

## MANAGEMENT ACCOUNTING PRACTICE USAGE AND BUSINESS SUSTAINABILITY BY OPERATIONAL MANAGEMENT LEVEL OF SMES

Adewoye J. O., Adebisi J., and Afolabi T. O.

Department of Accounting, Ladoké Akintola University of Technology, Ogbomosho, Nigeria

### Abstract

*Undermining any part of a system could result in the system's failure such as in the case of utilization of sustainable tools by the operational management level (OML). In this paper, we assessed the level of usage of management accounting practices (MAPs) by the OML staff alongside examining relationships between MAPs and business sustainability at the OML of SMEs in Lagos State precisely flour mills. Descriptive and inferential statistics were employed. 228 respondents from 16 flour mills were assessed using snowballing sampling techniques in the study area; a sample size of 146 OML workers was drawn through the use of stratified sampling techniques while a questionnaire was used to collect data. Percentage frequencies and correlation were used to analyze the collected data. Findings indicate that OML barely utilizes traditional MAPs at a 19% level of utilization while advanced MAPs are extremely not in use for the OML at a 0% level of utilization. Also, correlation results on the relationship between MAPs and business sustainability using planning/control practices (PCP .338,  $p < 0.001$ ), training on usage of MAPs (TMAPs 314,  $p < 0.001$ ), and appraisal/incentives promoting intuitive usage of MAPs (AI .389,  $p < 0.001$ ) to proxy the former and years of existence (YE) the latter showed a positive but weak significant relationship in all the variables. The study recommends that SMEs should close mark the operational management level of utilizing these practices along with a measure of training/appraisal/incentives to encourage business sustainability.*

**Keywords:** *Business sustainability, Management accounting practices, Operational management level, SMEs.*

### 1. Introduction

Business sustainability is an extension of performance but when failure is recurrent it becomes a mirage; an instance of SMEs which tend to fail before their fifth anniversary (Nandan, 2010; Chittithaworn et.al., 2011; Lopez & Hiebl, 2014; Ahmad 2012; Osotimehin et.al., 2012; Hallbäck & Gabriellsson 2013; Dzisi & Ofosu, 2014; Maduekwe 2015; Okafor & Oji, 2021; Alvarez et.al., 2021). Business sustainability entails its thriving capability over several seasons. It takes much more than envisaged/planned for resource-wise of which the three management levels have contributory importance. The least of attempts to undermine any management level is an attempt to fail. The operational management level (OML) also known as the lower management level focus on the execution of the task and its importance is usually undermined as corroborated by the research work of Greco et. al. (2013) most especially in small scale enterprises but was for seen by him that a new managerial culture is about been rejuvenated.

One of the surviving tools which are non-financial and financial techniques that provide important information at the operational level as posited by Kamilah (2017) is management

accounting practice. This is useful to improve strategic performance. MAPs are searchlights that use a wide range of information to see possible success boundaries before, during, and after decision-making for business sustainability. Hence this study examined the level of MAPs utilization at the OML and the relationship between MAP and business sustainability in SMEs (flour mills).

## 2. Literature Review

Lado and Wilson (1994) argued that for the performance management system to be a success all levels of management must be involved. Also, Schleicher et al. (2018) contributed to that perception seeing managers as possible links between the formal and informal processes with possible experience of clashes amid their tasks: encouraging and building up their subordinates while evaluating their performance and giving feedbacks (Taylor, 2013; Brown and Lim, 2019). The above-mentioned quarrel/perception buttresses the intentions of this work as to give adequate attention to the operational management level concerning Management accounting practices (MAPs) usage being that most study interests are other management level based.

Okafor and Orji (2021) argued that Management accounting practices, which are accounting tools used internally by organizations are targeted towards improving efficiency, optimizing resources and the overall performance of the organization. This is supported by Diaz and Sensini (2020). Some of these tools are Activity based costing, customer profitability analysis, stakeholders' analysis, target costing and quality cost and these influence the performance of business and when they are properly used, strategic competitive advantage would be achieved. It is likewise worthy to note that these techniques are used for strategic purposes (long-term) and current operations (short-term). The utmost purpose for its usage is for the business to attain a dynamic sustainable position.

Oncică and Căndea (2009) opined that organizations that take their stakeholders as part of the business will be able to surpass their competitors thereby enhancing their chances for sustainability. Sustainability can be perceived as a calculated practical result-oriented, knowledge capacity building organizational culture put in place solely for continuous sustainability. According to Căndea (2010), Organizations seek to improve and maintain business prosperity indefinitely by putting some strategic actions in place to achieve this. Meanwhile, KPMG (2011) pointed out that it is always a challenge for most organizations to address and maintain strategic sustainability. In a nutshell, closely looking at the operational management level's usage of MAPs could bring an addition to the business's dynamic sustainable position.

