

Factors Affecting the Low Adoption of Management Accounting Practices in Sri Lankan Business Organizations

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Abstract

The role of the management accountant is to analyze information and provide it to fellow managers ensuring that they are understood and used appropriately and proactively. The information is analyzed using Management Accounting (MA) practices. MA practices are analytical tools which are adopted in preparing Management Accounting information in organizations. The findings of previous studies suggest that there is a considerable gap between Management Accounting theory and practice in Sri Lankan companies. This gap can be explained as the difference between the desired and current level of adoption of MA practices. The literature review also suggests that the levels of adoption of MA practices in Sri Lankan companies are low. Having identified the negative consequences of low adoption, the researcher formulated the research problem as "What are the factors affecting the low adoption of Management Accounting practices in Sri Lankan business organizations?" Primary data was collected from a sample of 22 companies

using convenience sampling and a questionnaire, in-depth interviews, and focus group discussions. The conceptual model adopted for the research has contributed to enhancing the understanding of the factors affecting the low adoption of MA practices. The research findings are that the level of adoption of MA practices has (1) a strong positive correlation with top management awareness of the relevance and usefulness of MA practices, (2) a moderate negative correlation with [subordinate?] to financial accounting, (3) strong positive correlation with mode of planning and control, and (4) moderate positive correlation with supportive organizational culture. This was further supported by the qualitative data analysis based on the findings from the in-depth interviews and focus group discussions.

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Key Words : Management Accounting Practices, Low Adoption, Top Management Awareness, Subordination, Traditional mode of planning, Organizational culture.

1. Introduction

Management Accounting (MA) has changed in scope during the past 10 years and could change even more. However, the definition of Management Accounting has not changed. Its objective remains to inform managers, whose information needs have changed dramatically and will continue to evolve. The objective specifies that the purpose of Management Accounting is to protect, preserve and increase value so as to deliver that value to stakeholders of profit and non-profit enterprises, both public and private. The content specifies that it is an integral part of management, involving the identification, generation, presentation, interpretation and use of information for a variety of the organization's related functions. Management Accounting techniques have developed extensively from preparing Cost-Volume-Profit Analysis to the latest techniques like Economic Value Added, Activity Based Management, Target Costing, and Kaizen. The expectation from the management accountant has been changing consistently with the advance of technology and new challenges faced to analyse business for its competitiveness. Traditionally, management accountants have been preoccupied with the supply of information. Will this role continue? It is important to assess the nature, extent of use, and the effectiveness of the Management Accounting practices in Sri Lankan organizations. In contrast to traditional cost based measures, today few Sri Lankan companies use modern Management Accounting techniques for management decision making.

2. Research Problem

Right information at the right time is very important for effective management decisions. On the other hand, the survival of a business organization totally depends on effective management information. Management information, management information systems, and the role of the management accountant are the key elements of effective decision making in a company. Very importantly, techniques and approaches of management accountants in analyzing and presenting the information need to be seriously discussed. The Sri Lankan context of Management Accounting is still at the very basic level and is struggling with traditional financial information. Traditional financial accounting and statutory compliance requirements are given high priority by the companies and Management Accounting is subordinate to financial accounting in most places.

The preliminary study done with regard to a few companies reveals that Management Accounting in the Sri Lankan business sector is at a very low level. They do not use Management Accounting proactively. This is further seen when comparing MA practices between local companies and multinational companies. Most of the multinational companies use most of the MA techniques and they treat the role of a management accountant as extremely important. Through this study the researcher expects to examine whether there are relationships between five independent variables and the low adoption of Management Accounting practices in Sri Lankan business organizations. The research question of the study is:

"What are the factors affecting the low adoption of Management Accounting practices in Sri Lankan business organizations?"

3. Objectives of the study

This research has the following objectives.

- A. To establish the extent of usage of MA practices in Sri Lankan business organizations;
- B. To identify the factors affecting the low adoption of MA practices in Sri Lankan business organizations;
- C. To explore the ways and means of improving the MA practices by giving a right awareness of the relevance and usefulness to the relevant stakeholders of Management Accounting ;
- D. To increase the awareness of roles and functions of the management accountant at a strategic level to promote the function more proactively.

4. Significance of the study

In the Sri Lankan context, so far no efforts have been made to examine the possible causal factors for the low adoption of MA practices. Research done by (Fonseka, Manawaduge, Senaratne, 2005) highlighted the MA practices in quoted public companies in Sri Lanka and they have confirmed that there is a gap between MA theory and practice. On the other hand, there were some studies done to examine Management Accounting practices and operational efficiency, implications for management decision making, and managing working capital, etc. In this study, it is expected to see the possible relationship between the factors highlighted in the literature survey and the low adoption of MA practices and also the strategic nature of Management Accounting practices and techniques in planning, controlling, and decision-making activities. Since no study of this nature has been done in Sri Lanka, the researcher expects that this study would fill a knowledge gap.

