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## An Evaluation of the Adoption of Management Accounting Practices (MAPs) by Small and Medium Enterprises (SMEs) in Zimbabwe and Their Impact on Firm Performance: A Case of Lupane SMEs

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### Abstract:

*SMEs around the world have grown to be of paramount importance to national economies. It has been reported that their contributions towards gross domestic products (GDPs) have increased to large percentages, with SMEs in Zimbabwe contributing about 50% towards the country's GDP. The increasing growth of SMEs warrants research on how they can be assisted to perform to their best capabilities. Management accounting practices (MAPs) are thus one discipline of the accounting field which, if implemented and monitored well, is promising to unlock the SMEs' potential. The study explores the factors that affect the adoption of MAPs in Zimbabwean SMEs, particularly in Lupane. It identifies the MAPs that have been adopted by these SMEs, evaluates the impact of MAP adoption on the performance of the firm, analyses the benefits and challenges of MAP adoption in SMEs. The study then recommends the possible ways of improving the application of MAPs for enhanced firm performance. A combination of a structured interview and a questionnaire were administered on 58 SMEs in Lupane. A total of 36 questionnaires that were administered and 22 interviews were conducted. The findings showed that the size of the firm, qualification of the accounting staff and commitment of the owner/ manager affected the adoption of MAPs. It also revealed that costing and budgeting systems were the most popular MAPs used by SMEs in the area while the payback period and the net present value were the most frequently used capital budgeting techniques. A positive relationship between the adoption of MAPs and firm performance was found to be very important in the adoption and implementation MAPs. MAPS adoption improved firm performance. The study enriches the existing body of knowledge of MAPs and SMEs by providing information on the factors affecting the adoption of MAPs. The findings can be useful to policy makers in the relevant ministries and will also create awareness and interest in researchers to focus on the SMEs sector when conducting research on management accounting.*

**Keywords:** MAPS, SMEs, adoption, performance, Zimbabwe

### 1. Introduction

The importance of SMEs in the economies of nations globally cannot be overemphasised. The SMEs sector in Zimbabwe has grown to become a key contributor to economic growth through creation of employment, wealth creation, improvement in livelihoods and poverty reduction (Chidoko, et al., 2011; Chinomona, 2013; Chong, 2012). The extant literature has tended to focus mainly on the financial accounting practices of SMEs in Zimbabwe. In these studies, matters of the use of International Financial Reporting Standards for SMEs, record keeping by SMEs as well as strategic choices and sources of financing were investigated (Manyani, 2014; Maseko & Manyani, 2011 ;Sandada & Chikwama, 2016). Further, other researchers have also focused on the importance of SMEs, strategies employed by them as well as the well documented failures of SMEs in Africa and Zimbabwe in particular (Chinomona, et al., 2010; Chivasa, 2014; Dumbu & Chadamoyo, 2012; Lester, et al, 2008). Studies on MAPs and SMEs have been conducted in Malaysia, Turkey, Kenya and South Africa among other countries. It would however, be inappropriate to assume a priori that findings from these countries apply in Zimbabwe. A cross examination of the available literature indicates that research on the adoption and use of Management Accounting Practices (MAPs) by SMEs in Zimbabwe is scant. Premised on this research void, the main purpose of this study is to determine the MAPs adopted by SMEs, investigate the factors that affect the adoption and use of MAPs in SMEs, explore the impact of using MAPs on the performance of SMEs and recommend possible ways of improving the application of MAPs for enhanced firm performance.

### 1.1. Background of the Study

Many research studies, globally and locally, have shown the increasing worldwide growth of SMEs (Muiruri, 2017; Zindiye et al. 2012, Dumbu & Chadamoyo, 2012). There is consensus that SMEs are notably the engine that drives economic development (Muiruri, 2017). Dumbu & Chadamoyo, (2012) emphasise that the SMEs play a key role in sustainable development through employment generation, increasing export and industrial production, social uplifting and political stability in developing countries.

