

THE APPLICATION OF STRATEGIC MANAGEMENT ACCOUNTING TECHNIQUES IN FEED PRODUCTION FIRMS IN VIETNAMESE PRIVATE SECTOR

PhD. Nguyen Thanh Huyen*

Abstract: *The study aims to show how feed production firms (FPFs) in Vietnamese private sector applied strategic management accounting techniques (SMATs). The database of this research is collected from survey sent to 113 feed production firms in Vietnamese private sector. The study used qualitative research methods combined with preliminary quantitative. The results of the study contribute to determining the level of application of strategic management accounting techniques in the FPFs in Vietnamese private sector. Then, solutions will be proposed to improve the efficiency of applying strategic management accounting techniques in FPFs in Vietnamese private sector, contributing to improving the competitiveness of enterprises.*

• Keywords: *application, strategic management accounting techniques, Vietnam.*

Date of receipt: 10th December, 2022

Date of receipt revision: 15th January, 2023

Date of delivery revision: 15th December, 2022

Date of approval: 30th January, 2023

Tóm tắt: Nghiên cứu nhằm mục đích chỉ ra cách thức các doanh nghiệp tư nhân chuyên về sản xuất thức ăn chăn nuôi (FPF) tại Việt Nam áp dụng các kỹ thuật kế toán quản trị chiến lược (SMAT). Cơ sở dữ liệu của nghiên cứu này được thu thập từ các phiếu khảo sát được gửi tới 113 doanh nghiệp tư nhân chuyên về sản xuất thức ăn chăn nuôi tại Việt Nam. Nghiên cứu sử dụng phương pháp nghiên cứu định tính kết hợp với định lượng sơ bộ. Kết quả nghiên cứu góp phần xác định mức độ áp dụng các kỹ thuật kế toán quản trị chiến lược trong các doanh nghiệp tư nhân chuyên về sản xuất thức ăn chăn nuôi tại Việt Nam. Từ đó, đề xuất các giải pháp nhằm nâng cao hiệu quả áp dụng kỹ thuật kế toán quản trị chiến lược trong các doanh nghiệp tư nhân chuyên về sản xuất thức ăn chăn nuôi tại Việt Nam, góp phần nâng cao năng lực cạnh tranh của doanh nghiệp.

• Từ khóa: *ứng dụng, kỹ thuật kế toán quản trị chiến lược, Việt Nam.*

1. Introduction

Strategic management accounting has been studied all over the world since 1980s. There are many arguments about definition of strategic

management accounting techniques. The author summarized many typical studies about strategic management accounting techniques.

Guilding et al. (2000) synthesized 12 techniques of strategic management accounting. Their study was conducted in three countries, New Zealand, the United Kingdom and the United States. This was also the first study to evaluate the application of strategic management accounting techniques in enterprises operating in different fields. The study showed that the cost technique group and the two techniques of strategic cost and price strategy were the most widely used techniques at large enterprises in many fields in three countries: New Zealand, United States and Great Britain.

Next, Jack (2005) conducted a similar study but was carried out in enterprises operating in a completely different field, namely the agricultural sector in countries such as the United States, the UK, Australia and New Zealand. Research results show that the application of strategic management accounting techniques in enterprises in this sector is still quite limited compared to enterprises operating in other fields. However, a few large producers in agricultural sector in New Zealand and the USA tend to be more interested in

* University of Finance - Business Administration; email: huyenkhoakt@gmail.com

using SMATs in the future. Value chain cost and integrated performance measurement techniques are potential for using in agriculture businesses in the UK, Australia, the USA and New Zealand, while managers are only interested standardized techniques.

Cadez and Guilding (2008) collected 16 strategic management accounting techniques and classified them into 5 groups: costing, controlling plan and performing measurement, strategic decision, competitor accounting and customer accounting. This is considered an almost complete set because it helps businesses manage arising problems related to internal and external entities in order to make strategic decisions to increase operating efficiency.

In Vietnam, from 2015, management accounting techniques have been inherited and applied as a complete solution to improve the efficiency of enterprises. Dao Thuy Ha (2015) has illustrated new points about the application of Kaizen costing method in steel manufacturing enterprises. Nguyen Thanh Huyen (2015) mentioned the application of cost management accounting according to the product life cycle in ceramic manufacturers in Vietnam.

