FACTORS INFLUENCING STRATEGIC COST MANAGEMENT IMPLEMENTATION

Chairung Chaikambang, Kalasin Business School, Kalasin Rajabhat University, Thailand

ABSTRACT

This research investigates the effects of top management support, competitive learning, integrate resource management, accountant competency on strategic cost management implementation. Transportation businesses in Thailand were selected as the sample. Questionnaire is used as an instrument for data collection and accounting manager/director is key informant. Data were collected from a sample of 105 firms. The Ordinary Least Squares (OLS) regression analysis is a method for testing the hypotheses. The results indicate that top management support, accountant competency have a significant positive effect on strategic cost management implementation. Potential discussion with the results is evidently implemented in this research. Contribution, conclusion and directions for future research are provided.

Keywords: strategic cost management implementation, top management support, competitive learning, integrate resource management, accounting competency

1. INTRODUCTION

The rapid speed of globalization and continually changing business environment, firms need to be vigilant of the impacts of the changes in the business environment and create appropriate strategies to succeed and survive. To compete in this global competition, firms have to be flexible, open and responsive to customer desires. Modarress et al. (2005) emphasized that cost accounting techniques do not sufficiently consider the importance of quality and functionality, which are the desires of today’s circumstance. In other words, cost minimization or cost reduction is not a sufficient strategy to obtain competitive advantage without the support of other market considerations. The need for firms to create higher value in their products or service while lowering costs has been described by Ibusuki and Kaminski (2007). Likewise, the principal aim of the cost management is to help firm maximize their profit. For achieving this aim, contemporary firm should constantly improve themselves and get ready for the future as well as competing under today’s circumstances (Apak, 2012). Also, the objective of firm is to gain profit; firms seek to keep costs under control by applying strategic cost management. Strategic cost management has become a significant survival skill for many firms. But it is not sufficient to simply reduce costs; instead, costs must be managed strategically (Cooper and Slagmulder, 1998).

An ability in providing cost information usefulness to develop strategic decision making and enhancing firms’ performance, the role of strategic cost management is becoming more important that provides cost information to support the achievement of the firm’s objective and strategic goals (Blocher et al., 2008). Based on the contingency theory, researchers have discussed that the reasons for different degrees of strategic cost management could be due to the different contextual factors faced by each firm. These have led researchers to recognize assessing factors that influence strategic cost management implementation as an important research area.

The purpose of this research is to examine the factors influencing on strategic cost management implementation. The key research questions in the current study are: 1) How does the top management support influence on strategic cost management implementation? 2) How does the competitive learning effect on strategic cost management implementation? 3) How does the integrate resource management effect on strategic cost management implementation?, and 4) How does the accountant competency effect on strategic cost management implementation?

2. THEORETICAL FOUNDATION

This research applies contingency theory to explain the factor influence strategic cost management implementation. Contingency theory declares that a firm’s performance is attributable to the match
between its strategic behaviors and its internal and external environmental situations (Van de ven and Drazen, 1985). Contingency theory suggests that performance improvement is a function of alignment between cost-system functionality and firm’s operating environment (Chenhall, 2003). In addition, the effectiveness of cost management implementation depends on its ability adapt to changes in external environment and internal factor (Pavlators and Paggios, 2009). Hence, contingency theory provides a useful framework to develop hypotheses about the relationships in this research.

3. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

The conceptual model presents the associations between top management supports, competitive strategy, integrate resource management, accountant competency and strategic cost management implementation as shown in Figure 1.

FIGURE 1: RELATIONSHIP MODEL OF TOP MANAGEMENT SUPPORT, COMPETITIVE LEARNING, INTEGRATE RESOURCE MANAGEMENT, ACCOUNTANT COMPETENCY AND STRATEGIC COST MANAGEMENT IMPLEMENTATION

3.1. Top management support

Top management support is defined as an action involvement, vision, and direction of high-level executives provide the impetus need to developing and implementing new technique that provide information usefulness to develop strategic decision making, sustainable competitive advantage (Sulaiman et al., 2005). Prior researches indicated that top management support is a key factor affecting on strategic cost management implementation (Chenhall (2004), Wouter and others (2005), Tab (2005), Baird, Harrison, and Reeve (2007), and Krumwiede (2008). Also, Anderson (1995) found that organizational factors, such as top management support affected on of cost management implementation significantly. As well as, Anand (2004) found that top management support has a significant influence on strategic cost management implementation. Thus, the hypothesis is proposed as follows:

Hypothesis 1: Top management support will positively relate to strategic cost management implementation.

