International Academic Institute for Science and Technology

International Academic Journal of Accounting and Financial Management
Vol. 10, No. 1, 2023, pp. 40-44.

ISSN 2454-2350

International Academic Journal of Accounting and Financial Management

www.iaiest.com

Influence of Strategic Management Accounting Practices on Employee Satisfaction in Businesses in Vietnam

Le Thi Thu Huyen [a], Nguyen Thi Hoa [b]

[a,b] *Faculty of Natural Resources and Environment Economics, Hanoi University of Natural Resources and Environment, Vietnam.*

Abstract

This study was conducted to assess the impact of strategic management accounting practices on employee satisfaction in businesses in Vietnam. The study uses documents in combination with direct interviews of related subjects of some companies and corporations on the Hanoi city table. The practice of strategic management accounting can affect employee satisfaction in a variety of ways, such as: clear communication of organizational goals, incentives and rewards, training and development, resource allocation, and employee engagement. Based on the results of the study, some recommendations are given to businesses to help them have useful insights to promote the implementation of strategic management accounting to improve employee satisfaction, thereby promoting their growth and competitiveness in the global market.

Keywords: Management Accounting, Strategic Management Accounting, SMA, Satisfaction, Vietnam.

DOI:10.9756/IAJAFM/V10I1/IAJAFM1005
Received:20 January 2023/Accepted:16 February 2023/Published:27 February 2023

Introduction

Today's organizations operate in a competitive and rapidly changing environment that requires flexibility, innovation, and efficiency to sustain growth and profitability. One approach that organizations use to achieve their goals is through strategic management accounting (SMA), which involves integrating management accounting with organizational strategy.

According to Kaplan & Atkinson (2014), *SMA involves advising managers in strategic planning, implementation, and analysis.* Meanwhile, employee satisfaction is an important factor in the operation of the organization. Employees who are satisfied with their work will be more motivated, committed and productive to increase efficiency and profitability for the business.

The SMA approach is a new area that helps managers make appropriate, effective decisions. In terms of the relationship between SMA and employee satisfaction has attracted increasing attention from scholars around the world in recent years.

Research by Abd El-Salam & El-Masry (2017), looks at the effect of SMA activities on employee satisfaction in Egyptian manufacturing companies. The authors suggest that SMA methods can enhance employee satisfaction by providing employees with information that can improve their job performance and enhance their participation in decision making.

Al-Najjar & Hassan (2018), assess the impact of SMA practice on organizational learning and job satisfaction in Malaysian SMEs. The results of the study show that SMA practices help enhance organizational learning and employee job satisfaction by providing employees with relevant and timely information to make the right decisions.

In Vietnam, SMA studies are mainly conducted in the direction of exploring the implementation and its impact on different aspects of business operations, such as: financial performance, competitiveness and sustainability (Le Thi My Nuong, 2020; Bui Thi Truc Quy, 2020). Meanwhile, studies on the relationship between SMA and employee satisfaction are still very limited.

Therefore, this study was conducted to answer the question of how SMA practice affects employee satisfaction in enterprises in Vietnam? Answering this question will help businesses have useful insights to promote the practice of SMA in the enterprise to improve employee satisfaction, thereby promoting growth and competitiveness of businesses in the global market.

Relationship between Strategic Management Accounting and Employee Satisfaction

The relationship between SMA and employee satisfaction can be explained by representation theory. Representation theory holds that conflict arises between shareholders and managers in pursuit of organizational goals. Managers may be motivated to focus on their interests, which may not be in line with the interests of shareholders. This conflict can lead to reduced employee satisfaction, as managers prioritize other aspects of the organization over employee satisfaction. SMA practices can mitigate this conflict by providing relevant information for decision making, which aligns the interests of shareholders and managers with the interests of employees.

Studies have shown a positive correlation between SMA and employee satisfaction across a variety of dimensions, such as: Better links between employee performance and organizational goals (Kaplan & Norton, 2001; Otley, 1999; Mavridis & Kyriakopoulos, 2018). Increased transparency of information (Lapsley & Pallot, 2000; Kocakulah & Sisman, 2017). Fairness in performance evaluation (Ali, 2010; Abdul & Luther, 2016).

The Impact of Strategic Management Accounting on Employee Satisfaction

The main objective of SMA is to support the development and implementation of strategies that create and maintain a competitive advantage. SMA is seen as an approach that intersects strategic management and accounting, which is understood as accounting that puts the focus on the strategic management of the business.

