Antecedents of Strategic Accounting Practice Process Orientation: Empirical Evidence from Small and Medium Enterprises (SMEs) Auto Parts Businesses in Thailand

Piyanuch Pragoddee[1*] Sutana Boonlua[2] Kesinee Muenthaisong[3]

Abstract

Small and Medium Enterprises (SMEs) of an auto parts businesses are considered important for generating national revenue in Thailand. However, the industry is currently facing export competition with foreign countries specifically those ASEAN countries. Strategic accounting practice process orientation functions as an important key for businesses to successfully adjust themselves under globalization. The following variables affected the use of strategic accounting practice process capabilities of businesses. The purpose of this research was to examine the effects of antecedents on strategic accounting practice process orientation of SMEs auto parts businesses in Thailand. Data were collected by mailed survey from 106 auto parts businesses in Thailand. The statistics used for analyzing data included correlation and multiple regression. The findings indicated that accounting system effectiveness, accounting ethical orientation and stakeholder expectation had a positive effect on strategic accounting practice process orientation. Furthermore, conclusions and recommendations for future research were provided in the last section of this research.

Keywords: Strategic Accounting Practice Process Orientation, Small and Medium Enterprises (SMEs), Auto Parts Businesses

Introduction

Small and Medium Enterprise (SMEs) auto parts businesses are considered a main mechanism which reinforces progress of domestic economy. They generate a great revenue and employment. Thailand is regard as one of the fast growing countries about SMEs auto parts businesses in Asia. In addition, these businesses are highly competitive (SMEs Knowledge Center, Office of Small and Medium Enterprise Promotion, 2016). However, firms have to face several problems including administration, marketing, labor, production technology and accounting. Specifically, accounting is considered inefficient in the accounting practice process; it is not efficient according the generally accepted accounting principles (GAAP). This includes unreliable accounting information and it yields no support for planning and decision-making. In addition, the strategic importance of accounting for the firm notes that the use of accounting information can lead to the failure or success of SMEs (Amidu, Effah & Abor, 2011).

[1*]She is a Ph.D. (Candidate) in Accounting at Mahasarakham Business School, Mahasarakham University,Thailand.
[2] She is a lecturer in Mahasarakham Business School, Mahasarakham University, Thailand.
[3] She is a lecturer in Mahasarakham Business School, Mahasarakham University, Thailand

In order to survive, firms need to be aware of accounting practice process according to the GAAP. They need to apply it to suit firms' context. Moreover, an accounting process is regarded as a mechanism that helps generate competitive advantage as integrity of accounting information quality and leads to better decision-making quality. It signals firm survival. In the past, accounting practice process techniques only provided financial report, specific profit or loss at the end of the accounting period of firm. Nowadays, stakeholders focus on accounting practice process according to GAAP so as to reflect the true state of business of financial report (Akadakpo & Enofe, 2013). Strategic accounting practice process orientation is the capability of the firms to set guidelines, procedures, and steps for bookkeeping in compliance with established accounting principles. Moreover, strategic accounting practice process techniques can help create accounting practice method quality according GAAP which leads to accounting information quality and support decision-making quality. In so doing, stakeholders obtain suitable and reliable accounting information based on the high-quality set of accounting standards (Rezaee et al., 2010). It functions as a key factor that leads to success in business survival, especially in diverse environment of global businesses, which need strategic accounting practice process (Amidu, Effah & Abor, 2011). The context of internal and external factors of environment as antecedents have an effect on strategic accounting practice process orientation. An internal environment is a long-term vision, accounting system effectiveness, accounting ethical orientation, and accounting technology support whereas an external environment is stakeholder expectation.

This research was aimed at investigating the relationships among long-term vision, accounting system effectiveness, accounting ethical orientation, accounting technology support and stakeholder expectation towards strategic accounting practice process orientation in SMEs auto parts businesses in Thailand. The key research question is "How do long-term vision, accounting system effectiveness, accounting ethical orientation, accounting technology support and stakeholder expectation affect strategic accounting practice process orientation?"

