

A STUDY ON THE RELATIONSHIP BETWEEN MANAGEMENT ACCOUNTING PRACTICES, STRATEGY ALIGNMENT AND ORGANISATIONAL PERFORMANCE

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ABSTRACT

Organisations have widely adopted cost leadership and differentiation strategy to remain competitive in today's business environment. Roles of management accountants have changed over the past decades from technical towards strategic competence to support business development while management accounting practices have been widely adopted to satisfy the information needs of business in the current pace of competitive business environment. The research objective is to investigate the influence of degree of fit on the relationship between competitive strategies, management accounting practices and organisational performance and to examine the moderating effect of management accounting practices on the strategy-performance relationship. This is a descriptive research using quantitative research methodology by investigating 132 respondents who are the registered members from the professional body of Chartered Institute of Management Accountants (CIMA). Descriptive analysis of respondents, adoption rate of management accounting practices and ranking of strategic priorities were analysed using IBM SPSS. Validity and reliability of the measurement model and assessment of structural model were analysed by PLS-SEM. Multiple regression analysis and product indicator method were employed to test on the association between management accounting practices, competitive strategy and organisational performance. Results indicated that both cost leadership and differentiation strategy that are supported respectively by traditional and contemporary management accounting practices will have higher correlation with the organisational performance. It is concluded that organisation that plans to adopt a cost leadership strategy or differentiation strategy to dominate the market need to emphasise on traditional and contemporary management accounting practices respectively to achieve greater performance.