3.2. Competitive learning

Competitive learning refer to ability of firms to learn about change of customer needs and the dynamics of competitive forces in order to continuously adapt to firm performance (Hosley et al., 1994). Competitive learning is a type of learning which is motivated by participation in a competition in order to creativity new technique to solve problem (Tabesh, 2007). Likewise, Jashapara (1993) and Hosley et al. (1994) stated
that competitive learning is necessary to seek information and knowledge about competition in order to find a way to complete it. Also, competitive learning affects financial performance from strategic cost management (Skerlavaj et al., 2007). Accordingly, the strategic importance of cost management has drastically increased in the recent years due to intense competition (Cooper and Slagmulder, 1998). Therefore, the hypothesis is proposed as below:

**Hypothesis 2:** Competitive learning will positively relate to strategic cost management implementation.

### 3.3. Integrate Resource Management

Integrate resource management is defined as a means of realizing many benefits from various resource uses and the effect managing one resource has on other resources. With integrate resource management, all resource values are considered when making decisions. There is some literature suggesting that the higher integrated resource management is, the more likely that it will gain greater efficiently planning and forecasting (Labodova, 2004; Myhr and Spekman, 2002). As well as, each department with collaboration in integrated resource management affects increase quality and productivity, while reducing overall costs which affect consequence effective cost management (Myhr and Spekman, 2002). Also, the higher integrated resource management is, the more likely that it will have greater effective cost reduction. Hence, the hypothesis is proposed as follows:

**Hypothesis 3:** Integrate resource management will positively relate to strategic cost management implementation.

### 3.4. Accountant Competency

Accountant competency is defined as an ability and willingness to perform a task of accountant that help predict competent performance in a certain job that it encompasses knowledge, skills, abilities, experience and personality of accountant (Baird, Harrison, and Reeve, 2007). Prior researches posited that accountant competency has a significant impact on cost management implementation. For example, Chenhall (2004), and Taba (2005) found that training for accountant competency has a significant positive influence on cost management success. Additionally, Tontiset and Ussahawanitchakit (2010) found that accountant competency is associated with successful cost accounting implementation. Thus, the hypothesis is proposed as follows:

**Hypothesis 2:** Accountant competency will positively relate to strategic cost management implementation.

### 4. RESEARCH METHODS

#### 4.1. Sample Selection and Data Collection Procedure

In this research, the sample was selected from transportation businesses. A mailed survey was used for data collection. The key participants in this research were accounting managers/ accounting directors. The questionnaire was sent to 197 firms, only 105 usable. The effective response rate was 53.29 percent. According to Aaker, Kumer and Day (2001), the response rate for a mail survey, without an appropriate follow-up procedure, if greater than 20 percent, is considered acceptable. The means of demographic variable, firm size, of two waves were tested by t-test whether the means are different, but its result was not significant. Thus, the response rate of this research is considered acceptable.

To test for potential non-response bias and to detect and consider possible problems with non-response errors, a t-test comparison of the means of all variables between early and late respondents was conducted, corresponding with the test for non-response bias by Armstrong and Overton (1977). The result presents no significant difference between early and late respondents and demonstrates non-
response bias between respondents and non-respondents. And the late respondents represent non-respondents. Thus, non-response bias is not a problem in this research.

4.2. Variables

Top management support is evaluated via four-item scale relating executive emphasized on the action involvement, vision, and direction of high-level executives provide the impetus need to developing and implementing new technique that provide information usefulness to develop strategic decision making. Competitive learning is measured via five-item scale whit the ability of firms to learn about change of customer needs and the dynamics of competitive forces in order to continuously adapt to firm performance. Integrate resource management accessed via four items relating with the ability of firm to realizing many benefits from various resource uses in order to operate work to minimize the resources on economize. Accountant competency readiness is measured by the degree of knowledge, skill, attitudes, coordination, knowledge sharing and competence of accountant relating to strategic cost management that provides value of information to achieving the organization goal. Accountant competency used four-item scale. Strategic cost management implementation is measured by the usefulness of cost information to develop and implement strategies to acquire or sustain competitive advantage. Strategic cost management implementation used five-item scale. Firm size is refers as total assets of the firm. It is a dummy variable which 0 means a firm has total assets lower than or equal 200,000,000 Baht and 1 means a firm has total assets more than 200,000,000 Baht. Firm age defined to the period of time in business. It is a dummy variable which 0 means firm has the period of time in business lower than or equal 15 years and 1 means firm has the period of time in business more than 15 years.