The objective of the studyis to find out how SMA practice affects employee satisfaction in businesses in Vietnam. The research method is implemented through the study of documents combined with direct interviews with accountants, chief accountants and managers of 04 enterprises (including VingGroup; FPT Group; Vietcombank and Vinamilk Company) in Hanoi. The results of the study show that:

Although SMA has been widely adopted in developed countries, SMA adoption in Vietnam is still limited. Many managers and employees in Vietnamese enterprises are not familiar with the concepts and techniques of SMA. As a

DOI:10.9756/IAJAFM/V10I1/IAJAFM1005
Received:20 January 2023/Accepted:16 February 2023/Published:27 February 2023

result, they do not realize the potential benefits of SMA methods, such as improved decision-making, increased competitiveness, and better performance. Another reason why SMA adoption in Vietnam is low is due to the lack of training and education programs for managers and employees. There are currently very few training and education programs focused on SMA practice in Vietnam. Most current training programs focus on traditional accounting techniques, which do not provide managers and employees with the skills and knowledge necessary to implement SMA effectively.

For Vinamilk Company

Vinamilk is one of the largest dairy companies in Vietnam. The interview results show that Vinamilk has implemented SMA by applying a performance measurement system to evaluate the performance of employees and departments. They also set up a reward system to motivate employees to achieve better. As a result, the company has seen an increase in productivity and employee satisfaction and they have been recognized for their human resource management activities, winning the "Best Workplace in Asia" award in 2017. However, Vinamilk also faces challenges in aligning the goals of different business units with the overall strategy of the company. This makes it difficult to develop a consistent set of SMA practices that are applicable to all business units. In addition, the lack of transparency in financial statements leads to a lack of trust between employees and stakeholders, which affects employee satisfaction.

For Vietcombank

Vietcombank is one of the largest commercial banks in Vietnam. They performed SMA operations by taking a balanced scorecard approach. This approach allows the bank to align its strategy with employee goals, resulting in increased employee satisfaction and engagement. The bank also established a reward system to recognize employees who contributed to the bank's success. As a result, productivity increases, employee satisfaction improves, and financial performance improves. However, Vietcombank still faces challenges in implementing SMA due to the lack of standardization in accounting practices throughout the bank. SMA implementations are inconsistent across all departments, resulting in inconsistently generated information quality. This in turn affects employee satisfaction because employees in some departments have access to more accurate and relevant information than others.

For Vingroup

Vingroup, a group in Vietnam operating in the fields of real estate, retail, healthcare and education. The interview results show that they implemented SMA by establishing a performance management system to evaluate employee performance based on key performance indicators (KPIs). This system allows managers to identify areas where employees need to improve and provides training and development opportunities to help them achieve their goals. Vingroup has also implemented a clear reward system to motivate employees to achieve better performance. As a result, the company has seen an increase in employee satisfaction and productivity over the past years. Besides, the complexity of Vingroup's business with many different subsidiaries, including real estate, schools, entertainment and health care. Each subsidiary has its own characteristics and requires different implementation of strategic management accounting. Therefore, it can be a challenge to ensure consistency and coherence in the implementation of these practices throughout the team.

For FPT Corporation

The interview results show that FPT has implemented a number of SMA practices, such as budgeting, performance measurement, and reward systems, to ensure that employees are properly paid and motivated to achieve the company's goals. One of FPT's SMA activities is its performance measurement system, which allows employees to track their progress and receive feedback on their performance. This system is aligned with the company's strategic goals, ensuring that employees are aligned with the company's goals. FPT also provides regular training and development opportunities for its employees to improve their skills and knowledge, thereby increasing job satisfaction and engagement. The company has implemented an incentive system that rewards employees for their contributions to the company's success. The system is based on individual and team performance, ensuring that employees are motivated to work collaboratively and achieve company goals. In addition, FPT Group offers various non-monetary benefits, such as flexible work arrangements and wellness and physical care programs, to enhance employee satisfaction. Thanks to SMA, FPT Group has achieved a high level of employee satisfaction. In the survey conducted by Vietnam Works in 2019, FPT Group was ranked in the top 10 companies with the highest level of employee satisfaction in Vietnam. The company has also received numerous awards for its HR activities, including the "Vietnam HR Awards" in 2018 and 2019. However, one of the difficulties they face is that they have to constantly adapt to the changes of technology and market trends, FPT needs to constantly update and improve SMA practices to keep up with the rapid technological advances. This can be a difficult task and requires significant resources, both in terms of time and

DOI:10.9756/IAJAFM/V10I1/IAJAFM1005
Received:20 January 2023/Accepted:16 February 2023/Published:27 February 2023

financial investment. In addition, for both Vingroup and FPT, the implementation of SMA practices requires significant changes in company culture and management style. This can create opposition from employees and management, who may already be familiar with traditional accounting practices. Therefore, it may take time and effort to successfully implement these practices and receive the full support of all stakeholders.