## 3. Methodology

The study area for the research study is the Lagos metropolis. Being the most densely inhabited metropolitan in Nigeria, the second biggest metropolitan area in Africa (Cambell, 2012), and the fourth-highest GDP in Africa (Big Think, 2018) makes Lagos metropolis suitable for the study. The study covered SMEs flour mills businesses operating in the metropolis. According to the

data retrieved from the National Bureau of Statistics (2020), it was made known that the agricultural sector contributed to the aggregate real GDP of the country by 24.65% in the second quarter of 2020 and comparing with the corresponding quarter of 2019 which stood at 22.78% and the first quarter of 2020 which was 21.96%. Wheat manufacturing been a subsector of the agricultural sector and the main focus of this study primarily comprising of flour milling companies, forms an integral part of the country's food manufacturing chain which produces flour at low cost for staple and baked food (KPMG, 2016). Primary data through snowballing was used to determine 16 flour mill SMEs, 304 respondents while a stratified sampling technique was used to draw out a samples size of 146 OML workers as achieved from the total administered, filled, and returned questionnaires. Percentage frequencies were employed to achieve a level of MAPs utilization by the OML and correlation analytical tools were used to analyze the relationship between MAPs and business sustainability.

## 4. Results and Discussion

### 4.1 Socio-economic Characteristics of the Respondents

It was observed from table 1 that 105(72%) of the sampled respondents were male while 41(28%) of the respondents were female, showing that most operational management level (OML) workers in the study area were male. Furthermore, their age distribution was 57(39%) within the age range 18-30, 47(32 %) were within the age range 31-40 and 35(24%) were within the age range 41-50 years and the remaining 7(5%) accounted for 51 years and above. OML workers in the study area were youths. Similarly, the education level of the respondents was enumerated in the same table 1 It was observed that 19(13%), 69(47%), 47(32%), and 12(8%) of the sampled respondents accounted for a professional qualification, tertiary education, secondary school certificate, and primary education respectively in the study area. It became logical to put it forward that most of the OML workers in the study area were male, youths and that they have tertiary education.

According to the distribution for management level staffing ratio 146(64%) were from the operational management level, 57(25%) were from the tactical management level while the remaining 25(11%) were comprised of the strategic management level. This indicated that the operational management level had the highest number of workers when compared to other management levels. Lastly, in table 4.2 the distribution of firm's years of existence showed that 99 (68%) of the firms have spent less than 5years in business, 32(22%) have spent 6-10 years, 9 (6%) have spent within 11-16years while the remaining 6 (4%) have spent 16years and above. This corroborates the works (Nandan, 2010; Chittithaworn et.al., 2011; Lopez & Hiebl, 2014; Ahmad 2012; Osotimehin et.al., 2012; Hallbäck & Gabrielsson 2013; Dzisi & Ofosu, 2014; Maduekwe 2015; Okafor & Oji, 2021; Alvarez et.al., 2021) which posited that SMEs tend to fail before their fifth anniversary.

**Table 1 Percentage frequency of Socio-economic Characteristics of the respondents**

	Variable	Frequency	Percent
Sex	Male	105	72
	Female	41	28
Age	18-30	57	39
	31-40	47	32
	41-50	35	24
	51 and above	7	5
	Education Background		
	Professional qualification	19	13
	Tertiary	69	47
	WAEC/GCE	47	32
	Primary	12	8
Management Level	Operational	146	64
	Tactical	57	25
	Strategic	25	11
Years of Existence	0-5	99	68
	6-10	32	22
	11-15	9	6
	16 and above	6	4

Source; Field survey, (2022)

#### 4.2 Operational Management level's Usage of Traditional and Advanced MAPs

Presenting results in table 2. Results for the usage of traditional MAPs showed that 9(6%), 19(13%), 32(22%), 85(58%) accounted for highly in use, moderate use, poorly used, not in use respectively of the sampled respondent on the usage of traditional MAP. Furthermore, question on usage of advanced MAP for operational management level had 0 (0%) highly in uses, 0 (0%) moderate uses, 0(0%) Partial use and 146(100%) not in use.

**Table 2** Percentage frequency of management accounting practices adopted at operational management levels in small-scale food manufacturing companies in Lagos metropolis, Nigeria.

	Variable	Frequency	Percent
Traditional MAPs	highly in use	9	6
	moderate use	19	13
	poorly used	32	22
	Not in use	85	58
Advanced MAPs	highly in use	0	0
	moderate use	0	0
	poorly used	0	0
	Not in use	146	100

Source; Field survey, (2022)

### 4.3 Examination of the relationship between MAPs and Business sustainability SMEs food manufacturing companies in Lagos metropolis, South- West, Nigeria.