Prior to February 2009, Zimbabwe experienced a drastic decline in economic performance which saw a number of companies closing down and thousands of people losing employment. Later in 2009, and the period thereafter, the country experienced an improvement in the economy which saw the emergence of an increasing number of SMEs. As noted earlier, these SMEs have grown to be an important part of the economic fabric of the country which play a crucial role as a catalyst in furthering growth, innovation, prosperity and poverty alleviation. SMEs have been described by researchers, not only in Zimbabwe, but the world over, as engines that drive economic development (Muiruri, 2017; Chivasa, 2014; Chidoko et al, 2011; Nyamwanza, 2013; Memili, et al. 2015; Klein, 2014).

Governments have been advised and encouraged by many researchers to create an enabling environment that will enhance the nurturing and growth of SMEs (Manyani, 2014; Zindiye, et al. 2012). These recommendations have seen the government of Zimbabwe commissioning the Ministry of Small and Medium Enterprises, and Cooperative Development (MoSMECD, now known as the Ministry of Women, Community, Small and Medium Enterprises Development) and Egypt introducing the stock exchange for SMEs, the Nilex (Omran, 2008).

Despite the positive outcomes from the growth of SMEs, research has shown an increase in the failure of SMEs. It was found that the SMEs were not doing well due to lack of entrepreneurial culture, inadequate experiential knowledge, inadequate technical skills, uncompetitive pricing, operational capacity and unsupportive business environment (Muiruri 2017, Chivasa, 2014; Chidoko et al 2011; Nyamwanza, 2013; Chinomona, 2013). Okafor (2012) concluded that in Nigeria, the failure of SMEs was attributable to lack of planning by management and Chinomona (2013) noted that the SMEs lacked, by and large, the prerequisites for principled management. This study seeks to relate the different management accounting practices (MAPs) to firm performance of SMEs in Zimbabwe with particular focus on Lupane centre. The study aims to provide an insight into the use of MAPs by SMEs, their perceived importance and recommend the most appropriate MAPs for SMEs.

### 1.2. Statement of the Problem

In Zimbabwe, SMEs contribute 50% to the Gross Domestic Product (GDP) (SME Association of Zimbabwe). It has been noted, however, that in spite of the contribution made by SMEs to the GDP, these entities have remained small and informal. The government through its various policies has worked towards enhancing the growth of SMEs which has seen an intention by the government to incorporate a bank for SMEs (The Sunday Mail, 2017), establishing a bourse for SMEs (Techzim, 2014) as well as providing start-up capital for SMEs (Chinomona, Lin, Wang, & Cheng, 2010). Despite so many frantic efforts made by the government and other non-governmental organisations, the SMEs in the country have continued to face survival challenges and close down operations. In 2004, it was estimated that sixty percent of new businesses fail in the first year of establishment and twenty-five percent fail within the first three years and only fifteen percent are likely to survive. (SEDCO, 2004). This implied that eighty-five percent of new businesses will eventually collapse. In 2012, however, the percentage failure rate increased with an estimate that seventy percent of new businesses will fail in at least two years while fifty-one percent will fail within at least five years (The Herald, 2012). Literature has shown that the failure of SMEs has been as a result of lack of strategic planning, lack of a vision, poor capital management, high costs of raw materials, poor working capital management, uncompetitive pricing and challenges with operational capacity (Mudavanhu, et al., 2011; The Herald, 2012; Ropega, 2011; Ahmad & Pi, 2009). These factors are symptoms of lack of management accounting practices in SMEs. Available literature has focused on the economic importance of SMEs, their strategies for survival, accounting practices like record keeping and financial reporting. There is, however, a dearth of literature on the use and importance of MAPs by SMEs and the effect on firm performance.

## 2. Literature Review

### 2.1. Management Accounting Overview

The growth of companies into huge organisations with corporate structures has led to an evolution from cost accounting to management accounting (Wilson & Chua, 1988). The new management accounting structures meant an increase in demand for more useful financial information for decision makers to assess divisional performance. It also arose that divisions would sell goods and services to each other thus the need to set an appropriate price and the related policy or strategy (Fleischman & Tyson, 2006; Kamal, 2015; Allot, 2000).