At the same time, some later studies also added new techniques such as balanced score - card (Ha Nam Khanh Giao & Tran Dong Huy, 2016).

It can be said that, up to now, there has been no in-depth research on application of strategic management accounting techniques in feed production firms. In this article, the author deeply studied the application of strategic management accounting techniques in feed production enterprises in the private sector in Vietnam.

2. Literature review

2.1. Strategic management accounting

According to Simmonds (1981), strategic management accounting is “the provision and analysis of management accounting data about an enterprise and its competitors, using for developing and monitoring business’s strategies”.

Lord (1996) argued that strategic management accounting is a process consisting of three steps: gathering information about competitors, exploiting opportunities to reduce costs; connects accounting to strategic positions and these steps are repeated in six phases.

Dixon and Smith (1993) concluded that strategic management accounting includes four stages: determining business strategy, analyzing strategic cost, analyzing market and evaluating strategies. These authors represented for the first view of strategic management accounting when trying to combine strategies with management accounting.

From the author’s point of view, “Strategic management accounting is the process of collecting, analyzing and providing financial and non-financial information about an enterprise and its competitors, in order to implement the enterprise’s business strategy”.

2.2. Strategic management accounting techniques

Applying criteria that Guiding and partners (2000) mentioned when determining strategic management accounting techniques, author divided these techniques into five basic groups as following

(1) Technique Group of Cost, including:

- *Attribute cost*: According to this method, a product is considered as a set of benefits (attributes) that are desired at high or low levels, among different groups of buyers, because that these attributes are the objects to collect the cost. These attributes include: Performance factors, safety, guarantee agreements, completion and accessories, assurance of supply, and after-sales services (Guilding et al, 2000; Cadez & Guilding, 2008).

- *Target Cost*: Target cost is a tool to manage production costs during designing phase. Then, based on the acceptable selling price, the company plans the target profit of manufacturing the product, and based on the expected selling price and target profit to determine the maximum target cost of each product.

If the expected cost to manufacture product is higher than the target cost, the company must change the product design or manufacturing process to make the cost equal to the target cost (Guilding et al, 2000; Cadez & Guilding, 2008; Cinquini & Tenucci, 2010).

- *Lifecycle Costs*: Lifecycle Costs record and add all the possible costs of a product over its entire lifecycle, including costs charged for the

product from making idea phase, production costs to costs paid by the purchaser over the lifecycle of the product, including installation, operation, support, maintenance, and disposal costs (Guilding et al, 2000; Cadez & Guilding, 2008; Cinquini & Tenucci, 2010). This costing technique clearly demonstrates two basic characteristics of SMATs, which are long-term orientation and market orientation (Cinquini & Tenucci, 2010).

- *Quality costs*: Quality costs measure whether the costs achieve or not achieve the quality of a product or service, including all products or services requirements set by the company and in accordance with the company's commitment to customers and society. From a strategic perspective, these techniques help to maintain the quality of enterprises' products (Cinquini & Tenucci, 2010).

(2) Technical group of management accounting, cost estimation, control and measurement, including:

- *Benchmarking*: Benchmarking is the identification and implementation of outstanding methods and activities of an ideal entity (Cadez & Guilding, 2008; Cinquini & Tenucci, 2010). According to Cinquini & Tenucci (2010), there are many different types of benchmarking standards, however; all of them emphasize the outward strategic orientation, towards competitors.

- *Balanced Scorecard*: The Balanced Scorecard is a system that turns vision and strategy into specific goals and detail measurement, through the establishment of a performance measurement system basing on four dimensions: finance, customers, internal business processes, learning and growth. The balanced scorecard method contributes to improve the organization's ability and also the connection between departments and employees in the organization (Dmitrović-Šaponja & Suljović, 2017).

(3) Technical group of strategic decision making, including

- *Strategic Pricing*: Strategic pricing is the analysis of strategic factors that influence the pricing process. These strategic factors include: Competitors' price, competitors' response, competitors' adaptability (elasticity), market growth, and economic scale. (Guilding et al, 2000; Dmitrović-Šaponja & Suljović, 2017).

