

Firm Characteristics, Ceo Characteristics And the Adoption Of Management Accounting Tehniques By One-man Owned Furniture Companies In Nigeria

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pp 122-126

Abstract

This study is aimed at ascertaining effects of firm attributes on the adoption of management accounting techniques by one- man owned furniture companies. The study covered a sample of forty-five “one-man owned” furniture companies in Benin City. The study employed inferential statistic technique. The results reveal that there is a positive relationship between firm size and the adoption of management accounting. The results further revealed that there is no significant relationship between level of literacy of owners and the adoption of management accounting. Finally the study indicates that there is positive relationship between firm age and the adoption of management accounting. It was recommended that statutory accounting bodies should encourage small scale companies in Nigeria to adopt management accounting techniques

KEY WORDS: Management, Accounting, Firm Size and Firm Age

1.0 INTRODUCTION

There seems to be a wide gap between relevant management accounting and its fulfillment to managerial needs (Ahmed & Zabri 2012). This gap is wider in the case of small business like furniture companies in developing countries where the management has little or no management accounting knowledge at all. Recent investigations revealed that most Small and Medium Size Enterprises (SMEs) owners in Nigeria and Ghana rarely employ management accounting techniques in their daily business activities because most of them are not schooled in accounting or in some cases consider employment of management accounting system too expensive to maintain. Kaplan and Atkinson (1989) report that there is no ambiguity in management accounting and it is traditionally task of providing information that aids decision making. Some indigenous authors report that majority of small scale furniture owners in Nigeria have little or no education, hence the adoption of management become almost impossible.

According to Nanda (2010) the dynamic nature of the business world coupled with product diversification and more overhead intensified production activities caused by other factors in the ecosystem rather than volume have caused conventional accounting techniques to be of less value and have the adoption of management accounting imperative. Some scholars are of opinion that adoption of modern management accounting techniques has been very slow in many organizations especially in SMEs due to some inert factors. Nanda (2010) opines that management accounting has invariably become a useful tool for making various strategic decisions. Anecdotal evidence shows that there is an increasing shift in focus from traditional to modern management accounting techniques in order to meet emerging demands of decision makers. Management accounting information analysis has a vital managerial instrument for both small and medium scale enterprises in recent times. This instrument that was referred as passive instrument has graduated into an informative mechanism that provides information for decision-makers (Kibera, 2000).

According to Mbogo (2011) prudent management accounting in aspects like information analyses as well as integrating training level and managerial accounting capabilities of SME owners and the managers results to a stronger, positive and significant influence on the decision making and consequently are critical for SMEs growth and survival.

Some notable scholars suggest that furniture companies use product costing approaches that are, from an academic perspective, considered it

suboptimal. Deloitte Touche and Tomatsu, (2007) report that many small businesses are expensing production costs that should form part of the cost of inventory. Furniture companies in developed countries are beginning to recognize the need for them to acquire management skill, and take positive steps to ensure its actualization.

In recent years, the roles of management accounting and technology in inter-organisational management have become quite significant given the importance of management of strategic dimensions such as value chain, supply chain, networks, alliances and trusts (Tomkins, 2001). According to Scapens (2006) today management accounting information and analysis is crucial in managing large enterprises as well as SMEs, moving from a passive role as information providers for decision making, to taking a more proactive role in strategic and day to day resource management decisions. Despite the role management accounting plays in strategic decision making in recent times many small size businesses are faced with several challenges in adopting management accounting techniques. Some authors argue that factors like employee attributes go a long to determine the adoption of management accounting while others are of opinion that external factors like inflation rate, cost of raw materials, minimum wage mention but a few are factors that determine the adoption of management accounting. However, to best of authors knowledge little nothing was said about impact of factors within the firm (firm attributes) on the adoption of management accounting techniques. From foregoing the objective of this study is ascertain the impact of firm attributes on the adoption of management accounting techniques by small size furniture companies in Nigeria

Literature Review

Management Accounting Thought

National Association of Accountants (1981) defines management accounting as: "the process of identification, measurement, accumulation, analysis, preparation, interpretation, and communication of financial information used by management to plan, evaluate, and control an organization and 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."