5. Methodology

The questionnaire-based survey is the methodology used followed by an open-ended in-depth interview with the selected sample. The data analysis is supported with findings from two focus group discussions. The main focus of the study is to examine the possible causal factors for the low adoption of management accounting practices in Sri Lankan business organizations. This study uses a sample of 22 companies, which are limited liability companies registered under the Sri Lanka Companies Act. Two questionnaires were used to obtain primary data. When selecting the respondents within the firm to Questionnaire I, priority was given to a higher-level officer dealing with management information for decision making and for Questionnaire II, priority was given to the Financial Controller, Management Accountant, Accountant or any other higher officer directly dealing with management accounting practices. The two questionnaires were weighted with appropriate numbers to transfer the qualitative analysis to a quantitative analysis. Some questions were based on a Likert scale. The statistical technique of correlation analysis was used to arrive at conclusions.

6. Literature Review

6.1 Developments in Management Accounting (from cost to strategy)

The origins of today's Management Accounting can be traced back to the Industrial Revolution of the nineteenth century. According to Johnson and Kaplan (1987), most of the Management Accounting (MA) practices that were in use in the mid-1980s had been developed by 1925, and for the next 60 years there was a slow-down, or even a halt, in Management Accounting innovation. Since the mid-1980s, Management Accounting practitioners and academics have sought to modify and implement new techniques that are relevant to today's environment that will ensure that Management Accounting regains its relevance. Kaplan (1994) stated that:

The past ten years have seen a revolution in Management Accounting theory and practice. The seeds of the revolution can be seen in publications in the early to mid 1980s that identified the failings and obsolescence of existing cost and performance measurement systems. Since that time we have seen remarkable innovations in Management Accounting ; even more remarkable has been the speed with which the new concepts have become widely known, accepted and implemented in practice, and integrated into a large number of educational programmes (Drury, 2004:21).

6.2 Different views of usage and practice of Management Accounting

Since there is not any direct literature with regard to different views of MA practices within the Sri Lankan context, the researcher sought some international viewpoints.

Australia: Barbara, 2004 describes the future role of the Australian management accountant. The important roles are strategic direction setting, resource management, organizational control, decision support, organizational change, and information management.

France: Michel, 2004 reveals that, in the next 10 years, management accountants will need to modify the way they perceive and carry out their mission. They will have to join the ranks of decision makers while keeping their roles of support and constructive critic to managers.

United Kingdom: Thomas, 2004 emphasizes that the three major drivers of change over the next ten years will be the impact of technology, the need to develop controllership/ management accountancy skills in the ex-communist world, and pressures for a further development of the skills of the practitioners, spurred on by a drive from the EC to develop a European model. All these factors will work together to move management accountancy away from the Anglophone professionally-based approach toward the continental controllership discipline, and the British accountancy professions could well split up into the "pure" accountants, dealing with audit and tax being separated from the MA technicians at one level and the financial managers at a higher level.

6.3 Low adoption of management accounting practices in Sri Lankan companies

In their study to find the gap between the theory and practice of Management Accounting in quoted public companies in Sri Lanka, Fonseka, Manawaduge, and Senaratne, (2005) found that the use of certain Management Accounting practices even in the corporate sector is still at a relatively low level. They studied 36 Management Accounting practices and found that the usage rate of 24 Management Accounting practices out of 36 is below 30%. The findings also indicate that across the industry sectors MA practices are mostly used for planning and control and internal control purposes. In respect of other functions such as strategy formulation, decision making, efficient resource usage, and performance improvement, and value enhancement, the use of MA practices is much less, and the degree of use varies considerably within the individual industry sectors.

Based on the above analysis of the different industry sectors, the following issues were identified in the business environment in Sri Lanka which cause the low adoption of MA practices:

- I. Low level of awareness among top management of the relevance and usefulness of Management Accounting .

Goonesequera (2004) pointed out that lack of knowledge on the part of senior management about Management Accounting tools and the contribution they could provide in evaluating decision options, inhibits their usage at tactical and operational levels of the organization. Thus, even though the lower level staff are aware of the tools and their benefits, they are unable to use them as they are not appreciated. Kulendran (2008), in his study of the 'factors that impact organizational change towards management models beyond budgeting', stresses that awareness of management accounting should be increased among business leaders. This can be done through seminars and CEO forums focused on new developments in management accounting and the value it provides to organizations.

- II. Subordinate to financial accounting practices; the MA function has not developed sufficiently over the years, and remains an arm of the finance function.

Examination of the finance department structure of a traditional Sri Lankan company shows that Management Accounting has become subordinate to financial accounting. In contrast, the finance departmental structure of a multinational company provides a dedicated function to management accounting and calls it business/financial counseling or business partnering.

According to the survey done to understand the level of management accounting practices in Barbados, West Indies, Forde, Burnett, and Devonish (2007) emphasize the extent of the subordinate role accorded to Management Accounting *vis a vis* financial accounting. Their research question "Is there a clearly defined job function called 'Management Accounting' in your organization?" elicited the following response. A majority (58%) of the respondents reported that they did not have such a clearly defined job function. A more fundamental reason, debated for over two decades in the Management Accounting research literature, is that there is a 'financial accounting

mentality' that may be responsible for very few companies having a clearly defined Management Accounting function (Kaplan, 1984 and Johnson and Kaplan, 1987).