(4) Competitor accounting technical group, including:

- *Competitor Cost Assessment*: Perform regular updates on competitors' unit cost estimates based on an assessment of facilities, technology, and economics scale. personnel structure and research, develop (Guilding et al, 2000; Cadez & Guilding, 2008; Cinquini & Tenucci, 2010).

- *Competitive Position Monitoring*: Analyze the position of competitors in the industry by assessing and monitoring trends in sales revenue, market share, sales volume, price units and profit on competitors' sales. This information can provide a basis for evaluating a competitor's market strategy (Guilding et al, 2000).

- *Competitor Appraisal Based On Published Financial Statements*: Assessing competitive advantages of competitors based on data analysis of published financial statements of the company. competitors (Guilding et al, 2000; Cadez & Guilding, 2008; Cinquini & Tenucci, 2010; Dmitrović-Šaponja & Suljović, 2017).

(5) Customer accounting technical team, including:

- *Customer Profitability Analysis*: Customer Profitability Analysis is a technique of recording and analyzing all revenues received from customers/ customers groups, and expenses, costs incurred to obtain that revenue, in order to determine the contribution of each customer/customer group in achieving the company's profits (Guilding and McManus, 2002; Cadez & Guilding, 2008).

- *Valuation of customers as assets*: Valuation of customers as assets is a tool to calculate the value of customers to businesses. For example, by calculating the present value of all future profit streams derived from a particular customer or group of customers (Guilding et al, 2000; Cadez & Guilding, 2008).

3. Research methods

The study was carried out by a combination of qualitative research methods and preliminary quantitative research. The methods used are primary data collection, secondary data collection, questionnaire, interview.

Sampling method: According to statistics of the Ministry of Agriculture and Rural Development by the end of 2020, there are 228 feed production

enterprises in the whole country, of which 71 are foreign-invested enterprises (accounting for 31%), 157 domestic enterprises (accounting for 69%). Domestic food production enterprises are all in the private economic sector (*Source: Ministry of Agriculture and Rural Development, 2021*).

The author uses the formula:

$$n = \frac{N}{1 + Nxe^2}$$

In which: $e = 0.05$

We have $n = 113$ enterprises

Regarding the size of enterprises in the total sample, enterprises with capital under 100 billion dong accounted for 89.8%, enterprises with capital over 100 billion dong accounted for 10.2%.

So using stratified random method, the author surveyed 12 large-scale enterprises and 101 small and medium-sized enterprises. The author sent a survey to the chief accountant and accountant of 113 Vietnamese food production enterprises in the private sector. Number of votes issued: 226, number of votes collected: 214, response rate: 95%.

The author interviewed in-depth interviews with managers and accountants at two enterprises representing two groups of sizes: large-scale enterprises and small and medium-sized enterprises, namely Dabaco Group Joint Stock Company and Phap Viet Feed Joint Stock Company.

4. Research results

4.1. Overview of feed production enterprises in Vietnamese private sector

By type of enterprise, Vietnamese feed production enterprises in the private sector are distributed according to the following table:

Table 1: Types of feed production enterprises Vietnamese private sector

No.	Type of enterprise	Number of enterprises	Ratio
1	Limited Liability	71	45,2%
2	Joint- stock	30	19,1%
3	Private	56	35,7%
4	Total	157	100%

Source: Compiled by the author

It can be seen that domestic small and medium-sized enterprises in the private sector are weak in

competitiveness compared to foreign enterprises. Specifically, foreign enterprises account for 65% of the market share, while the remaining 35% is held by domestic enterprises. This market share is also in danger of decreasing due to the expansion in scale, number of enterprises as well as output of foreign enterprises due to the development potential of Vietnamese livestock industry.

Not only do they exceed in market share, but most foreign enterprises have methodical business strategies with closed production and business chains. Domestic enterprises need to quickly change their production and business strategies to regain market share from foreign enterprises (Foreign enterprises have great advantages in Vietnamese animal feed market share, 2021).