The Report of the Anglo-American Council of Productivity (1950) defines management accounting

as the presentation of accounting information in such a way as to assist the management in creation of policy and the day to day operation of an undertaking". Globalization and industrial evolution gave birth stiff competition, product diversification, activities driven cost arrangement and adoption of strategic management hence adoption of management becomes inevitable for any firm that wish to remain in business (Scapens, Ezzamel, Burn, & Baldvinsdottir, 2003). Conservative management accounting and control systems (MACS) such as budgets, standards, performance measurement and evaluation, overhead allocation and transfer pricing, among others, were all more or less fully developed as far back as 1925. There are varied results on whether management accounting practices are changing in line with the changing needs of organisations operating in a gradually more multifaceted environment (Scapens, et al. 2003). Quantitative studies such as those based on questionnaire surveys show that there is a slow pace in the growth of management accounting techniques, while those based on more qualitative approaches such as case and field-based studies suggest adoption of more advanced techniques entwined with strategy such as activity-based costing, value chain analysis, balanced scorecard and other newer developments (Scapens, 2006). Jones and Dugdale (2002) suggest that qualitative approach is needed in developing MACS thoughts. This form of costing that was unknown at the time of the 'relevance lost' debate in early 1988 which graduated to activity-based costing later in the same year. In view of this fact, management accounting has come to the forefront, and in a very short span of time several new strategic techniques have evolved as a result of increased global and domestic competition, advancements in manufacturing sector, rise of service sector and developments in communications and information technologies.

Some argued (Flamholtz, 1992; Johnson, 1992) that relevance cost may be regained in the near future provided a whole new culture was developed in relation to broader roles of accountants and future research. In recent years, the roles of management accounting and technology in inter-organisational management have become quite significant given the importance of management of strategic dimensions such as value chain, supply chain, networks, alliances and trusts (Tomkins, 2001). According to Scapens (2006) today management accounting information and analysis is crucial in managing large enterprises as well as SMEs, moving from a passive role as information providers for decision making, to taking a more proactive role in strategic and day to day

resource management decisions

SMEs and adoption of management accounting techniques

SMEs represent a major business sector in the industrial world and are of great significance in less developed countries. In many countries they represent over 65% of all businesses, employ around 75% of the workforce and contribute about 65% to GDP (Ballantine, Levy & Powel, 1998).

Furniture companies tend to depend on a small number of customers, produce standard products or services, and have little influence on market pricing. Furniture companies also tend to have independent ownership where owners retain close control as the principal decision makers and provide the majority of capital required for operations. Storey (1995) performs a study on the determinants of the adoption of management accounting in US. His results reveal that firm size does not have positive relationship with the adoption of management accounting. Oyerogba (2015) carried out work in Nigeria to find out the factors that determine the adoption of management accounting techniques by Nigerian companies. The results show that firm size and firm age have positive relationship with the adoption of management accounting techniques in Nigeria.

Sian and Roberts (2009) investigate the determinants of the adoption management accounting by SMEs. Their results show that literacy level of SMEs owners has a positive impact on the adoption of management accounting techniques by small scale businesses.

Wenglas and Douglas (2013) carried out a research to find the relationship between firm age and adoption of management accounting techniques. Their findings show that there is a positive relationship between firm age and adoption management accounting practices

From foregoing the following hypotheses were developed:

Ho₁: Firm size has no significant relationship with the adoption of management accounting techniques

Ho₂: Firm age has no significant relationship with the adoption management accounting techniques

Lucas, Prowle and Lowth (2013) performed an experimental survey in UK to find out the relationship between owner characteristics and adoption of management accounting techniques. The study reveals that there is a significant relationship between educational background, professional qualification of owner and the adoption of management accounting techniques. Magdy and Robert (2006) show that there is a positive relationship between owner's educational qualification and the adoption sophisticated

management accounting techniques

Tuan, (2010) performs a study to ascertain the relationship between literacy level of owners of SMEs . The result show owner of SMEs literacy level has no significant impact on the adoption management accounting techniques. The following hypothesis is developed from foregoing

Ho₃: There is no significant relationship between owner literacy level and the adoption of management accounting techniques

3.0 Methodology

Population and Sample size

The population of the study comprises all the (107) one- man furniture business in Benin City. In considering sample size, Saunders, Lewis and Thornhill (2003) suggest that a minimum number of 30% of the population for statistical analyses provide a useful rule of thumb. However, because of the nature of this study, we used forty-five One- man furniture businesses in Benin City. The employed simple random sampling technique to draw the sample this done in order to that all members in population are given equal opportunity to be chosen. The study used the both secondary and primary

source of information via questionnaire distributed to owners of the selected firm. Secondary Data were gotten from Edo State Chamber of Commerce and Industry.