### 2.2. Management Accounting Practices

Management accounting practices (MAPs) are those activities carried out by management to obtain financial information used for decision-making. Examples include budgeting, costing, performance evaluation and investment appraisal techniques. Evidence has shown the importance and usefulness of traditional or conventional MAPs. However, these have been criticised for being obsolete with the main contention being that these MAPs failed to respond to increasingly changing technological and competitive environments (Kaplan, 1984 as cited in Abdel-Kader & Luther, 2006). Drury, (2012) argued that because of the failure of these MAPs to change with the change in technology and competitive

environments, internal accounting information that is subsequently used for decision making is frequently inaccurate and misleading. Since the emergence of the criticisms, the management accounting field has seen some considerable change in MAPs (Abdel-Kader & Luther, 2008). These innovations have been said to provide relevant, accurate and appropriate information within a proper time period to reconcile the inherent deficiencies in traditional management accounting. A number of contemporary MAPs were developed and these include value-based management (VBM), total quality management (TQM), Activity Based Costing (ABC), Activity Based budgeting (ABB), balanced scorecard, target costing, life cycle costing, strategic management accounting and non-financial performance measures among many others. This study thus looked at MAPs generally without necessarily separating the conventional and contemporary.

### *2.3. Role of Zimbabwean Government in SMEs*

In 1983, the Zimbabwean government, through an act of parliament, established the Small Enterprises Development Corporation (SEDCO). This entity is a parastatal that falls under the Ministry of Women, Community, Small and Medium Enterprises and Co-operative Development (MSMEDCD). Its mandate was to provide development finance to promote the creation and growth of small and medium enterprises through lending and capacity building. (RBZ, 2017). To enhance and ensure capacity building to its constituents, the Corporation offers (at its various branches) training assistance to SMEs to develop, start-up and manage their businesses throughout the country. (SEDCO, 2017). The government also devised the Industrial Development Policy: 2012-2016 focused at improving and increasing the capacity of the industry in the country. In 2013, the government crafted and launched an economic blueprint that divided the country's economic sectors into clusters of focus and emphasised the government's commitment to enhance support for the SMEs and co-operatives by fostering strategic linkages and for malisation among SMEs and co-operatives across all sectors of the economy.

### *2.4. Opportunities and Challenges of SMEs*

The non-availability of credit lines for SMEs has been shown as one of the significant causes of SMEs failure (Mudavanhu, Bindu, Chigusiwa, & Muchabaiwa, 2011). Matamanda & Chidoko, (2017) found that some of the causes of SMEs' failure hinged on lack of funding of the ministry responsible for the survival of SMEs in the country (Matamanda & Chidoko, 2017). It has been found that SMEs face challenges ranging from power shortages, lack of capital, poor management skills and competencies and inadequate information and corruption, inadequate equipment, lack of transport and insufficient resources, high costs of finance, lack of proper and adequate infrastructure, use of old technology, information assymetry, lack of marketing skills and market knowledge and inadequate management and entrepreneurial skills (Muiruri, 2017; Zindiye, et al., 2012; Nyamwanza, et al., 2015). A Finscope survey found that the main constraint to growing the businesses was sourcing of funding, limited operational space, lack of business support, lack of business acumen and failure to keep appropriate financial records (Finscope, 2012). The Small and Medium Enterprises Association of Zimbabwe (SMEAZ) believed that the major challenges faced by SMEs were mainly because the SMEs themselves did not have viable business models, reliable and attractive track records, accounting records and lacked good corporate governance principles (SMEAZ, 2017). It is further believed that the failure of SMEs in Zimbabwe is caused by the deficiency of basic management functions of planning, organising, leading and controlling, lack of entrepreneurial culture and lack of strategic planning (Chivasa, 2014; Dumbu & Chadamoyo, 2012; Sandada & Chikwama, 2016; Majama & Magang, 2017). Chong, (2012) insisted that the most critical factors associated with the success of SMEs are non-management characteristics such as honesty, integrity, hardwork, business reputation, customer service and product quality at competitive prices (Muiruri, 2017). Despite the above challenges faced by SMEs, various government efforts to enhance SMEs performance highlighted earlier provide opportunities for the development, growth and expansion of SMEs. The government of Zimbabwe through its various local authorities made a deliberate policy to have market stalls in the urban areas where the SMEs can operate from and pay relatively affordable rentals and rates. In an effort to enhance the growth of SMEs, the Ministry of Finance and Economic Development through the Zimbabwe Revenue Authority (ZIMRA) availed some tax concessions and a tax amnesty for SMEs. This was an effort to ease the burden of tax penalties on SMEs and businesses in general.

