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IMPROVING THE GOVERNANCE OF GOVERNMENT-LINKED BUSINESSES BY MEANS OF BEST ACCOUNTING STANDARDS AND VALUE DEVELOPMENT

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ABSTRACT

Government Related Companies (GLCs) are expected to achieve sustainable growth and boost its global market competitiveness. The alliance management capacity that is the ability of a firm to efficiently manage multiple alliances will affect the development of value. A good partnership management capacity helps the company in successfully establishing inter-organizational partnerships that would support stakeholders in the partnership. Meanwhile, strategic accounting management (SMA) activities are composed of specific approaches that can improve value development in organizations. This practice offers information on management accounting used for business strategy, firm growth, market shifts, strategic corporate policy, strategic execution and strategic control. This paper aims to ascertain the mediating role of strategic management accounting (SMA) practices in Malaysian GLCs on the relationship between alliance management capacity and value development of firms. This paper contributes by providing empirical review that enables top management, accountants and policy makers to review the implementation of SMA techniques to create value for the firm.

1. Introduction

Government Related Companies (GLCs) serve as the backbone of the economy in Malaysia and play a major role in all business concerns, from transportation,

electricity, telecommunications, construction, oil and gas to financial services. GLCs are defined as an organization with a major profit-making objective that is directly regulated by the Malaysian government. Controlling stake refers to the power of the government to select members of the board, senior management and to decide on major decisions for GLCs either directly or through its Government-Linked Investment Companies. A business is listed as a GLC if the government holds a more than 50 per cent effective controlling interest. Vision 2020 underscored GLC's position as growing and shaping the economy.

Given the major impact of the GLCs on the Malaysian economy, some GLC output as early as 1990 was low and lack-luster. Possible of the GLCs' vital success factors that certain GLCs show above average performance and underperformance may be due to how well they build the value of the company by the organization's own expertise, skills and capabilities [1]–[3]. Value Creation has become a global concern as a result of continued corporate failure, discontinued product, stock market pressure, brand destruction and competitive market. Value creation has been shown to have a positive effect on corporate results. According to Fuller (2001), the formation of firm value is more important and it is a cycle without end. It began with business model operations, prioritizing sections for more detailed investigation and discovering development opportunities. This process followed by introducing the improvements needed to optimize the company's output as well as setting out calculation and revision, and this process would continue allowing management to track demand and long-term shifts in nature in order to retain competitive advantage. Studied by Anderson et al., it concluded that alliances that have value development in their management controls would understand both economic and behavioural dimensions of inter-organizational trade, collaboration, and inter-partner contact. Therefore, recognizing the importance of value creation is essential for Government Connected- Companies (GLCs), in order to gain competitive advantage and sustain economic development.

Alliance capabilities will help GLCs build, exchange and access information, and explore the use of informal regional network, built through accounting practices for efficient knowledge transfer and access between alliance members. The task of SMA practices is to provide the management with appropriate, accurate and reliable long-term information on the critical success factors inside and outside of the firm [4]–[7]. This strategy will help GLCs achieve corporate excellence, as well as improve the company's value development. Through these activities, companies can reduce costs, boost income growth and increase shareholder value by, for example, using SMA strategies to track progress toward internal and external targets.

Hence, the primary objective of this paper is to ascertain, based on empirical literature on strategic management accounting (SMA) practices that contributes to the relationship between the capacity of alliance management and the value development of companies in Malaysian Government Linked Companies (GLC). This paper will subsequently accumulate empirical literature as to whether the value formation of a company contributes positively to the success

of firms. This paper is organized as follows: first, clarification on SMA principles, value development and capacity to handle alliances. Second, the argument between SMA, value creation and the capacity to manage alliances. Finally, to improve value generation, the assumptions and consequences regarding this paper on researchers and top management, and the principles of SMA practices.