Method of Data Analysis

Model Specification

$$AMA=f(Fsize, LLEV, FIRAGE)$$

Where,

AMA=adoption of management accounting

Fsize=firm size (measured by number of employees)

LLEV=literacy level of owners (education qualification of owner)

FIRAGE=firm age(number of year from day the firm was establish till date)

This study used the inferential regression technique to ascertain the relationship between SMEs attribute and management accounting practices of One-man owned furniture company in Nigeria. We performed some preliminary statistical test such as descriptive statistics and correlation matrix. Simple Z- test will be performed to test the hypotheses. The analysis of this research was conducted using micro soft word excel sheet.

Table 1 Correlation

	AMA	FSIZE	LLEV	FIRAGE
AMA	1			
FSIZE	0.0786207	1		
LLEV	-0.16778171	0.017108162	1	
FIRAGE	-0.1954122`	0.096135155	0.467827215	1

Table 1 shows the Pearson correlation coefficient result for the variables. MV shows positive relationship with FSIZE (0.07) while it show a negative relationship with LLEV(-0.16) and FIRAGE. We also discover that FIRAGE is positively

correlated with FSIZE (0.096) and LLEV (0.46). It is evident from above that the magnitude of the correlation between variables is weak. This also implies that the presence of multicollinearity is unlikely.

Table 2. Regression analysis

VARIABLES	COEFFICIENT	STD ERROR	t-STATISTIC	P -VALUE
Constant	4972.395602	2513.8711	1.9779	0.0505
FSIZE	120.0540012	119.04723	2.800	0.03155
LLEV	-9.19250012	1.0416056	-0.8825	0.37950
FIRAGE	533.079011	356.77011	2.4944	0.01380

Researcher's computation 2017

R=0.78
R²=0.55

F=0.11
Adjusted R²=0.495

Interpretation

We start the analysis by checking out the fitness of the model. We discovered that it has a p value of 0.11 at 95%.levl of confidence .The result also shows that coefficient of determination R-square (R²) stood at a

value of 0.55.Adjust R-square stood at a value of 0.495. This implies that about 50% of dependent variable (AMA) can be explained by the explanatory variables (FSIZE, LLEV&FIRAGE) while the rest 50 % could not be accounted for.

The result shows that there is a significant positive relationship between firm size ($p=0.03.<0.05,t=2.8$) and adoption of management accounting (AMA) . A coefficient value of 120.0 indicates that increase in size of firm will lead a unit increase in adaptation of management accounting techniques. The result further shows that FIRAGE has a significant positive ($p=0.013<0.05,t= 2.49$) relationship with adoption management accounting techniques. Firm age (FIRAGE) has a coefficient value of 533, meaning that a unit increase in FIRAGE will lead to a correspondingly increase in adoption management accounting techniques by 533.

Finally, the result reveals that there is a positive but not significant relationship between literacy level (LLEV) and adoption (AMA)

Conclusion and Recommendations

This study is aimed at determining the adoption of management accounting by one- man furniture companies. The result reveals that there is a significant positive relationship between firm size and adoption of management accounting. We concluded that adoption of management accounting will lead to better running of furniture companies in Benin City. Our result also shows that there is no significant relationship between level of literacy of owners and adoption of management accounting. Finally the result reveals that there is significant relationship between firm age and adoption of management accounting.

The study recommended that owners of furniture companies should embrace management accounting to enhance better performance. Since there were many accounting systems available to small scale enterprises, the Ministry of Commerce and Industries should help the small business owners to avail themselves the opportunity to use the accounting systems that are relevant for the day to day reporting of their business transactions. Also, researchers who intend to go into this area of study should focus their works on the adoption of management accounting by quoted manufacturing companies

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Appendix 1

Responses to questions on the questionnaire

	SA		A		IND		D		SD		TOTAL	
	freq	%	freq	%	Freq	%	freq	%	Freq	%	freq	%
Literacy of owners	20		20		0		3		2		45	100
Sizeof firm	25		8		1		10		1		45	100
Age of firm	31		5		4		3		2		45	100

Source: field survey 2017