The results from the above study appear to be consistent with findings from Asia that more traditional Management Accounting methods are in use.

- III. Inherent bias towards traditional modes of planning and control; it is evident that there is a dearth of MA practices aimed at formulation of strategy, efficient resource use, and performance improvement and value enhancement. But in the Sri Lankan context in the adoption of MA practices in these areas is very low.

The survey done by Fonseka (2000) revealed that local firms were highly dependent on orders placed with them by foreign intermediaries. The whole planning exercise was based on orders received from foreign buyers and merely producing goods to order. The marketing aspect has been left entirely to overseas distributors. Many export firms have set their goals in terms of an incremental increase in annual rupee earnings of 10%. This would not be a challenging goal when the Sri Lankan rupee is depreciating at 6-8 % per year. The above study further revealed that the quality of enterprise level planning can be analyzed with regard to two areas: (1) the nature of goals set by firms and (2) the planning horizon of firms. The author emphasizes the very poor level of goal setting in Sri Lankan firms in industries like tea, garments, and tourism. It clearly explains the setting of unrealistic export targets for the apparel industry (US \$ 8 billion by 2005, in 1998 with the actual performance level of US \$ 2 billion in 1997) without working out details of the prospective markets and the product mix or monitoring the trends. On the other hand, it is necessary for firms to go beyond annual financial planning, which is the prevailing practice in the country's manufacturing sector.

Even though most Sri Lankan firms practise annual financial planning exercises, they have not given adequate consideration to internal resources and external market analysis. They are lacking in the use of the techniques like SWOT, value chain, and benchmarking analysis. In contrast, most firms in the west (USA, UK) evaluate their internal and external position regularly and especially at the strategic planning and implementation stages. Here the role of the Management Accountant in planning is given much importance.

Most of the Sri Lankan firms struggle with cost-based measures and traditional modes of planning and controlling. They do not appreciate analyzing adequate information in arriving at management decisions. Ultimately, that will affect the competitiveness of the firm. According to the study done by Fonseka (2001) to examine the uncompetitive trends in four different industries, viz. tea, garments, gems, and tourism, several factors are responsible for the uncompetitive behaviour of Sri Lankan business organizations. They are: (1) absence of an information seeking culture, (2) lack of a planning culture, (3) lack of a competitive strategy, (4) lack of innovation, (5) a poor work ethic, and (6) reliance on state patronage.

According to the above study it is evident that Sri Lankan firms are very poor at using information for market analysis and other managerial decisions. They do not collect information for strategic analysis and moreover give priority to day-to-day operational

issues. In the west countries like USA and UK use most of the advanced techniques to analyze information. Some popular techniques/practices are benchmarking, value chain analysis, activity based management (ABM), etc. Kotler emphasizes the real-time market information which most Sri Lankan firms lack in the light of some changes viz. (1) from local to national to global marketing, (2) from buyer needs to buyer wants, (3) from price to non-price competition.

- IV. Lack of innovation, learning and sharing; Sri Lankan companies lack an environment that promotes innovation, learning, and sharing of knowledge and skills. In contrast, multinational companies seem to be rich in these aspects.

Sri Lankan business organizations do not value a supportive organizational culture for better performance. Ultimately this impacts on firm level learning and sharing of knowledge. The study done by Fonseka (2001) to examine the uncompetitive trends in four different industries, viz. tea, garments, gems, and tourism, reveals several factors causing uncompetitive behaviour among Sri Lankan business organizations. Prominent among these are lack of innovation and poor work ethic.

The study further says, 'Sri Lankan firms exhibit a strong 'commodity trading mentality'. Their main focus is on exporting huge quantities, rather than on higher value addition. Thus, in the case of tea, the aim is to export x million kilogrammes, while in garments the intention is to export x million pieces. In tourism, the focus is on bringing the largest number of tourists, rather than on attracting the more affluent tourists (Fonseka, 2001).

There are few Sri Lankan studies which measure organizational effectiveness by using the balanced score card (BSC) approach. Fonseka (2002) has used BSC to measure the performance of rubber goods manufacturing and exporting firms of Sri Lanka. The findings had four perspectives. The highest average score for firms was recorded under the financial perspectives (66%), while the lowest was recorded under the learning and growth perspectives, which was (45%).

- V. Most of the MA practices can be adopted based on a set of assumptions that do not apply to the Sri Lankan market, which is highly distorted (volatile market conditions).

Ambalawarner (2004) pointed out the importance of activity based costing system in the Sri Lankan knitted textile industry. He said, "The trend of rising costs and reducing selling prices computed on aggregate information are only effects of wrong decisions made due to lack of information. The root cause is the current cost and performance measurement system that guide decisions based on average costs and selling prices. Therefore, the underlying issue is the absence of a strong cost and performance measurement system that guides effective decisions."