Despite the economic turmoil that Zimbabwe is going through, some SMEs have managed to survive the economic crises. This view is in support of Mitchell & Reid, (2000) who labelled SMEs as gazelles because of their ability to quickly grow and their flexibility in adjusting to niche opportunities in good and bad economic conditions. In a different environment from Zimbabwe, it was found that the increasing underperformance of SMEs is due to the failure to utilise appropriate management accounting tools, owner/managers of SMEs were unaware of the potential contribution that management accounting has, lack of adequate working capital, poor management skills and inadequate use of essential business and management practices (Nandan, 2010; Lucas, et al., 2013; Ahmad & Zabri, 2015). Therefore, just like large companies, SMEs require adequate and sophisticated management accounting techniques and systems to better manage scarce resources and enhance customer and owner/manager values (Nandan, 2010; Reid & Smith, 2002).

### *2.5. Factors Affecting the Adoption and Implementation of Maps in SMEs*

#### 2.5.1. Firm Size

The size of the firm has been cited by many researchers as an important factor influencing the adoption of MAPs (Albu & Albu, 2012; Abdel-Kader & Luther, 2006). Ahmad & Zabri, (2015), found that the size of the firm had a significant influence on the use of certain MAPs in Malaysia. Similarly, Cadez & Guilding, (2008) concluded that large firms make more use of sophisticated MAPs like the balanced scorecard than their smaller counterparts. A positive relationship between the

size of the organisation and the characteristics of product costing systems was found by Al-Omiri & Drury, (2007). In sum, therefore, research has consented with the assertion that the size of the organisation has a positive relationship with the adoption and use of various MAPs (Abdel-Kader & Luther, 2006; Garengo & Bititci, 2007; Abdel-Kader & Luther, 2008). This means that large organisations would adopt and implement more and advanced MAPs.

### 2.5.2. Environment

Research has shown that the intensity of market competition has a significant influence on the use of MAPs (Ahmad & Zabri, 2015; Kariuki & Kamau, 2016; Kaplan & Norton, 1996; Anderson & Lanen, 1999). In support of the above assertions, Abdel-Kader & Luther, (2008) posited that environmental uncertainty, customer power, decentralisation and technology affected the sophistication of chosen MAPs. This assertion could be interpreted to mean that entities in highly uncertain environments would place greater emphasis on their MAPs because of the uncertainty involved to reduce the possible risks. Contrary to these conclusions, however, Abdel-Kader & Luther, (2008) asserted that there was no evidence to confirm a positive relationship between MAPs and the intensity of competition and an entity's competitive strategy. On the same vein, (contrary to other researchers, for example Abdel-Kader & Luther, 2008; Ahmad & Zabri, 2015; Bruns & Kaplan, 1997; Anderson & Lanen, 1999), Albu & Albu, (2012) posit that there was limited statistical support for the importance of the environment and competition in the adoption and use of management accounting techniques. A number of studies, however, concluded that MAPs needed to keep track with technological developments and played a critical role in developing a company's ability to achieve competitive advantage (Abo-Alazm, 2013; Tuan & Smith, 2014; Pavlatos & Kostakis, 2015). Pavlatos & Kostakis, (2015) found that the importance and use of ABC system, planning and SMA techniques increased during a crisis. This was in line with the conclusion made by Abo-Alazm, (2013) that increasing competition positively affected the level of MAPs while a low competitive pressure led to use of less sophisticated tools. Though the researcher concedes that the environment affects the adoption of MAPs, it is noted that a number of studies emphasised competition to be the main environmental driver in the adoption of MAPs.