2. Discussion

1. Strategic Management Accounting:

Simmonds, defines strategic management accounting as being used to formulate and track the company strategy which is a way of providing and evaluating management accounting data relating to the company and its rivals. Previous studies illustrate several different strategic management accounting definitions such as, Govindarajan and Shank show that strategic management accounting played a key role in strategic description, strategic announcement, strategic implementation and strategic control. Ward's study says strategic management accounting offers management accounting information for business planning, company growth, market shifts, corporate strategic policy, strategic execution and strategic control, and a mixture of strategic management and accounting management.

SMA may create tremendous value for the performance of an organization by providing the required more relevant information. On top of that, SMA could enrich the organization's productivity and performance. For example, techniques such as ABC (Activity Based Costing) and ABM (Activity Based Management), which determine the actual cost of the product and remove non-value added activity [8]–[11]. Based on Guilding, strategic management accounting (SMA) consists of sixteen techniques in five categories that include costing, planning, control and performance measurement, strategic decision-making, competitor accounting and customer accounting.

SMA activities have not been widely implemented in the Malaysian sense, as opposed to Australia and Europe. A research by Sulaiman et al. found that many organizations still use conventional accounting management methods due to lack of experience, knowledge and top management support. Yap et al. say that the company's most common obstacle is the reluctance of middle-level managers and subordinates to decision-making and implementing new practices. Meanwhile, Nordin et al. study on Electrical and Electronics (E&E) firms in Malaysia found that E&E firms commonly use SMA information elements and suggest that firms are expanding their accounting management information to more externally oriented and strategic content. Said et al conclude that the extensive use of SMA information would lead to a better performance of Malaysian Local Government Agencies in the customer service process.

2. Value Creation:

In the business model of an entity, value can be generated through the transformation of inputs and resources during its business operations and experiences to generate results and outcomes in either the short, medium and

long term, generating or destroying value for the enterprise, its stakeholders, community and the world. Ramli et al research. Al., claimed that the involvement of customers in value engineering exercises is important because customers may contribute to product values.

Meanwhile, both Kraaijenbrink and Spender suggest companies vary in the way they build interest in action. Some derive their importance from productivity or smart preparation, others from successful incorporation or coordination of operations, and yet others from valuable resources or ability attribution imaginative judgements [12], [13]. By adding value creation as an element of the firm's theory, they also added enables these theories to be more specific. Various types of value creation include various value creation practices within a company and these practices are likely to have an impact on a company's borders and internal structure.

Five primary imperatives for preparing, implementing and scaling a sustainable value creation strategy had been coordinated on the basis of comprehensive CEO interviews and Accenture polls. Normann and Ramirez note that the combination of vendors, business partners and consumers would generate value for their organizations and society as a whole. As a consequence, interactions between strategy, resources and processes, business ideas, and stakeholders are the core elements in value network. While Gholami emphasizes that corporate social responsibility is a modern approach that takes into account the needs of both organizational and social stakeholders. The discussions above show how critical the organizations are to value development and can be generated in several ways. The development of value in GLCs would therefore boost their firm efficiency as well as increase shareholder capital which is government and leads to excellence in industry.

3. SMA Practices and Value Creation:

A research by Nishimura suggested that the convergence of conventional accounting management with modern accounting management methods has resulted in more effective accounting systems for cost control. In line with the Value Creation stage of management accounting development, companies are required to use management accounting knowledge as strategic resources that accomplish the goal of value creation. Essentially, the change of management accounting is directed of particular at ensuring that the company manages to generate value, as an important business practice that suits well with the market climate and demand today. Generally speaking, most published empirical studies focused on the adoption of specific SMA techniques and linked with firm performance but limited studies related to the value creation relationship between SMA adoptions. Given the lack of studies relate to SMA and value creation, literatures on the impact of accounting management practices on value creation are written.