Kulendran (2008) emphasizes the problem of budgeting in a volatile environment. According to his study of budgeting practices in Sri Lankan firms, the author pointed out that 'budgeted results become targets to be achieved on which performance is evaluated and reward based. Controls to ensure that results are on track take place regularly, usually monthly or quarterly. However, the circumstances in which budgets were initially set out will be completely different from the time when they are implemented.

According to a CIMA technical briefing paper (2002), the following emerging techniques can be used in corporate performance measurement and are well suited to volatile market conditions. These include value based management (VBM), activity based management (ABM), balanced scorecard (BSC), benchmarking, strategic enterprise management (SEM), and Six Sigma.

6.4 Low adoption of Management Accounting practices and negative consequences in Sri Lankan companies

Karunaratne (2007) identified six commonly used MA practices in his study of management accounting practices, and the level of operating efficiency in small and medium scale enterprises in Sri Lanka. They are i) product costing, ii) cash flow forecasting, iii) budgetary control, iv) ratio analysis, v) variance analysis, vi) inventory control. It is clear from the study that Management Accounting practices affect the level of operating efficiency of SMEs in varying degrees. The final conclusion was that the relative usage of Management Accounting practices in Sri Lankan small and medium scale enterprises is very low, and this shows that the level of operating efficiency in this sector is also relatively low.

Goonesekera (2004) evaluated the application of MA techniques in the Sri Lankan hotel sector and their effectiveness for decision making purposes. It is interesting to know that all the hotels used the "uniform accounting practices for hotels" as a guideline to determine the method of costing adopted based on direct material cost % on sales price for pricing decisions, resulting in cost structures determined based on direct material and not considering overheads. Although all the hotels identified power and energy management as critical; almost all of them did not consider this key cost element for costing purposes, and consequently for pricing decisions. Also, the level of Management Accounting analysis was observed to be dependent on the extent of professional knowledge among management staff. Thus the practices being adopted were not questioned nor were alternatives put forward.

Gunaratne (2008) has explained several drawbacks in resulting from the absence of a proper treasury management policy in a group of leading companies. It is interesting to mention these drawbacks because the treasury management function is a key role of a management accountant. The drawbacks are i) subsidiaries borrow at a high cost due to their poor credit rating, ii) loss of opportunity to make an extra profit component due to unutilized surplus cash, iii) underutilization of the capacity for using financial markets and exposure to financial risk. Sri Lankan companies are very poor in treasury and working capital management.

6.5 High awareness of top management as a means of adding value through effective decisions and enhancing organizational effectiveness

Hilton (2005) in his book "Management Accounting" has identifies five ways of adding value to organizations. These are i) providing information for decision making and planning, and proactively participating as part of the management team in the decision-making and planning process, ii) assisting managers in directing and controlling operational activities, iii) motivating managers and other employees to reach the organization's goals, iv) measuring the performance of activities, sub - units, managers, and other employees within the organization,

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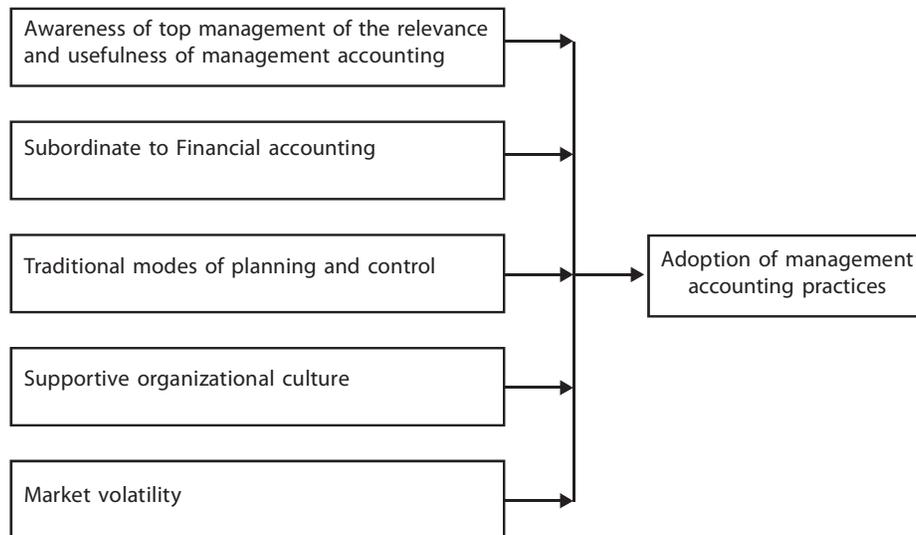
and v) assessing the organization's competitive position, and working with other managers to ensure the organization's long-run competitiveness in its industry. In summary, the role of management accountant helps to achieve more strategic objectives.