Table 3 revealed results for the examination of the relationship between MAPS and business sustainability in SMEs flour mill in Lagos metropolis, South- West, Nigeria. The variable MAPS was proxy by planning/control practices (PCP), training on MAP (TM), and appraisal/incentives (ai) while business sustainability was proxy by years of existence (ye). The results of Pearson's correlation coefficient test showed  $R(146) = .338, p < 0.001$  for PCP,  $R(146) = .314, p < 0.001$  for maps and  $R(146) = .389, p < 0.001$  for ai while the level of allowed error was 0.05 level of significance. The results indicate that the variable planning/control practices showed a weak positively significant correlation with years of existence. Thus, MAPS on business sustainability was statistically significant at a 0.05 level of significance at two tails implying that there is, but a weak relationship. Affirmatively, there existed a significant relationship between MAPS and business sustainability in flour mills SMEs in Lagos metropolis, South- West, Nigeria. This agreed with the work of Alvarez, Sensini, and Ciro, (2021), Mazi and Ebere, (2019) which posits that there is a positive relationship between management accounting practices and firm performance. This also corroborates the works of Maduekwe (2015) and Yeboah-Mantey (2017) who perceived SMEs' failure to be because of deficient use of management accounting practices amongst other reasons.

**Table 3 Correlations matrix of the relationship between MAPs and Business sustainability flour mill businesses in Lagos metropolis, South- West, Nigeria.**

		YE	PCP	TMAP	AI
YE	Pearson Correlation	1	.338**	.314**	.389**
	Sig. (2-tailed)		.000	.000	.000
	N	146	146	146	146
PCP	Pearson Correlation	.338**	1	.684**	.441**
	Sig. (2-tailed)	.000		.000	.000
	N	146	146	146	146
TMAP	Pearson Correlation	.314**	.684**	1	.578**
	Sig. (2-tailed)	.000	.000		.000
	N	146	146	146	146
AI	Pearson Correlation	.389**	.441**	.578**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	146	146	146	146

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

Source: Field survey, (2022)



## 5. Summary and Conclusion

The study tested the level of utilization of management accounting practices at the operational management level for business sustainability in small-scale businesses. Small scale operational level (the highest number in the staff ratio) barely utilize traditional MAPs at a 19% level of utilization while advanced MAP usage is extremely not in use for the OML at a 0% level of utilization leaving the bulk of its usage to the other management level with a fewer percentage of the staff ratio bringing to reality a gap in usage within management levels in the study area. Also, correlation results on the relationship between MAPs and business sustainability using planning/control practices (PCP .338,  $p < 0.001$ ), training on usage of MAPs (TMAPs 314,  $p < 0.001$ ), and appraisal/incentives promoting intuitive usage of MAPs (ai .389,  $p < 0.001$ ) to proxy the former and years of existence the latter showed a positive but weak significant relationship in all of the variables.

Conclusively, the level of usage of MAP at the operational level is too low for business sustainability because the OML has a higher percentage of staff ratio, it is expected that they contribute appreciably rather than operate at a level of garbage in garbage out. Again, MAPs had a positive but weak significant relationship with business sustainability significant.

The findings of the study made it important to recommend that small firms should close mark the operational management level of utilizing these practices along with a measure of training/appraisal/incentives, buttressing this operational level should share the utilization of these practices amply with the other management level to reduce the tendency of exhaustion and widen the business resource base.

## References

- Ahmad, K. (2012). *The use of management accounting practices in Malaysian SMEs. Doctor of Philosophy in Accountancy Thesis.* 17-88.
- Alvarez, S.& Cirola, (2021). Financing decision of manufacturing smes, evidence from India. *Journal of Business Management Economic Research*, 12(2)
- Brown, M. & Lim, V. S. (2019). *Understanding performance management and appraisal: supervisory and employee perspectives.* in Wilkinson, A., Bacon, N., Redman, T. and Snell, S. (Eds), *The SAGE Handbook of Human Resource Management*, SAGE Publications, London.
- Big Think. 4 October 2018. "*These cities are the hubs of Africa's economic boom*". Accessed 19 March 2021.
- Cambell, J. (2012). This is Africa's New biggest city: Lagos, Nigeria, Population of 21 Million metropolia. *The Atlantic*. Washington DC. Accessed 19 March 2021.
- Cândeș, D., (2010). Sustenabilitatea în afaceri procesul, finalitatea, organizația. In: D.Cândeș, ed.2010. Dezvoltare durabilă și responsabilitate social corporativă. Cluj-Napoca, Romania:U.T.Press.pp.i-iv.[online][https://sites.google.com/site/organizatia\\_sustenabila/home/intreprinderea\\_sustenabila - 2010](https://sites.google.com/site/organizatia_sustenabila/home/intreprinderea_sustenabila_-_2010) [Accessed 9 January, 2022]