The remainders of this study are organized as follows: Firstly, a review of literatures and hypotheses development of antecedents and strategic accounting practice process orientation is presented. Secondly, the methodology and research method are mentioned. Thirdly, the results are discussed. Fourthly, the contributions and future research are provided. Finally, the conclusion is presented.

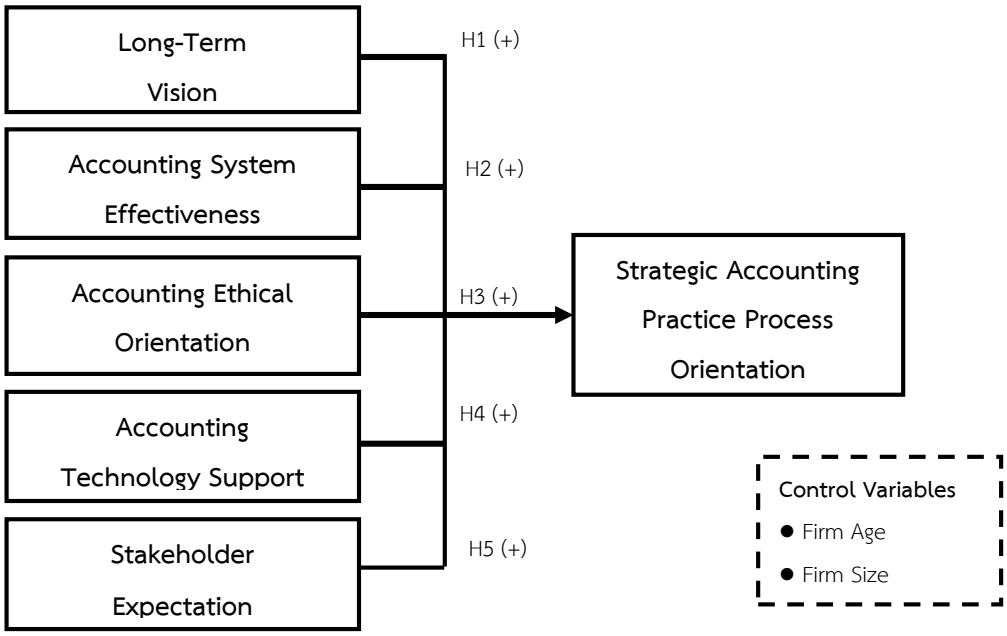
Research Objectives

To examine the effect of five antecedents, long-term vision, accounting system effectiveness, accounting ethical orientation, accounting technology support and stakeholder expectation on strategic accounting practice process orientation.

Literature Reviews

The contingency theory is applied to explain the relationships between its antecedents and strategic accounting practice process orientation. The contingency theory proposes that appropriate organizational management affects the context of operations, including situation, strategy, technology, culture and an external environment of the firm (Chenhall, 2003). This research employs the contingency theory to identify the antecedent variables. Long-term vision, accounting system effectiveness, accounting ethical orientation, and accounting technology support are internal conditions that may affect strategic accounting practice process orientation. Stakeholder expectation functions as both an external situation and an uncontrollable variable that perhaps have an effect on strategic accounting practice process orientation. Therefore, the contingency theory is considered as an appropriate theory used for describing antecedents of strategic accounting practice process orientation in the conceptual framework in Figure 1.

Figure 1: Conceptual Model of Antecedents of Strategic Accounting Practice Process Orientation



Long-Term Vision

Long-term vision refers to an assignment of good guidelines and processes of a firm to clarify operations and illustrate long-time planning operation in the future (Wangraj, Ussahawanitchakit & Muenthaisong, 2014). Therefore, long-term vision of the accounting practice process focuses on the ability of a firm to come up with ideas that can lead to the achievement of outcomes in the long run. This indicates the right to set strategic goals. Santos et al. (2007) indicated that the firm must race versus time to compete for the improvement of the system so as to gain competitive advantage in the short and long term for maintaining profitable business change which is to change the behavior of appropriate organizations for the firm. Long-term vision influences the future accounting practice process of the firm

and hence enhances capability for strategic accounting practice process orientation. Hence, the first research hypothesis is as follows:

Hypothesis 1: Long-term vision is positively related to strategic accounting practice process orientation.