4.3. Methods

With respect to the confirmatory factor analysis, this analysis has a high potential to inflate the component loadings. Thus, a higher rule-of-thumb, a cut-off value of 0.40, was adopted (Nunnally and Bernstein, 1994). All factor loadings are greater than the 0.40 cut-off and are statistically significant. The reliability of the measurements was secondly evaluated by Cronbach alpha coefficients. In the scale reliability, Cronbach alpha coefficients are greater than 0.70 (Nunnally and Bernstein, 1994). The scales of all assesses appear to produce internally consistent results; thus, these measures are deemed appropriate for further analysis because they express an accepted validity and reliability in this study. Table 1 below presents the results for both factor loadings and Cronbach alpha for multiple-item scales.

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor Loadings</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Cost Management Implementation (SC)</td>
<td>0.815-0.922</td>
<td>0.864</td>
</tr>
<tr>
<td>Top Management Support (TM)</td>
<td>0.868-0.872</td>
<td>0.914</td>
</tr>
<tr>
<td>Competitive Learning (CL)</td>
<td>0.839-0.908</td>
<td>0.869</td>
</tr>
<tr>
<td>Integrate Resource Management (IR)</td>
<td>0.876-0.969</td>
<td>0.957</td>
</tr>
<tr>
<td>Accountant Competency (AC)</td>
<td>0.875-0.911</td>
<td>0.903</td>
</tr>
</tbody>
</table>

The ordinary least squares (OLS) regression analysis is used to test and investigate the hypothesized effects of top management support, competitive learning, integrate resource management, accountant competency and cost management implementation. Because all dependent variable, independent variables, and control variables in this research were neither nominal data nor categorical data, OLS is an appropriate method for examining the hypothesized relationships (Aulakh, Kotabe and Teegen, 2000). With the interest to understand the relationships in this research, the research models of these relationships are depicted as follows.

\[
\text{Equation: } SC = \alpha_1 + \beta_1 TM + \beta_2 CL + \beta_3 IR + \beta_4 AC + \beta_5 FA + \beta_6 FS + \epsilon
\]
5. RESULTS AND DISCUSSION

In Table 2, the descriptive statistics and correlation matrix for all variables are presented. With respect to potential problems relating to multicollinearity, variance inflation factors (VIF) were used to provide information on the extent to which non-orthogonality among independent variables inflates standard errors. The VIFs range from 1.22 to 3.49, well below the cut-off value of 10 as recommended by Neter, Wasserman and Kutner (1985), meaning the independent variables are not correlated with each other. Therefore, there are no substantial multicollinearity problems encountered in this research.

<table>
<thead>
<tr>
<th>Variables</th>
<th>SC</th>
<th>TM</th>
<th>CL</th>
<th>RE</th>
<th>AC</th>
<th>FA</th>
<th>FS</th>
</tr>
</thead>
<tbody>
<tr>
<td>s.d.</td>
<td>0.611</td>
<td>0.413</td>
<td>0.550</td>
<td>0.722</td>
<td>0.654</td>
<td>0.747</td>
<td>0.606</td>
</tr>
<tr>
<td>SC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TM</td>
<td>0.428***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CL</td>
<td>0.312***</td>
<td>0.762***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RE</td>
<td>0.659***</td>
<td>0.425***</td>
<td>0.339***</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AC</td>
<td>0.402***</td>
<td>0.110</td>
<td>0.466***</td>
<td>0.338***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FA</td>
<td>0.501***</td>
<td>-0.186</td>
<td>-0.281***</td>
<td>0.503***</td>
<td>0.097</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FS</td>
<td>0.102</td>
<td>-0.406</td>
<td>-0.092</td>
<td>0.293***</td>
<td>-0.027</td>
<td>0.677***</td>
<td></td>
</tr>
</tbody>
</table>

***p<.01, **p<.05, *p<.10. Beta coefficients with standard error in parenthesis

Table 3 shows the results of OLS regression analysis that top management support has a significant positive influence on strategic cost management implementation ($\beta_1 = 0.502$, p < 0.01). This result indicated that top management support is a key factor affecting on strategic cost management implementation (Chenhall (2004), Krumwiede and Suesmair (2007). Consistent with the study of Anderson (1995) found that organizational factors, such as top management support affected on strategic cost management implementation significantly. Addition, Anand (2004) provide that top management support has a significant influence on strategic cost management implementation. Therefore, Hypothesis 1 is supported.