### 2.5.3. Organisational Strategy

Although some studies (Abdel-Kader & Luther, (2008; Albu & Albu, 2012) found no evidence of a relationship between a firm's competitive strategy and the sophistication of its MAPs, others concluded that the type of strategy and strategy formulation had a significant impact on the adoption of SMA techniques (Cadez & Guilding, 2008; Pavlatos & Kostakis, 2015; O' Regan, et al., 2008). Similarly, Altohami, (2013) found that the defender strategy and hierarchical organisational structures in companies in Libya hindered the adoption of MAPs and Cadez & Guilding, (2008) learnt that the usage of SMA was positively associated with the adoption of a prospector strategy, deliberate strategy formulation and the accountant's participation in the strategic decision making processes. In addition, Tessier & Otley, (2012) illustrate that managerial intentions shape the form of management control systems, while Garengo & Bititci, (2007) identified corporate governance as the most important contingent factor affecting the adoption of MAPs.

### 2.5.4. Qualifications, Skills and Competence of Human Resources

One of the factors that limit the adoption of MAPS in SMEs is the ability and competence of the available human resources (Ahmad & Zabri, Factors explaining the use of management accounting practices in Malaysian medium sized firms, 2015). This was in line with the conclusions made by studies that poor training of employees, the education level of the owner/ manager and the lack of management support and qualified personnel were the main factors that hinder SMEs from using budgets and adopting MAPs (Sousa, et al., 2006; Islam & Kantor, 2005; Maduekwe & Kamala, 2016). Regarding the competence of human resources, most researchers contend that poor training of employees hinder the adoption of MAPs (Islam & Kantor, 2005; Sousa, et al., 2006; Ahmad & Zabri, 2015). Some, however, put the blame on the support and education level of the owner/ manager (Tung, et al., 2011; Maduekwe & Kamala, 2016). In the context of SMEs, the owner/manager is normally involved in the daily operations of the entity and it is up to him or her to equip the workforce with the necessary skills or employ skilled employees. The bone of contention, however, becomes whether the major obstacle to the adoption of MAPs is the lack of training of the employees (as claimed by Sousa, et al., 2006) or the lack of training of the owner.

### 2.5.5. Other Factors

Other studies have revealed that the adoption and use of MAPs is affected or influenced by the national culture and national values (Islam & Kantor, 2005). Karanja, et al., (2014) concluded that in Kenya, drivers for success and business sustenance were key internal factors that affect the adoption of MAPs. They further posit that the advent of mobile commerce, especially the payment solutions such as M-Pesa and Airtel money, which result in a competition and innovation driven market, were the key external factors that affect the adoption of prudent management accounting techniques.

## *2.6. Adoption of Maps and Firm Performance*

Santos & Brito, (2012) highlighted the lack of consensus on the definition of firm performance. Shabaz et al., (2014) found that in Pakistan SMEs used revenue to measure firm performance. Meanwhile, the use of financial measures to measure firm performance had been criticised for being inadequate and for encouraging entities to focus on the financial goals only at the expense of other non-financial firm goals which are equally important (Abdel-Kader & Luther, 2006). In this study therefore, performance was taken to mean both financial and non-financial. Financial performance

was taken to be with regards to revenue growth, profit growth and cost reduction while non-financial performance involved increase in the market share, customer satisfaction, customer loyalty, customer acquisition and response time among other non-financial measures. Studies have shown that budgeting has a positive relationship with firm performance (Maduekwe & Kamala, 2016; Mulani, et al., 2015). Further, the use of ABC was found to add value to the organisation through better cost control and asset utilisation (Pavlatos & Paggios, Management accounting practices in the Greek hospitality industry, 2008).

### 2.6.1. Theoretical Framework

The theoretical framework for this study was based on the contingency theory by Otley (1980).