Accounting System Effectiveness

Accounting system effectiveness refers to the outcome of accounting regularity which is continuously applied for the appropriateness of accounting practice process followed by setting accounting system (Wangraj, Ussahawanitchakit & Muenthaisong, 2014). Moreover, the creation of information from the accounting system offers an explanation about the usage of resource and operations (Kara & Kilic, 2011). Consistent with research of Feng, Li & McVay (2009), it was found that the performance of accounting system effectiveness offers suggestion and guidance and advocates value-added support decision-making, firm success and improvement of the sustainable firm. Thus, the second hypothesis is as follows:

Hypothesis 2: Accounting system effectiveness is positively related to strategic accounting practice process orientation.

Accounting Ethical Orientation

Accounting ethical orientation refers to the firm that focuses on accounting practice, adhering to the ethics of the accounting profession, complying with rules, regulations and accounting. Moreover, Held (2013) indicated that ethical accounting can rule out problems pertaining to the incomplete or incorrect information about a business and jobs, and support the increase of stabilization in financial markets. Thus, the third hypothesis is as follows:

Hypothesis 3: Accounting ethical orientation is positively related to strategic accounting practice process orientation.

Accounting Technology Support

Accounting technology support refers to promoting continuation about investment of accounting technology and training staff for better understanding about accounting technology which can lead to the application in accounting practice process efficacy. Bradford & Florin (2003) found that the support of the firm helps to build a better understanding of an organization about advantages which lead the firm to promote functional managers responsible for accounting information technology use and implementation. In addition, Rose & Kraemmergaard (2006) found that the firm needs to operate serviceable change-agent roles and conduct the range of personal, business, and technological competencies to improve the abilities of the organization's accounting information system. Moreover, Nicolaou & McKnight (2006) indicated that accounting information system influences accounting practice improvement, internal control ability and management of accounting effectiveness. Thus, the fourth hypothesis is as follows:

Hypothesis 4: Accounting technology support is positively related to strategic accounting practice process orientation.

Stakeholder Expectation

Stakeholder expectation refers to the want to support firm performance under the responsibility of the operation standard regulations strictly in the best interests of involved shareholders. Furthermore, several researchers attempted to set expectations of stakeholders with regard to service and product attributes, timeliness of service, quality of design, competence and reliability and communication. These characteristics influence stakeholder satisfaction (Hartmann & Hietbrink, 2013). Thus, the fifth hypothesis is as follows:

Hypothesis 5: Stakeholder expectation is positively related to strategic accounting practice process orientation.

Strategic Accounting Practice Process Orientation

Strategic accounting practice process orientation refers to the capability of the firms about assigning procedures in accounting practice process for bookkeeping that serves as a guideline, procedures, and steps that systematically follow the policy, troubleshooting and goals of the firms which bring about financial report quality and economic decision-making. Accounting practice process is a step of accounting to collect, transform procedures, interpret, analyze, and disseminate report to users. Accounting practice proposes accounting information to the firm for management based on the GAAP and accounting standards (Kohlbeck & Warfied, 2010). Prior research of Kizil, Cetin & Bulunmaz, (2014) found that the accounting functions in this process are to record, classify, summarize or report, analyze and interpret. Baker & Barbu (2007) claimed that the differences in accounting process are caused by the economic, legal systems and corporate financing.