BSC as a strategic Management Accounting tool can be used to measure organizational effectiveness, and it is a safe guard for both financial and non-financial aspects of the organizations. According to a recent survey by Bain and Company, approximately 50 percent of Fortune 1000 companies in North America and roughly 40 percent in Europe use some version of the balanced scorecard. Among them is Phillips Electronics, a worldwide conglomerate with over 250,000 employees in some 150 countries. Their top management believes that its BSC helps the management team streamline the complicated process of running a complex international company with diverse product lines and divisions. The BSC tool has helped Phillips focus on factors critical for its business success and align hundreds of indicators that measure their markets, operations, and laboratories (Hilton, 2005).

7. Conceptual Framework

Based on the above five major factors were identified as independent variables, which mostly contribute to the low adoption of MA practices in Sri Lankan companies. The independent and dependent variables are identified to build a relationship. The following conceptual model was developed for the study.

Figure 1: Conceptual model for the study



Source: Conceptualization by the researcher based on the literature review

8. Hypotheses

Hypotheses of the study are:

- H1.** Low level of awareness of top management of the relevance and usefulness of Management Accounting leads to low adoption of Management Accounting practices.
- H2.** The subordination of Management Accounting to Financial Accounting leads to low adoption of Management Accounting practices.
- H3.** Traditional modes of planning and control lead to low adoption of Management Accounting practices.
- H4.** Lack of a supportive organizational culture leads to low adoption of Management Accounting practices.
- H5.** Market volatility leads to low adoption of Management Accounting practices.

9. Operationalization of the study

The concepts underlying the hypotheses need to be defined and it will be useful in reducing them to variables, indicators, and measures. The important concepts here are awareness, top management, Management Accounting practices, subordination, planning and control, supportive organizational culture, and market volatility. The level of adoption is identified with regard to 19 MA practices and these practices are selected to represent all the functional areas of Management Accounting. The following Table shows how the concepts are reduced to variables and measures and the development of the questionnaires (Questionnaires I & II).

Table 1: Development of Questionnaires

Concept	Variable	Indicator / Measure	Questionnaire	Question No.
Top management awareness	MA practices	Level of Understanding	1	6,7,8,9
Practice	MA practices	Usage	2	8
Top management awareness	MA practices	Usage	2	9,10,11
Subordination	MA practices	Usage	2	12,13,14

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Planning	Planning focus Forecast-based planning Strategic planning Benchmarking	Mission & objectives Measurable goals SWOT analysis Competitor analysis	2	15 to 25
Supportive Culture	Value different needs Change Decision making Communication	Cross dept: relationships New ideas Cross dept: participation Cross dept: commu:	2	26 to 31
Market Volatility	Forecasting Budgeting Standards Costing	Different techniques Variance Revisions Prices	2	32 to 41

Source: Survey data

10. Study design and approach to empirical data gathering

Respondents were initially called and informed about the nature of the research. After obtaining their consent, questionnaires were distributed through e-mail, by hand, and personally meeting them. Primary data collection was done by distributing questionnaires within the selected sample and conducting open-ended interviews. Two focus group discussions were conducted to obtain data about some qualitative aspects. Thirty two copies of each of the two questionnaires were distributed and the researcher managed to collect twenty-two responses to both Questionnaires I and II. The researcher had to personally contact the respondents to collect the questionnaires in most cases.

11. Quantitative and qualitative data types

This study is based on the qualitative data gathered by means of responses to the Questionnaires and the views and opinions expressed in interviews. The questionnaires were given to

- A. CEO or top Executive: to understand his/her awareness of the relevance and usefulness of Management Accounting . Questions were developed which could be converted into a numerical scale for measurement (Questionnaire I).
- B. Management Accountant/Accountant or Chief Financial Officer: this questionnaire was to collect information on current MA practices. The objective was to capture the relevant factors affecting the low adoption of MA practices in Sri Lankan companies (Questionnaire II).

The researcher personally visited several companies and had an in-depth interview with selected respondents.

12. Reliability and validity of instruments

In order to ensure the reliability and validity of the data gathered, the following steps were taken:

- A. When collecting the data in the form of questionnaire responses, priority was given to the higher level finance professionals like financial controller, management accountant, and accountant, who directly deal with MA practices.
- B. Higher level officers like CEO, Director, General Manager, Senior Manager were selected to get responses for the higher level awareness about MA practices and their active involvement with management information of the selected companies.
- C. Further, through the open-ended interview with selected respondents the researcher ensured the reliability of the data collected through the questionnaire survey.

The reliability of the data was tested with Cronbach's Alpha measure using the SPSS 16.0 software. The test was performed for all the variables, which can be identified as five independent and one dependent variable. The test result for all six variables can be identified as 0.761, which reflects 76% reliability of the data obtained through questionnaires.