However, Table 3 reveals the effect of competitive learning has no a significant positive influence on strategic cost management implementation ($\beta_2 = 0.008$, p > 0.10). Although, prior study suggests that competitive learning affects financial performance from strategic cost management (Skerlavaj et al., 2007). A possible explanation is that, organizations need to have adequate resources and capacity in terms of staff, time, technology and creativity to drive performance than its competitors. Thus, Hypothesis 2 is not supported.

Also, Table 3 presents the effect of integrate resource management has no a significant positive influence on strategic cost management implementation ($\beta_3 = 0.76$, p > 0.10). For the result in this research, possible there are multi-step processes of integrates resource management. Such as, firm need to analyze resource requirement, allocation, and share or integrate resource usage for each department may limit to emphasis of strategic cost management implementation. Hence, Hypothesis 3 is not supported.

Conversely, Table 3 shows the effect of presents the effect of accountant competency has a significant positive influence on strategic cost management implementation ($\beta_4 = 0.222$, p < 0.05). The results suggest that accountant competency is associated with successful cost management implementation. Consist of Chenhall (2004), and Taba (2005) found that training for accountant competency has a significant positive influence on cost management success. Therefore, Hypothesis 4 is supported.
**TABLE 3. RESULTS OF OLS REGRESSION ANALYSIS**

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable SC</th>
</tr>
</thead>
<tbody>
<tr>
<td>TM</td>
<td>.502** (.094)</td>
</tr>
<tr>
<td>CL</td>
<td>.008 (.098)</td>
</tr>
<tr>
<td>RE</td>
<td>.076 (.081)</td>
</tr>
<tr>
<td>AC</td>
<td>.222** (.068)</td>
</tr>
<tr>
<td>FA</td>
<td>.855*** (.261)</td>
</tr>
<tr>
<td>FS</td>
<td>-.468*** (.273)</td>
</tr>
<tr>
<td>Adjusted R2</td>
<td>.721</td>
</tr>
</tbody>
</table>

*p<.10, **p<.05, ***p<.01, b Beta coefficients with standard errors in parenthesis.

6. CONTRIBUTIONS AND FUTURE DIRECTIONS FOR RESEARCH

6.1. Theoretical Contribution

This research tries to explain resistance that factors influence strategic cost management implementation. It provides unique theoretical contribution expanding on previous knowledge and literature of factors influence strategic cost management implementation supports that the effectiveness of strategic cost management implementation depends on its ability adapt to changes in external and internal factor (Pavlators and Paggios, 2009).

6.2. Managerial Contribution

The results of this research provide that top management support and accountant competency influence on strategic cost management success. This research helps executive identify and assess the appropriateness of the key components that may be more important in strategic cost management success. Furthermore, executive should enhance the good characteristics of top management support and accountant competency that are a key element to improve strategic cost management success. Hence, the executives should clearly understanding and exploit them within the organization to concentrating to strategic cost management success.

7. CONCLUSION

The objective of this research is to examine the influences of top management support, competitive learning, integrate resource management and accountant competency on strategic cost management implementation. For the sample selection of the research, 105 transportation businesses in Thailand are treated as the sample of this research. With the empirical assessment of the research, the results points out that top management support and accountant competency have a significant positive impact on strategic cost management implementation. Surprisingly, competitive learning and integrate resource management does not impact on strategic cost management implementation relationships. Future research should attempt to study on other potential variables. Moreover, the collection of the data was
used by questionnaires and the self-administration may lead to bias and halo effect, other methods may apply in the future such as in-depth interviews, case studies and future research.

REFERENCES


Tabesh, Yahya 2007. “Competitive Learning; A Model” Sharif University of Technology Workingpaper.


AUTHOR PROFILES

Chairung Chaikambang earned her Ph.D. in Accounting at Mahasarakham Business School, Mahasarakham University, Thailand in 2012. Currently, of an Associate Dean, Kalasin Business School, Kalasin Rajabhat University, Thailand.