and finance areas. This would create a good relationship between the accountants who gather and analyse the information with other non-financial personnel. Training non-financial managers would make them value the accountant input and improves the manager's ability to make sound financial decision that would add value to the organisation, thus improving the support to strategic management process.
- **Excellent Computer systems**:The existence of a powerful system would improve the collection, gathering of financial data that can then be analysed quick and easy. Such a powerful information system will free up some time on accountants who will have more time to engage in training or educational roles to assist non-financial managers. The main focal point should be to implement an information system that smoothens up the gathering, processing and reporting of financial information with ease to free up resources for other important issues. Another area that could be developed better in terms of systems will be the payment system, which three of the interviewees mentioned that they still make payment to suppliers by cheques. This takes up unnecessary time for accountants, the dealerships might need to look into electronic payment systems. A good accounting system will improve the strategic management process.
- **New or Alternative Techniques;** Some of the techniques available were pointed out to be sophisticated and not available to many. There is need for accountants to investigate the use of other simple concepts which will benefit their dealerships or organisations. Costing techniques such as target costing implemented by a few of the participants. There

will be benefits that may arise from trying new concepts that would suit their business environments. New or alternative techniques may unlock certain strategies if financial data is analysed properly.

- **Interpersonal skills**: Any accountant who wishes to continually add value to his or her organisation will need to improve their interpersonal skills. The dealerships are mostly service based and staff development initiative that enhances not only technical skills, but also interpersonal skills will become successful. Management accountants who analyse financial information will be able to communicate the feedback on analytics of data. This will result in a positive impact of management accounting in supporting the strategic management process.

5.6Limitations of the research

The following limitations were experienced in the study. It was difficult to find the right time to schedule interviews with senior financial personnel such as financial managers and directors,due to their busy schedules.

There are over one thousand finance personnel in the KZN's motor industry and narrowing down to 14 participants for interviews required careful and unbiased selection. The selection was done across different franchising divisions inorder to represent the market. The information that the participants did not have at the time of interviews was later followed up through emails and phone calls. Additional information was received, which was added to the already gathered information. Bias was also an issue, as some of the financial directors had share ownership in the whichorganisation they represented. This was overcome by carefully explaining that there would be anonymity in the published report.

One participant was not willing to share techniques and process of the organisation and this was overcame by re-assuring the participant that the information was not going to be shared with competitors.

The study contained sophisticated terms such as strategic management accounting, which sounded foreign to many participants. It could be that at some point, the participants misinterpreted the questions and to overcome this, a pilot study was done and confusing questions were amended and toned down to be easily understood. Certain question that did not address the research questions were removed from the interview schedule.

Note taking was a challenge, as it took time to put the information on paper for easy analysis.

Despite the above-mentioned limitations, the study provides an understanding on how management accounting information can be used to support the strategic decisions of anorganisation. It also highlighted the factors that influence the accountant to participant in the strategic issues.The researcher thussuggests that the piece of workshould also influence the employment process of finance personnel in KZN's motor industry.

Finally, as a researcher, I would like toadmit that the explanatory research has certain limitations. Increasing the sample and expanding the study into effectiveness of management accounting and separately on strategic management accounting techniques will be more beneficial. Also, a small number of participants as a result of choosing interviews could have brought in some bias. Ultimately, the research was conducted and limitations were mitigated.

Some of the problems encountered in the study can be solved through various means. Time was one of the constraints that the research faced, setting up interviews to fit in the participants' busy schedule. This can be solved by making interview appointments outside normal working ours such as weekends holidays or after hours. The length of interviews can also be shorted by asking only direct and important questions.

Where interviews were rescheduled due to unforeseen circumstances, it meant a day was lost. The researcher could setup alternative time to meet with the participant. These are some of the recommendations to solve the research problems.

5.7Recommendations for future studies

The sample of 14 participants included accountants, and other finance personnel working in dealerships who were purposively invited to participate. The sample will need to be increased in order to improve the responses from participants. This would enable the research to cover all sizes of dealerships. The challenge could be that some smaller dealerships which do not have dedicated accountants or finance personnel are less likely to take part in the study. After increasing the sample, a questionnaire might be used instead of an interview schedule in order to save time. This might reduce the time that the participant has to take explaining why certain techniques are used. However, a qualitative research still provides more insights through detailed explanations.Lastly, a full research in this area can be conducted based ona comparative study in the motor industry, on the use of management accounting to enhance strategic management process.

5.8Summary

The current study shows that management accounting has an impact in supporting the strategic management process. The research explored what influences the participation of an accountant in strategy, the role of an accountant, as well as the common elements of management accounting and strategic decision making. This study, might have succeeded in highlighting what influences an accountant to take part in strategy and also the techniques that are used. The research concurs with previous studies in different industries that strategic management accounting is not widely viewed by accountants as a standalone concept, but rather a subset of management accounting. The elements in management accounting are common in SMA.This study on the impact of management accounting in supporting the strategic management process also revealed the following:

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APPENDICES