13. Data Analysis

The context was to check the factors affecting the low adoption of MA practices in Sri Lankan business organizations. A convenient sampling was used and primary data was collected from 22 companies registered under the Sri Lanka Companies Act. They were categorized as manufacturing, trading, and services based on their core business and primary objectives. Initially, 32 companies were selected and the questionnaires sent to them. Three companies responded to one questionnaire and only 22 companies responded to both questionnaires. The response rate was 69%. The level of adoption was identified with regard to 19 MA practices and those practices were selected to represent all the functional areas of Management Accounting. The 19 practices were chosen based on the guidelines from previous researches and well-known MA textbooks. The data was analyzed using three methods. The first method was analysis of MA practices using MS excel, the second was an analysis using the Statistical Package for Social Sciences (SPSS) and the third was a qualitative analysis of the data based on in-depth interviews and focus group discussions.

14. Findings

Five hypotheses were derived from the literature survey followed by the conceptual model. Pearson correlation analysis was performed using SPSS 16.0 software to test the relationship

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between variables. In addition, simple scatter diagrams with line of best fit were used to further confirm the relationships, and to check the level of significance for all variables. The following Table summarizes the results of the five correlation analyses for each independent variable with the dependent variable of "adoption of Management Accounting Practices".

Table 2: Correlation Analysis

Independent Variable	Dependent Variable	Correlation (r)	Coefficient of determination (r ²)
Top Management Awareness	Adoption of MA Practices	.737	54%
Subordinate to Financial Accounting	Adoption of MA Practices	-.579	33%
Mode of Planning and Control	Adoption of MA Practices	.727	53%
Supportive Organizational Culture	Adoption of MA Practices	.664	44%
Market Volatility	Adoption of MA Practices	.251	6%

Source: Survey Data

A correlation analysis was performed for adoption of MA practices and top management awareness about Management Accounting . The derived value was 0.737. This was tested with a significance level of 0.01. Therefore, it is evident that there is a strong positive correlation between these two variables. The coefficient of determination ($R=r^2$) which is 0.543 reflects that 54% of the variation in adoption of MA practices can be explained by top management awareness. The balance 46% reveals that the level of adoption of MA practices is determined by factors other than top management awareness. Therefore, Hypothesis 1 (H1) is accepted.

Table 2 above shows the statistics of correlation between adoption of MA practices and subordinate to financial accounting. It shows a correlation of -0.579, which is a negative relationship at moderate level. This was tested with a significance level of 0.01. Therefore, it can be proven that there is a negative relationship between these two variables. Coefficient of determination ($R=r^2$), which is 0.336, reflects that 33% of the variation in the adoption of MA practices can be explained by "subordinate to financial accounting". The balanced 67% reveals that the level of adoption of MA practices is determined by factors other than subordination. Therefore, Hypothesis 2 (H2) is accepted.

A correlation analysis was performed for the adoption of MA practices and the level of planning and control. The derived value was 0.727. This was tested with a significance level of 0.01. Therefore, it is evident that there is a strong positive correlation between these two variables. Coefficient of determination ($R=r^2$), which is 0.529, reflects that 53% of the variation in adoption of MA practices can be explained by the level of planning and control. The balance

47% reveals that the level of adoption of MA practices is determined by factors other than planning and control. Therefore, Hypothesis 3 (H3) is accepted.

A correlation analysis was performed for the adoption of MA practices and a supportive organizational culture. The derived value was 0.664. This was tested with a significance level of 0.01. Therefore, it is evident that there is a moderate positive correlation between these two variables. Coefficient of determination (R^2), which is 0.441, reflects that 44% of the variation in the adoption of MA practices can be explained by a supportive organizational culture. The balance 56% reveals that the level of adoption of MA practices is determined by factors other than the culture of the organization. Therefore, Hypothesis 4 (H4) is accepted.

Table 2 above shows the statistics of correlation between adoption of MA practices and market volatility. It shows a correlation of 0.251, which is a positive relationship. What was expected was a negative relationship. Therefore, it can be seen that there is not any negative relationship between these two variables. The coefficient of determination (R^2), which is 0.063, reflects that 6% of the variation in adoption of MA practices can be explained by market volatility. The balance 94% reveals that the level of adoption of MA practices is determined by factors other than market volatility. Therefore, Hypothesis 5 (H5) is not accepted.

15. Qualitative data

There were instances when the researcher personally visited the respondent organization and conducted interviews with respondents while obtaining feedback through questionnaires. He had in-depth interviews with relevant officers like CEO, CFO, Management Accountant, Accountant, and Financial Analyst, etc. Two focus group discussions were conducted to obtain the different perceptions of MA practices. One group comprised sales and marketing personnel who rely on a lot of management information. The other group comprised personnel with a finance background.

16. Inferences from the interview-findings and focus group discussions

According to the interview - findings, there are a few outcomes that can be identified. It is very important to have a separate function as Management Accounting if the company wishes to actively use Management Accounting information for decision-making. This means allocating required resources for this function to reap the benefits in terms of high adoption of practices. One important finding was that analyzing the competitive position in the market using various MA practices will help being competitive against competitors. Collaboration with finance people is very important in getting their necessary views for various business decisions. There is a misconception among people in the service sector that their operations are not that critical compared to manufacturing and trading, and hence there is no need to use most of the MA practices. Most of the places with a high adoption of MA practices are aware of their relevance and usefulness. Multinationals have highly appreciated all the practices and they closely work with others in the relevant departments. They have introduced concepts like "business partnering", "financial counselling", and "financial analysis and planning" in adopting MA practices.