Methodology

Sample Selection and Data Collection Procedures

The samples of this research were SMEs auto parts businesses in Thailand. Based on the database of the website www.diw.go.th of the Ministry of Industry of the Thai government on February 19, 2015, there were 305 firms. These businesses were chosen mainly because SMEs auto parts businesses served as a major industry in Thailand and they had to face with several economic problems. Such problems affected country revenue source. The application of strategic accounting practice process orientation helps create accounting practice method and improve accounting information quality. The sample size was calculated by Yamane's formula, (1973). Therefore, the sample size was 173 firms under the 95% confidentiality level. There were 106 respondents, approximately 48.40% response rate. This research obtained the response rate more than satisfactory level. According to Aaker, Kumar & Day (2001), they indicated that the average mail survey response rate should be in the range of 20%.

Test of Non-Response Bias initiated by t-test Armstrong & Overton (1977) was used to compare the results of early and late respondents. The variables used for non-response bias testing were business capital registered, number of employees, the period of time in operation business, and average income per year. The results suggested that there were no significant differences between early and late respondents. Non-response bias yielded no problem.

Variable Measurement

The conceptual model, all variables were measured on five point Likert scale. Ranging from 1 (Strongly disagree) to 5 (Strongly agree). Moreover, all constructs were developed to measure by definition of each constructs and examine the relationship from theoretical framework and prior literature reviews. Thus, the variable measurements of this study are described as follows.

Dependent Variable

Strategic accounting practice process orientation is the ending dependent variable in this research. This construct is measured via business transaction evidence orientation, accounting data linkage awareness, accounting procedure clearness emphasis, accounting policy value concern and accounting regulation integration focus.

Independent Variables

Long-term vision is measured, using a four-item scale developed as a new scale, based on its definition.

Accounting system effectiveness is measured, using a four-item scale modified from Wangraj, Ussahawanitchakit, and Muenthaisong (2014).

Accounting ethical orientation is measured, using a four-item scale developed as a new scale, based on its definition.

Accounting technology support is measured, using a four-item scale developed as a new scale, based on its definition.

Stakeholder expectation is measured, using a three-item scale modified from Wangraj, Ussahawanitchakit, and Muenthaisong (2014).

Control Variables

Control variables in this research include firm age and firm size. For the analysis, firm age is represented by a dummy variable in which 0 means the firm has the period on time in operation lower than or equal to 10 years, and 1 means the firm has the period of time in operation more than 10 years. Firm size is represented by a dummy variable (0 = total employees that are less than or equal 100 persons and 1 = total employees is 101 – 200 persons).

Reliability and Validity

Therefore, the validity and reliability of the questionnaire were identified. Table 1 shows the factor loading of each construct ranging from .560 to .954 that proposes value higher than .40 (Nunnally and Bernstein, 1994). It indicates the occurrence of the construct validity. The Cronbach's alpha coefficient of all variables are between .711 and .942, and are greater than .70 (Hair et al., 2010). It indicates that the internal consistency of the entire scale exists in this research.

Table 1: Results of Validity and Reliability Testing

Constructs	Factor Loadings	Alpha Coefficient
Long-Term Vision (LTV)	.775-.872	.830
Accounting System Effectiveness (ASE)	.703-.777	.711
Accounting Ethical Orientation (AEO)	.743-.816	.802
Accounting Technology Support (ATS)	.702-.827	.749
Stakeholder Expectation (STE)	.635-.954	.806
Strategic Accounting Practice Process Orientation (SAP)	.560-.833	.942

Statistical Techniques

The statistical methods include factor analysis, variance inflation factor, correlation analysis, and regression analysis. Therefore, the Ordinary Least Squares (OLS) regression analysis is appropriate evaluate totally hypotheses ensuring the conceptual model. Thus, all the hypotheses in this research are transformed into an equation. The general formula for the research model is as follows:

Equation 1: $SAP = \alpha_1+\beta_1 LTV+\beta_2 ASE+\beta_3 AEO+\beta_4 ATS + \beta_5 STE+\beta_6 FAG+\beta_7 FSE+\varepsilon_1$

Results and Discussion

Table 2 presents the descriptive statistics and correlation matrix for all variables with ranging from .732 - .213. These correlations do not exceed 0.8, so they are within the limits as recommended by Hair et al. (2010). In addition, the maximum VIF value of five dimensions of strategic accounting practice process orientation is 4.368 which is well below the cut-off value of 10 (Hair et al. (2010). Thus, this research identified no multi-collinearity problems.