Conclusion and Recommendation

Implementing SMA in an enterprise is an important step towards improving the overall performance of the organization and, by extension, employee satisfaction. However, many businesses have difficulty implementing SMA due to a lack of knowledge, resources, or commitment. Based on the successes and difficulties of the influence of SMA practice in businesses through the direct interview results of some corporations in the city of Hanoi, on the basis of which the author has recommendations for businesses, as follows:

1. **Encourage Employee Engagement:** Employee engagement is essential in SMA practice. Employees are the primary users of the information generated by SMA, and their participation in the SMA process can help ensure that the information is relevant and useful. Therefore, businesses should create a culture that encourages employees to participate in the SMA process. This can be achieved by organizing workshops, training sessions, and team building activities that promote communication, cooperation, and creativity among employees. This way, employees will be more likely to understand the organization's goals and align their objectives with those of the organization.
2. **Nurture a Positive Organizational Culture:** Organizational culture plays an important role in the effectiveness of SMA activities. A positive culture that prioritizes employee satisfaction is more likely to benefit from implementing SMA methods than those that don't. Therefore, businesses should promote a positive organizational culture that supports employee satisfaction and development. This can be achieved by promoting open communication, healthy work-life balance, fair compensation and opportunities for advancement and development. When employees are satisfied with their work environment, they are more likely to make a positive contribution to the organization.
3. **Invest in Employee Training:** Investing in employee training is an important step to promote the implementation of SMA practices. Employees who are trained in SMA practices are more likely to understand the organization's goals and align their goals with those of the organization, thus improving employee satisfaction. Therefore, businesses should invest in training programs to improve employees' knowledge and skills in SMA practice. Training programs should be designed to meet the specific needs of employees and should be delivered in an engaging and interactive manner.
4. **Leadership Commitment:** Leadership commitment is an important success factor in the implementation of SMA practices. Managers who are committed to improving employee satisfaction are more likely to gain benefits from implementing SMA methods. Therefore, businesses should prioritize leadership commitment in implementing SMA practices. This can be achieved by appointing leaders who understand the importance of SMA practices and their impact on employee satisfaction. These leaders should then aim to create a culture that supports SMA practices and encourages employee involvement in the process.
5. **Implement Performance-based Rewards for Employees:** Enterprises can implement performance-based rewards for employees to encourage them to improve their performance and contribute to the success of the organization. This may include bonuses, promotions or other rewards based on their performance.

References

Abdel-Kader, M., & Luther, R. (2006). Management accounting practices in the British food and drinks industry. *British food journal*, *108*(5), 336- 357.

Abd El-Salam, O., & El-Masry, A. (2017). The Effect of Strategic Management Accounting on Employee Satisfaction: Evidence from Egypt. *International Journal of Economics, Commerce and Management*.

Al-Najjar, I., & Hassan, M.K. (2018). The Impact of Strategic Management Accounting on Organizational Learning and Job Satisfaction in Malaysian Small and Medium Enterprises. *Journal of Management and Strategy, 9*(2), 1-13.

Ali, U. (2010). Cost and Management Accounting Practices: A Survey of Manufacturing Companies. *Eurasian Journal of Business and Economics, 3*(6), 113-125.

Bui, T.T.Q. (2020). *Factors affecting the application of strategic management accounting and the impact on performance of production and research enterprises in the Southeast region – Vietnam*. PhD thesis, University of Economics Ho Chi Minh City.

DOI:10.9756/IAJAFM/V10I1/IAJAFM1005
Received:20 January 2023/Accepted:16 February 2023/Published:27 February 2023

Kaplan and Atkinon. (2014). *Advanced management Accounting*. Prentice Hall.

Kaplan, R.S., & Norton, D.P. (2001). *Strategic performance measurement systems and organizational alignment*. Harvard Business Review.

Kocakulah, M.C., & Sisman, G. (2017). The impact of strategic management accounting techniques on firm performance. *Journal of Management and Organization, 23*(1), 20-38.

Lapsley, I., & Pallot, J. (2000). The role of management accounting in new public management reforms: Implications in a financial management environment. *Financial Accountability & Management, 16*(3), 209-228.

Le, T.M.N. (2020). *Factors affecting the implementation of strategic management accounting and the impact on the performance of Vietnamese manufacturing enterprises*. PhD thesis, University of Economics Ho Chi Minh City.

Mavridis, D.G., & Kyriakopoulos, K. (2018). The impact of strategic management accounting on organizational performance. *Journal of Business Research*.

Otley, D. (1999). Performance management: a framework for management controls systems research. Management accounting Research, *10*(4), 363–382.

https://www.vinamilk.com.vn/

https://portal.vietcombank.com.vn/

https://www.vingroup.net/

https://fpt.com.vn/en

DOI:10.9756/IAJAFM/V10I1/IAJAFM1005
Received:20 January 2023/Accepted:16 February 2023/Published:27 February 2023