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There are a few findings of relevance from the focus group interviews. Having a separate Management Accounting function is important for the companies. Understanding the role of the management accountant in contrast to that of the financial accountant is of prime importance. Another important factor is the required awareness of the relevance and usefulness of MA practices among all the relevant stakeholders like top executives, sales and marketing people, and the management accountant. Having a strategic direction with proper planning will place the management accountant at the higher level as facilitator in business decisions. The culture of a close relationship with other departments will help to give more insights into strategic and operational decisions. On top of all this, the management accountant should have the necessary skills to counsel business and marketing people in generating valuable ideas.

17. Similarities in findings

In comparison to the findings of the quantitative analysis, where five hypotheses were tested, several parallel findings can be seen from the qualitative analysis, i.e., in-depth interviews and focus group discussions. They are shown in the following Table.

Table 3: Parallels between findings

Hypotheses tested	Confirmation from qualitative findings
H1. Top management awareness of the relevance and usefulness of MA practices	Medium
H2. Subordinate to financial accounting	High
H3. Mode of planning and control	Low
H4. Supportive organizational culture	Medium
H5. Market volatility	No

Source: Survey data

18. Discussion

The researcher identified the use of MA practices in generating valuable information for management decision making with the best possible findings from the literature survey. In addition, the level of adoption of MA practices with regard to the various functions of Management Accounting were highlighted and analyzed. The level of adoption in Sri Lankan companies in terms of the studied sectors of manufacturing, trading, and service were presented with varying degree of practices. By looking at the overall analysis, it can be

understood that Sri Lankan business organizations do not use MA practices proactively. On the other hand, most of the companies have not adopted most of the practices and focus has been given to very traditional practices. The findings of this study clearly indicate that the level of adoption of certain MA practices in the Sri Lanka business organization, especially in the trading and service sectors, is relatively low. However, certain practices like budgeting, variance analysis, cash flow forecasting, ratio analysis, product costing, and performance evaluation can be categorized as the most popular practices among Sri Lankan companies. Non-traditional practices like the balanced scorecard, strategic Management Accounting, value chain analysis, just-in-time systems, and activity-based management can be identified as less popular compared to traditional techniques.

If one looks at the multinational companies that have local operations in Sri Lanka, the level of adoption can be identified as optimal. Two multinational companies in the study sample practise almost all the 19 MA practices to a high degree. Moreover, they use MA practices for almost all the functions of Management Accounting which were highlighted in this study.

The top management personnel or senior managers in the manufacturing sector seem to be highly aware of MA practices. A large number of respondents have said that they use Management Accounting practices "always". They have also given priority as "most important" for almost all the functions of Management Accounting. This situation is relatively low in both trading and service sectors. However, there are some top executives in the service sector who are highly aware of the practices, and when it comes to the level of adoption also, their organizations are at considerably higher level. Even in the trading sector, it is obvious that if the top executives are aware of the practices and their relevance, then there will be a higher level of adoption in their respective organizations.

There are 13 companies out of the 22, which do not have a separate Management Accounting function to handle the work of the management accountant. The function has become subordinate to financial accounting. 59% of the sample relies on the financial accountant for Management Accounting reporting as well. The obvious outcome is low priority for MA practices due to higher pressure on financial accounting and mandatory statutory requirements. If one further analyzes the survey data, 30% of manufacturing, 80% of trading, and 71% of service companies do not have a separate Management Accounting function.

Companies with traditional modes of planning and control do not generate any information effectively for business decisions. Their focus is to stay with day-to-day operations without any proactive analysis with regard to customers, markets, competition, and resource usage, etc. In that sense the level of adoption of MA practices is very low with traditional modes of planning being the practice. Manufacturing companies have critical operations with many processes. They need to plan for each activity and the focus should be very high. In contrast, the planning focus of trading and service companies is relatively low. There are companies in the sample where the planning focus is very high and the level of adoption of MA practices is also high. Especially in the multinational companies planning and control is a key area. Almost all the multinationals in the sample have a planning focus for three to five years.

The supportive organizational culture will help to have a close relationship within an

organization. On the other hand, openness, transparency in activities, and respect for others are some good signs of a supportive culture. In this framework employees are in a position to share their knowledge among them and openly discuss various business matters. Management Accounting can be practised very proactively when the culture supports good relationships within the organization. All the multinational companies experience a very friendly organizational culture. It is interesting to see that the Management Accounting function in multinational companies has a very close relationship with other departments. They do not call the function Management Accounting but call it "finance counsel" or "financial analysis and planning". The idea is to have a close relationship with other departments, especially with sales and marketing, and counsel them in terms of various business decisions.