Bourguignon's research posits that value formation has been related to accounting management. He revealed that due to knowledge and understanding of value creation and management accounting itself lack of important literature on value creation and management accounting. A study by Sulaiman et al

found that organizations are following best practices in accounting management and creating value which leads to excellence in business. Such developments in realistic management accounting that may contribute to improved business efficiency by using management accounting techniques to invest profitability that enhance value development in firms. Meanwhile Mevellec and Lebas differ on the Management Accounting contribution to value formation. They argued that many medium-sized enterprises are doing well which applied to minimum accounting resources and often do not follow any accounting management tools. At the other hand, larger companies that adopted all the management accounting techniques have shown poor response and inefficiency.

SMA activities consist of various very useful and specific strategies, ranging from analyses for rivals, consumers, the market, branding, benchmarking and others. Such strategies are of great importance to GLCs in terms of decision-making and setting forth a strategic strategy for the progress of the company. This practice would both boost firm efficiency and increase value development in GLCs. Furthermore, with SMA practices and value development, the GLCs may be able to achieve competitive advantage, maintain economic growth and market positioning.

4. Alliance Management Capability and SMA Practices:

Nandan and Ciccotosto researched the ability and capabilities of networks for knowledge development, sharing, and access. Their study has explored the use of informal regional network built through accounting principles for efficient knowledge transfer and access between network members. Participants of this social network have spent time, energy and other resources to achieve positive outcomes and incentives for their research. A network is considered to be a close relationship between members that establishes social bonds for mutual benefit, based on mutual trust, goodwill and understanding. While a formalized written agreement among the members is the main coordination mechanism in large networks and alliances. Nahapiet and Ghoshal illustrated that network or alliance ties developed over a period of time foster trust, cooperation and collective action in such communities, and constitute a valuable resource that enables knowledge to be disseminated and transferred among members in an efficient and cost-effective manner, resulting in benefits in forms of access, timing and referral.

Cooper and Robson argued that accountants, as knowledge-intensive companies, use their knowledge of accounting process methods, rules and regulations to generate the reports and this expertise which enables them to call themselves professionals. Nandan and Ciccotosto suggest that inter-company networks should also provide the intellectual capital needed to meet the needs of customers. In a changing market climate, accountants must keep abreast of developments in accounting procedures such as policy amendments, accounting standards and enforcement issues. Chapman noted that greater coordination between accountants and others is needed in times of uncertainty in order to respond to the environmental volatility. Without improved contact,

the organizations' response was too slow and the resulting output was lower compared to other businesses. He considered intra-organizational communication, it would be rational that when confronted with an unpredictable market climate small companies would need to communicate among themselves. The relationship may range from structured intimate relationships based on a contractual agreement to very informal, loosely organized governance frameworks established for exchanging views and other details, including exchanging of knowledge. Hakansson and Lind stated that established accounting methods play a key role in building the relationship that supported Tomkins' analysis that existing accounting techniques in business alliances and networks are still adequate. Hakansson and Lind, however, have not applied to the partnership any mutual accounting details such as inter-organizational budgets and expense behaviour assessments, open book accounting, and goal costing. Meanwhile, Mouritsen and Thrane's study focused on three inter-company networks that were designed to increase job prospects for small firms leading to a corresponding increase in revenue and they considered such sharing to be problematic.

Partners within the study's networks found that trust, which is an important component of sharing, was often absent, leading to reluctance to become involved. The participants were worried that there would be no reciprocity, and that the anticipated rise in revenue would not occur. They argue that networks should serve a number of partners involved in others, going out and self-governed. Hence, the capacity of alliance management would be one of the factors influencing GLCs to adopt SMA practices by sharing knowledge and accounting information among alliance partners.

5. Alliance Management Capability, SMA Practices and Value Creation:

Teece argued from the point of view of dynamic ability approach that value is generated by cooperation as the partners achieve mutually beneficial benefits that neither would have been able to achieve independently and Hamel emphasizes the importance of deriving value from the relationship. This contributed to the growth and early dominance of a certain industry that benefited partners in the alliance. Another way of achieving synergy is demonstrated by Parkhe when a partner internalizes intelligence, abilities or experience that eventually improves his own competitive advantage. Contractor and Woodley have analyzed the division's determinants among the value partners created by alliances and posit firms enter into alliances not just to generate value, but also to gain an appropriate portion of any value generated by alliance. Anderson et al. conclude that alliances that create interest at their core produce management controls that involve both economic and behavioral aspects of alliance partners' cooperation and communication.