Table 2: Descriptive Statistics and Correlation Matrix

Variables	LTV	ASE	AEO	ATS	STE	SAP	FAG	FSE
Mean	4.18	4.28	4.20	4.22	4.39	4.22	n/a	n/a
S.D.	.46	.52	.46	.51	.52	.49	n/a	n/a
LTV	1							
ASE	.564***	1						
AEO	.732***	.385***	1					
ATS	.272***	.295***	.161	1				
STE	.228**	.354***	.213**	.100	1			
SAP	.537***	.711***	.470***	.214**	.407***	1		
FAG	.656***	.307***	.464***	.002	.180	.353***	1	
FSE	.654***	.255***	.425***	.089	.134	.288***	.753***	1

***p< 0.01, **p<0.05

Additionally, the Ordinary Least Squares (OLS) regression analysis is employed to test all hypotheses resulting in the conceptual model and table 3.

Table 3: Results of OLS Regression Analysis for Effects of Antecedents on Strategic Accounting Practice Process Orientation

Independent Variables	**Dependent Variables**
	SAP
Long-Term Vision	.016
(LTV : H1)	(.138)
Accounting System Effectiveness	**.558*** **
(ASE : H2)	**(.086)**
Accounting Ethical Orientation	**.186***
(AEO : H3)	**(.098)**
Accounting Technology Support	.001
(ATS : H4)	(.072)
Stakeholder Expectation	**.156*** **
(STE : H5)	**(.071)**
Firm Age (FAG)	.140
	(.217)
Firm Size (FSE)	-.034
	(.216)
Adjusted R^2	**.545**
Maximum VIF	**4.368**

***p<0.01, **p<0.05, *p<0.10, [a] Beta coefficients with standard errors in parenthesis

Table 3 presents the results of OLS regression analysis of the relationships among the antecedents and strategic accounting practice process orientation.

Firstly, the results demonstrate that long-term vision is not significantly related to strategic accounting practice process orientation (H1: β_1 = .016, p > .10). These results do not support the finding of Kaplan & Norton (2007) which suggested that business success dealt specifically with the present strategic vision. The firms have to race versus time to improve system about how to gain competitive advantage both in the short and long term. Currently, SMEs auto parts businesses are adapts from family business. Their lack of a developmental long-term vision. So, long-term vision may not affect the strategic accounting practice process orientation. **Therefore, Hypothesis 1 is not supported.**

Secondly, the results demonstrate that accounting system effectiveness has a significant positive effect on strategic accounting practice process orientation (H2: β_2 = .558, p < .01). Accounting system effectiveness helps accounting practice process in collecting information,

recognizing procedures and controls, creating, gathering, recording, classifying, analyzing, summarizing, interpreting and presenting accurate and timely information for decision-making (Zhang, Zhou & Zhou, 2007). Consistent with research of Kara & Kilic (2011), the finding also suggested that creating information from the accounting system offers and explanation about the usage of resource and operations. **Therefore, Hypothesis 2 is supported.**

Thirdly, the results demonstrate that accounting ethical orientation has a significant positive effect on strategic accounting practice process orientation (H3: β_3 = .186, $p < .10$). The firms that utilize accounting ethics improve their financial information quality. Consistent with research of Held (2013), it indicated that ethical accounting can rule out problems regarding incomplete or incorrect information about a business and jobs, and support to increase stabilization in financial markets. Klimek & Wenell (2011) suggested that an accounting ethics supports restore investor confidence in financial statement. **Therefore, Hypothesis 3 is supported.**

Fourthly, the results demonstrate that accounting technology support is not significantly related to strategic accounting practice process orientation (H4: β_4 = .001, $p > .10$). Technology is important factor for support accounting practice process of the firms lead to accounting practice process quality. SMEs auto parts businesses focus on only maximum profit, but not awareness about accounting practice process (Akadakpo & Enofe, 2013). Consistent with research of Moorthy et al. (2012) indicate that the firms have to big spending on the technology software, hardware and IT personnel of accounting. Moreover, the firms lack of understanding of technology to adopt in accounting practice process. **Therefore, Hypothesis 4 is not supported.**