Table 2: Actual situation of applying quality management accounting in feed production enterprises Vietnamese private sector

Techniques of strategic management accounting	1	2	3	4	5	Mean
1. Technical group cost						
Attribute cost	18	24	32	28	11	2,9115
Target cost	12	16	38	35	12	3,1681
Lifecycle cost	14	18	36	32	13	3,1062
Quality cost	13	18	36	31	15	3,1504
2. Management accounting technical group estimates, controls and measures efficiency Standard of comparison						
Balanced Scorecard	15	28	36	27	7	2,8496
Balanced Scorecard	15	19	36	32	11	3,0442
3. Management accounting technical team makes strategic decisions						
Strategic pricing	11	22	32	32	16	3,1770
4. Competitor accounting technical team						
Evaluate competitors' costs	10	24	32	32	15	3,1593
Monitor competitive position	11	25	35	29	13	3,0708
Evaluate competitors based on financial statements	20	30	35	20	8	2,6991
5. Customer accounting technical team						
Analyze customer profitability	9	20	36	31	17	3,2389
Valuing customers as assets	9	18	36	33	17	3,2743

Source: Author's compilation

The cost engineering group: With the attribute cost technique has a relatively low mean value of 2.9115. This shows that many Vietnamese feed production enterprises in the private sector have not considered the feed product attribute as an object of cost aggregation. Through interviews, the object of collecting costs is mainly batches of feed products. The target cost technique has an average mean of 3,1681, which shows that the Vietnamese food production enterprises in the private sector have been interested in determining the cost according to the profit target to be achieved by the business. The cost-quality technique has a Mean of 3.1504 which proves that Vietnamese feed mill enterprises in the private sector have paid attention to costs to achieve product quality to meet market requirements.

Technical group of management accounting for estimation, control and efficiency measurement: The Matching standard technique has a Mean equal to 2.8496, showing that Vietnamese food manufacturing enterprises in the private sector have not paid much attention to learning methods. measures taken by efficient businesses. The interview results show that the main reason is that the companies keep their production and business know-how as well as business strategies. Therefore, it is difficult for other businesses to find information about competitors to learn. The balanced scorecard technique has a Mean of 3.0442, which proves that the Vietnamese food production enterprises under the research scope are quite interested in using the balanced scorecard to measure performance results.

Technical group of management accounting to make strategic decisions: Strategic pricing technique has Mean equal to 3.177, proving that Vietnamese food processing enterprises have a fairly clear pricing strategy, in line with the strategic goals of the business.

Competitor accounting technique group: Competitor's cost assessment technique has a Mean equal to 3.1593, showing that Vietnamese food manufacturing enterprises have paid attention to competitors' costs. The technique of monitoring competitive position has Mean equal to 3.0708, proving that the feed processing enterprises have paid attention to their position in the market. The technique of evaluating competitors based on

financial statements with Mean equal to 2.6991 shows that food processing enterprises have not paid attention to assessing competitors through financial statements. The reason according to the interview results shows that most of the rival enterprises are not required to disclose financial statements. Therefore, the data source for evaluating competitors through financial statements is almost limited.

Customer accounting technical group: The customer profitability analysis technique has a Mean equal to 3.2389, which proves that the food processing enterprises have been quite interested in the profitability of customers for their business activities. enterprise. The technique of valuing customers as an asset with a Mean equal to 3.2743 also shows that food processing enterprises have clearly identified customer resources, treating customers as assets of the business.

5. Discussion

It can be seen that the level of application of quality management accounting techniques in the industrial production enterprises of the private sector in Vietnam is still quite modest. This explains why the competitiveness of domestic food production enterprises (both in the private sector) is inferior compared to foreign enterprises. Domestic enterprises account for 69% but the feed market share is only 35% - completely opposite figure. Strategic costing techniques have not been applied much; Feed production enterprises in the private sector mainly still apply traditional costing methods. Effective estimation, control and measurement techniques are also rarely used; It is difficult to collect information from competitors, leading to businesses not building many benchmarks. Technical group of management accounting to make strategic decisions has been interested by feed industry enterprises; The applied valuation methods are relatively clear, consistent with the strategy of each business. The technical accounting group of competitors has been interested in by feed production enterprises, but not much, the level is not high; This is a weakness in the application of quality management accounting techniques of these enterprises. The customer accounting technical group has received more attention, but the level is still not high; enterprises under the research scope have not fully

appreciated the value of customer resources to fully exploit this resource.

The above situation, the author proposes a solution to improve the ability to apply strategic management accounting in animal feed production enterprises in the private sector in Vietnam.