Recent studies have shown that skills in partnership management can generate value for the enterprise. Dahan et al., studied on Multinational Enterprises (MNEs), stated that MNEs faced a lack of tangible resources or intangible knowledge needed to address these challenges and suggested that MNEs could consider working with non-profit NGOs through alliance partners to help

facilitate new ways of creating value. Anderson et al. conclude that alliances that have value creation at their root generate management controls that include both economic and behavioral aspects of inter-organizational exchange and place a great deal of emphasis on coordination and communication among alliance partners. The performance mechanisms used in service quality and cost minimisation partnerships.

Previous studies have also shown that certain SMA-related techniques may help the company gain competitive advantage from the study of these competitors in identifying approaches, value chain, and cost driver study. Collier and Gregory revealed that SMA has become an important element in the provision of detailed management information for strategic decision-making. Some studies have explored the mediating impact of SMA practices on efficiency, such as Cadez and Guilding, who have analyzed seventeen SMA practices as a mediating impact on company performance and have highlighted variables such as strategy and company size, which have had major consequences for SMA. Nandan and Ciccotosto (2014) studied the ability and capabilities of networks for knowledge formation, sharing and access, and explored the use of informal regional network established by accounting directors to efficiently transfer and access information between network members. So it is clear that SMA strategies will improve the production of firm interest, but how do such techniques work for GLC? For example, Porter has recommended the use of value chain analysis to achieve competitive advantage and by improving their position, companies can create value for their customers. In addition to strategic cost analysis, it also involves identifying the competitors' value chain and cost drivers to get a better understanding of comparative competitiveness. This knowledge will be used to assess cost savings and it can allow a business to gain competitive advantage. Although the costs of the product life cycle for goods and services are incurred right from the concept stage through development to product launch, production and sales and subsequent removal of the product from the market. Costing forecasts for the life cycle and accumulates costs over the entire life cycle of a commodity. Therefore the costing of the life cycle is a way of improving the control of production costs by better planning and product design right from the outset, and ensuring that the business minimizes cost effectively and gains competitive advantage.

Other strategies such as goal costing should be done that enable a firm to assess its goal cost. This strategy is to calculate the target price the commodity will earn on the market and to evaluate the target profit margin and the difference between the target profit margin and the target sales price to meet the target amount. Goal Costing was also seen in industries where there is intense competition in market sustainable sectors. The main advantage of adopting target costing is that it is deployed during the design and planning phase of a product so that it has the maximum impact. Teardown analysis and methods of value engineering are highly useful in the application of goal costing. SMA methods therefore provide a broad variety of strategies from the above definition and occur in different forms within organizations to use both

financial and non-financial information, as well as market-based information. Many of the strategies are popular and well-used, thereby helping the firm gain competitive advantage and building value for the firm. So SMA techniques will be a suitable method for generating interest in GLCs and gaining sustainable competitive advantage.

3. Conclusion

The existing literature on alliance management capability, strategic management accounting, and value creation, arguing that most of what is known about how strategic accounting management practices influence the relationship between alliance management capability and value creation. Based on this study, it was found that the role of SMA practices is to provide long-term appropriate, accurate and reliable information to management about the critical success factors of the company inside and outside of the organization. Effective SMA practices can be derived by actions taken by top management or management accountants to improve performance and can be consistently related to structures and activities that are involved in business strategies, critical success factors, and the company's capacity of product and process design. In fact, a good SMA activities as mediating partnership management capability and creating value would help the business gain the competitive edge and contribute to the business creating value. In addition to other professionals, these management consultants with expertise in unique SMA techniques also had a strong influence by introducing such SMA techniques to managers worldwide. As for researchers, more empirical work is required on the distribution, implementation and usefulness of SMA practices.

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