Companies whose score was high on market volatility have adopted most of the MA practices. In support of this view, it can be noted that companies whose score is low on this aspect have adopted MA practices at a relatively low level. So, Hypothesis 5 (H5) is not accepted, but the findings show that with high market volatility the adoption of MA practices is also high.

19. Conclusions and Recommendations

Considering the outcomes of both the quantitative and qualitative analyses, several conclusions can be made, in relation to the level of adoption of MA practices in 22 companies in the sample.

The level of adoption of MA practices in Sri Lankan companies can be identified as having varying degrees and the nature, extent, and usage may also vary. The variation can be identified in terms of different sectors such as manufacturing, trading, and services. Manufacturing companies can be identified as having a high level of adoption while the level of adoption in trading and service companies is comparatively low. Multinational companies operating in Sri Lanka adopt more practices than local companies. Based on the analysis four factors can be identified as factors affecting the low adoption of Management Accounting practices in Sri Lankan companies. They are (1) top management awareness, (2) subordinate to Financial Accounting, (3) level of planning and control, and (4) supportive organizational culture. Market volatility cannot be identified as a factor for low level of adoption. However, the analysis shows that if there is high market volatility, the level of adoption of MA practices is even higher.

The following recommendations can be offered with regard to the low adoption of MA practices in Sri Lankan companies and the factors affecting the level of adoption. The level of adoption of MA practices can be improved by inculcating right awareness to the relevant stakeholders who heavily rely on management information. Top managers should study the practices, which they can rely on, while the main responsibility is with the management accountant to educate them on their relevance and usefulness.

The role of the management accountant should be clearly stated, and separate dedicated positions be assigned when the business needs are growing. The role of the management accountant is very clear in contrast to the role of the financial accountant. Some companies

have mixed these two roles and ultimately the level of adoption of MA practices is low due to Management Accounting being subordinate to financial accounting. Having identified the relevant factors for low adoption, the companies need to take necessary action to improve the use of MA for business decisions. Not only traditional cost based measures but also Management Accounting should be promoted in all the possible areas of (1) formulating business strategy, (2) planning and control activities, (3) decision making, (4) efficient resource usage, (5) performance improvement and value enhancement, and (6) internal controls.

The management accountant should acquire the necessary skills to cope with the changing nature of business needs. Having the multi skills is very important for a management accountant. They can be identified as understanding the business, building relationships, skills in finance counseling, analytical skills, negotiation skills, and finally understanding the voice of the customer. Local professional accounting institutions should play an important role in promoting Management Accounting. Considerable attention should be given to separating the Management Accounting function from financial accounting. There should be more professional Management Accounting institutions actively involved in promoting this role as a multidisciplinary role, and not concentrating only on accounting perspectives. On the other hand, Management Accounting institutions should jointly work with local companies to promote this function more proactively.

The implications of the study of Sri Lankan business organizations emphasize that the level of adoption of MA practices can be improved by giving right awareness to the relevant stakeholders who heavily rely on Management Accounting information, especially top management. Additionally, companies must take necessary steps to allocate more resources to the Management Accounting function and deviate from the "traditional financial accounting mentality", when there are needs for good management decisions.

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The most important factor of the normal operation of the business is management activities in which managers operate reliable and timely information. There is a relationship between entities, permissions and responsibilities of each department to enterprise management, coordination of individual activities to achieve the objectives of the company with help of information provision. An important part of this process is an established organization of management accounting. In article analyzed the essence of the definition "organization of management accounting", highlighted the issue o... Sri Lanka, the theory of Management Accounting is taught extensively in. undergraduate and postgraduate level courses in universities and other higher educational institutions. (Programme Guide: Faculty of Management Studies and Commerce, University of Sri Jayewardenepura, 2001; PIM Programme Calendar, 2002).
Is there a gap between the theory and practice of Management Accounting in Sri Lankan businesses? It is practically relevant, economically significant, and intellectually stimulating to address this question in the context of organizations in Sri Lanka, where much attention is paid to the propagation of Management Accounting practices. Keywords: factors affecting accounting, transportation services. According to the Vietnamese Accounting Law (No. 88/2015/QH13), accounting involves organizing the implementation of accounting standards and regulations to reflect the financial position and operating performance, carrying out the accounting inspection and the accounting bookkeeping, supplying accounting documents and information and other accounting tasks. The matching of accounting to the scale of operation, production and business characteristics and management requirements is critical to improving operational efficiency and quality of corporate accounting information, meeting both internal and external users' demand for corporate useful information. Factors Affecting Tourists' Satisfaction at Sri Lankan Hotels The findings highlighted that the majority of the tourists (more than 70%) are satisfied (excellent and very good) with the products and services offered by the Sri Lankan tourist hotels. After reviewing all the Factor Item Architectural design Appearance Interior decoration and arrangements F12 Design and maintenance Garden maintenance Cleanliness and freshness Lighting arrangements Value for money Reasonable prices Pricing policies and practices Convenience and efficient payment F13 Pricing and payments methods Behavior of the cashier Ability to use credit cards Currency exchange Conference and meeting facilities IT facilities F14 Business support services IDD.