Finally, the results demonstrate that stakeholder expectation has a significant positive effect on strategic accounting practice process orientation (H5: β_5 = .156, $p < .01$). Stakeholder expectation is a key driver in encouraging responsible for the duties of accountants, because stakeholder expectation is associated with work practices and fosters expressions which are the behaviors of the accountants. These results do support the finding of Akadakpo & Enofe (2013) found that stakeholder awareness about accounting practice process. According with Mattingly, Harrast, & Olsen, (2009) indicate that stakeholder expectation helps increase financial report transparency. **Therefore, Hypothesis 5 is supported.**

With regard to the control variables, firm age and firm size shows there are no significant effects on strategic accounting practice process orientation.

Contributions and Suggestions

This research aimed to examine the effects of antecedents on strategic accounting practice process orientation of SMEs auto parts businesses in Thailand were examined. Data were collected by mail survey from 106 SMEs auto parts businesses in Thailand. The statistics for data analysis were correlation and multiple regression. The results indicate that accounting system effectiveness, accounting ethical orientation and stakeholder expectation have a significant positive effect on strategic accounting practice process orientation. Moreover, long-term vision and accounting technology support have no significant effect on strategic accounting practice process orientation.

This research, has some limitations which are considered necessary to be addressed for future research. Thailand changed new accounting standard that followed International Financial Reporting Standards (IFRS). This may affect the opinions of accounting managers or accounting directors. Furthermore, the outcomes may be affected by the use of measures which are limited. This highlights the need for new scales to be developed from literature review in the field of accounting.

There are two recommendations for managerial contributions. Firstly, the results suggest that firm should provide accounting system effectiveness and accounting ethical orientation to enhance great strategic accounting practice process orientation for SMEs auto parts businesses in Thailand. Secondly, firms should pay close attention to the application of strategic accounting practice process capability stated by the GAAP and accounting standard.

Future research may employ other sample groups (e.g. SMEs in textile businesses, food manufacturing, manufacturing, etc.) and should be select sample groups that firm age and firm size the same characteristics in order to compare the results and outcomes to gain more research credibility. Additionally, alternative data collection methods including focus group, in-depth interviews and case studies should be examined.

References

Aaker, D. A., Kumar, V. & Day, G. S. (2001). Marketing Research. New York: John Wiley and Sons.

Akadakpo, B. A. & Enofe, A. O. (2013). Impact of Accounting Ethics on the Practice of Accounting \ Profession in Nigeria. *Journal of Business and Management*, *12*(1), 45-51.

Amidu, M., Effah, J. & Abor, J. (2011). E-accounting Practices Among Small and Medium Enterprises in Ghana. *Journal of Management Policy and Practice*, *12*(4), 146.

Armstrong, J. S. & Overton, T. S. (1977). Estimating Nonresponse Bias in Mail Surveys. *Journal of Marketing Research, 14*(3), 396-402.

Baker, C. R. & Barbu, E. M. (2007). Evolution of Research on International Accounting Harmonization: A Historical and Institutional Perspective. *Socio-Economic Review*, *5*(4), 603-632.

Bradford, M. & Florin, J. (2003). Examining the Role of Innovation Diffusion Factors on the Implementation Success of Enterprise Resource Planning Systems. *International Journal of Accounting Information Systems*, *4*(3), 205-225.

Chenhall, R. H. (2003). Management Control Systems Design within Its Organizational Context: Findings from Contingency-based Research and Directions for the Future. *Accounting, Organizations and Society*, *28*(2), 127-168.

Feng, M., Li, C. & McVay, S. (2009). Internal Control and Management Guidance. *Journal of Accounting and Economics*, *48*(2), 190-209.