- Chittithaworn, C., Islam, M. A., Keawchana, T. & Muhd Yusuf, D. H. (2011). Factors affecting business success of small & medium enterprises (SMEs) in Thailand. *Asian Social Science*, 7(5), 180–190.
- Diaz, E., Sensini, L. (2020). Quality management practices, innovation and profitability of SMEs: Evidence from Argentina. *International Business Management*, 14 (9), 328-336.
- Dzisi, S. & Ofosu, D. (2014). Marketing strategies and the performance of SMEs in Ghana. *European Journal of Business and Management*, 6(5):10-21.
- Greco, M., Grimaldi, M., Scarabotti, L., & Schiraldi, M. M. (2013) The sources of competitive advantage in University Spin-Offs: a case study. *Journal of Technology Management & Innovation*. 8 (4).
- Hallböck, J., & Gabrielsson, P. (2013). Entrepreneurial marketing strategies during the growth of international new ventures originating in small and open economies. *International Business Review*, 22(6), 1008–1020. doi:10.1016/j.ibusrev.2013.02.006
- Kamilah, A. (2017). The implementation of management accounting practices and their relationship with performance in small and medium enterprises. *International Review of Management and Marketing*, 7(1): 342-353.
- KPMG, 2011. Corporate sustainability, a progress report. [online] [http://www.kpmg.com/Global/en/Issues And Insights /Articles Publications/Documents/corporate-sustainability-v2.pdf](http://www.kpmg.com/Global/en/Issues%20And%20Insights/Articles%20Publications/Documents/corporate-sustainability-v2.pdf) [Accessed 25 October 2020]. KPMG, 2016. Wheat-based Consumer Foods in Nigeria, KPMG August 2016. 5
- KPMG (2016). Wheat-based Consumer Foods in Nigeria, KPMG August 2016. 5
- Lado, A & Wilson, M. (1994). Human resource systems and sustained competitive advantage: a competency-based perspective, *The Academy of Management Review*, 19, 699-727.
- Lavia-lopez, O. & Hiebl, M. R. (2014). Management accounting in small and medium-sized enterprises: current knowledge and avenues for further research. *Journal of Management Accounting Research*, 4(5), 1-12.
- Maduekwe, C. C., (2015). The Usage of management accounting tools by small and medium enterprises in Cape Metropole, South Africa. *The Cape Peninsula University of Technology*. 39-77.
- Mazi C. & Ebere, C. (2019). Management accounting system and performance of quoted insurance companies in Nigeria. *International Journal of Innovative Finance and Economics Research*, 7(2), 82-88.
- Nandan, R. (2010). Management accounting needs of SMES and the role of professional accountants: A renewed research agenda. *Journal of Management Accounting Research*, 8 (1), 65-78.
- National Bureau of Statistics 2020. Nigerian gross domestic product report. Accessed on 25/7/2021
- Okafor, U. I. & Oji, R. N. (2021). Management accounting practices and performance of small and medium-scale enterprises in Nigeria. *International Journal of Business and Management Invention (IJBMI)*. 10 (6) Ser. II, 44-58

- Oncică-Sanislav, D. & Căndea, D., (2009b). Organizația care învață, caracteristică strategică a întreprinderii sustenabile: coordonate teoretice. In: D. Căndea, ed. 2009. Responsabilitate față de societate și comportament etic – premise ale sustenabilității. Cluj-Napoca, Romania: U.T.Press. pp. 7-37.
- Osoimehin, K., Jegede, C., Akinlabi, B. & Olajide, O. (2012). An evaluation of the challenges and prospects of micro and small-scale enterprises development in Nigeria. *American International Journal of Contemporary Research*, 2(4). 174-185.
- Schleicher, D., Baumann, H., Sullivan, D., Levy, P., Hargrove, D. & Barros-Rivera, B. (2018). Putting the system into performance management systems: a review and agenda for performance management research, *Journal of Management*, 44(6), 1-37.
- Taylor, P. (2013), Performance Management and the New Workplace Tyranny: A Report for the Scottish Trades Union Congress, University of Strathclyde, Glasgow.
- Yeboah-Mantey, S. (2017). The impact of management accounting practices on the financial performance of small and medium enterprises in the cape coast metropolis in the central region of Ghana. MBA Dissertation, University of Cape Coast, Ghana.  
<https://erl.ucc.edu.gh/jspui/handle/123456789/3386> (Retrieved on 20th November 2019).