On the State side

Currently, in our country, management accounting has only stopped at general guidance according to Circular 53/2006 of the Ministry of Finance. strategic management accounting. does not have any documents guiding the implementation. This causes confusion for businesses in applying strategic management accounting. Therefore, the author proposes that the State should develop a document to guide enterprises in applying strategic management accounting, from which, enterprises have a basis for application in suitable conditions for enterprises.

On the side of Vietnam Association of Accounting and Auditors

The Vietnam Association of Accountants and Auditors should organize courses on strategic management accounting, fostering knowledge of strategic management accounting for business administrators and accountants. On that basis, improve the understanding of managers and accountants about strategic management accounting. This is an important condition for businesses to successfully apply strategic management accounting.

On the side of feed production enterprises

Feed production enterprises in the private sector need to strengthen the appointment of managers and accountants to participate in training courses on knowledge of strategic management accounting, raising awareness and techniques of applying strategic management accounting. Based on the deep understanding of quality management accounting of managers and accountants, feed production enterprises belonging to the private sector are able to successfully apply strategic management accounting, improving the competitiveness of enterprises in the domestic feed market.

6. Conclusion

Vietnamese feed production enterprises in the private sector have not had a position in the

domestic feed market. Food production enterprises in the private sector have not yet applied many strategic management accounting tools in corporate governance. There are many reasons leading to the low level of application of strategic management accounting techniques in those enterprises. The author has proposed a number of core solutions to improve the effectiveness of the application of strategic management accounting in enterprises under the research scope. With the trend of integration, the feed production enterprises of the private sector need to make a breakthrough in corporate governance and improve their position in the market.

References:

- Cadez S. & Guilding, C. (2008), *An exploratory investigation of an integrated contingency model of strategic management accounting*, *Accounting, Organizations and Society*, 33, 836–863.
- Cinquini, L., & Tenucci, A. (2010), *Strategic management accounting and business strategy: a loose coupling?* *Journal of Accounting & Organizational Change*, 6(2), 228-259. doi:10.1108/18325911011048772.
- Dao, T.H. (2015), *Improving cost management accounting in steel manufacturing enterprises in Vietnam*, PhD thesis, National Economics University.
- Dixon, R., & Smith, D. (1993), *Strategic management accounting*. *Omega*, 21(6), 605-618. doi:10.1016/0305-0483(93)90003-4.
- Dmitrović-Šaponja, L., & Suljović, E. (2017), *Strategic management accounting in the Republic of Serbia*. *Economic Research-Ekonomska Istraživanja*, 30(1), 1829-1839. doi:10.1080/1331677x.2017.1392884.
- Guilding, C., Cravens, K. S. & Tayles, M. (2000), *An international comparison of strategic management accounting practices*, *Management Accounting Research*, 11, 113–135.
- Guilding, C., & McManus, L. (2002), *The incidence, perceived merit and antecedents of customer accounting: an exploratory note*. *Accounting, Organizations and Society*, 27(1-2), 45-59. doi:10.1016/s0361-3682(01)00030-7.
- Ha, N. K.G & Tran, D.H. (2016), *Applying the balanced scorecard to propose solutions to perfect strategic management at Phu Nhuan Jewelry Joint Stock Company (PNJ)*, *Open University Science Journal HCMC*, 50(5), 41–55. <https://trungthanhhp.vn/doanh-nghiep-ngoai-co-uu-lon-trong-thi-phan-thuc-chan-nuoi-viet-nam/>
- Lisa Jack. (2005), *The adoption of strategic management accounting tools in agriculture post subsidy reform: a comparative study of practices in the UK, the US, Australia and New Zealand*, *Chartered Institute of Management accountants*, 5(7), 1–7.
- Langfield-Smith, K. (2008), *Strategic management accounting: how far have we come in 25 years?*, *Accounting, Auditing & Accountability Journal*, 21(2), 204–228.
- Ministry of Agriculture and Rural Development (2021), *Livestock industry report 2020*.
- Nguyen, T.H. (2015), *Applying the cost management accounting method system to the product life cycle in Vietnamese ceramic tile manufacturers*, PhD thesis, National Economics University.
- Simmonds, K (1981), *Strategic management accounting*, *Management Accounting*, 5(4), 26–29.