Hair, J. F., Anderson, R. E., Babin, B. J. & Black, W. C. (2010). *Multivariate Data Analysis: A Global Perspective (Vol. 7).* New Jersey: Pearson.

Hartmann, A. & Hietbrink, M. (2013). An Exploratory Study on the Relationship Between

Stakeholder Expectations, Experiences and Satisfaction in Road Maintenance. *Construction Management and Economics*, *31*(4), 345-358.

Held, D. (2013). *Political Theory and the Modern State*. New York: John Wiley & Sons.

Kaplan, R. S. & Norton, D. P. (2007). Using the Balanced Scorecard as a Strategic Management System. *Harvard Business Review, 85*(7-8), 150-161.

Kara, E. & Kilic, Y. (2011). Accounting Recording System on Accrual Basis at Local Authorities in Turkey: An Application in Gaziantep Local Municipality. *International Journal of Business and Social Science*, *2*(15), 244-250.

Kizil, C., Çetin, A. T., & Bulunmaz, A. (2014). Accounting Education Approach in the Context of New Turkish Commercial Code and Turkish Accounting Standards. *Emerging Markets Journal*, *4*(1), 72.

Klimek, J. & Wenell, K. (2011). Ethics in Accounting: an Indispensable Course?. *Academy of Educational Leadership Journal, 15*(4), 107.

Kohlbeck, M. & Warfield, T. (2010). Accounting Standard Attributes and Accounting Quality: Discussion and Analysis. *Research in Accounting Regulation*, *22*(2), 59-70.

Mattingly, J. E., Harrast, S. A. & Olsen, L. (2009). Governance Implications of the Effects of Stakeholder Management on Financial Reporting. *Corporate Governance: The International Journal of Business in Society*, *9*(3), 271-282.

Moorthy, K. M., Voon, O. O., Samsuri B. S., Gopalan, M. & Yew K. T. (2012). Application of Information Technology in Management Accounting Decision-making. *International Journal of Academic Research in Business and Social Sciences, 2*(3), 1-16.

Nicolaou, A. I. & McKnight, D. H. (2006). Perceived Information Quality in Data Exchanges: Effects on Risk, Trust, and Intention to Use. *Information Systems Research*, *17*(4), 332-351.

Nunnally, J. C. & Bernstein, I. H. (1994). The Assessment of Reliability. *Psychometric Theory, 3*(1), 248-292.

Rezaee, Z., Smith, L. M. & Szendi, J. Z. (2010). Convergence in Accounting Standards: Insights from Academicians and Practitioners. *Advance in Accounting, 26*(1), 142-154.

Rose, J. & Kraemmergaad, P. (2006). ERP Systems and Technological Discourse Shift: Managing the Implementation Journey. *International Journal of Accounting Information Systems*,*7*(3), 217-237.

Santos, G., Montoni, M., Vasconcellos, J., Figueiredo, S., Cabral, R., Cerdeiral, C. & Rocha, A. R. (2007). Implementing Software Process Improvement Initiatives in Small and Medium-size Enterprises in Brazil. In *6th International Conference on the Quality of Information and Communications Technology, 2007.* (pp. 187-198). Canada: IEEE.

SMEs Knowledge Center, Office of Small and Medium Enterprise Promotion (OSMEP). n.d. (Online). Available from: http://www.sme.go.th/th/index.php/know-ledge center/...1/618-smes knowledge-center2 [accessed 30 September, 2016].

Wangraj, P., Ussahawanitchakit, P. & Muenthaisong, K. (2014). Audit Responsibility Competency and Audit Survival: Evidence from TAX Auditors (TAs) in Thailand. *AU-GSB Journal*, *7*(2).

Yamane, T. (1973*). Statistics: An Introductory Analysis*. 2nd ed. New York: Haper and Row Press.

Zhang, Y., Zhou, J. & Zhou, N. (2007). Audit Committee Quality, Auditor Independence, and Internal Control Weaknesses. *Journal of Accounting and Public Policy, 26*(3), 300-327.