### 2.6.2. The Contingency Theory

The factors that affect the adoption of MAPs are best explained by reference to the Contingency Theory. The contingency approach to management accounting is based on the premise that there is no universally appropriate accounting system, applicable to all organisations in all circumstances (Otley, 1980). Otley, (1980) argues that the unique situation of an entity determines the features of that organisation's accounting systems. Tessier & Otley (2012) supported the premise of this theory by asserting that management intentions shape the forms of management control systems. Through an examination of the effect of strategic choices, market orientation and the firm size on strategic management accounting (SMA), Cadez & Guilding, (2008) asserted that their findings supported the contingency theory tenet of no universally appropriate SMA system, with factors such as size and strategy having a significant bearing on the successful application of SMA. The efficiency of MAPs is dependent on the designer of the MAPs being aware of the environments surrounding the organisation for which systems are designed.

### 2.6.3. Conceptual Framework

The conceptual framework outlines the relationship between variables, that is, the adoption of MAPs as the independent variable that basically influences performance yet this adoption of MAPs is itself dependent on contingent factors. This relationship is schematically presented below

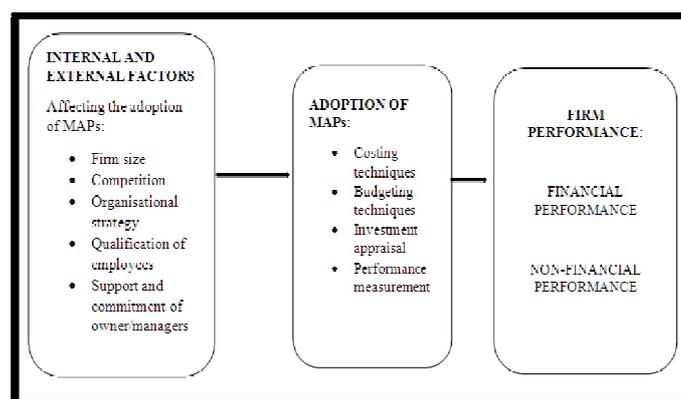


Figure 1: Conceptual Framework

### 2.6.4. Relationship between Variables

#### 2.6.4.1. Firm Size and the Adoption of Maps

Studies on the firm size and the adoption of MAPs show a positive relationship between the two variables (Ahmad & Zabri, 2015; Cadez & Guilding, 2008; Albu & Albu, 2012; Abdel-Kader & Luther, 2006). It has been shown that large firms have a higher usage of MAPs than their smaller counterparts. This was attributed to the fact that they have enough resources to adopt and implement the MAPs. The conceptual framework above shows that the company size affects the adoption of MAPs then adoption of MAPs influences firm performance. It can then be postulated that firm size has an impact on firm performance via the adoption of MAPs.

#### 2.6.4.2. Competition and the Adoption of Maps

In this study competition is taken to mean rivalry from entities in the same industry with SMEs, disregarding their sizes. Studies have shown that the intensity of competition in the market has a significant influence on the use of MAPs (Kariuki & Kamau, 2016; Abdel-Kader & Luther, 2008; Ahmad, 2014). Both economic and competitive environments have been said to be changing rapidly thus affecting the adoption and implementation of MAPs. This means that SMEs in very volatile environments would have a higher need for MAPs in order to cope with rapidly changing environments (Tuan & Smith, 2014; Abo-Alazm, 2013).

#### 2.6.4.3. Organisational Strategy and the Adoption of Maps

A firm's strategy is its roadmap to the achievement of its objectives. A firm's strategy has been found to have a significant relationship with a firm's use of budgetary techniques (Cadez & Guilding, 2008). Similarly, Gosselin, (1997)

concluded that the strategy of a firm influences the adoption of activity-based costing technique (ABC) (Pavlatos O. , An empirical investigation of strategic management accounting in hotels, 2015). Some studies however contend that the strategy of a firm does not affect the adoption of MAPs (Pavlatos & Paggios, 2008; Abdel-Kader & Luther, 2008).

#### 2.6.4.4. Human Resources Qualifications

Literature has found the qualifications and capabilities of employees to be major obstacles to the adoption of MAPs. (Sousa, et al., 2006; Ahmad & Zabri, 2012).It has been noted, however, that SMEs shun employing qualified accountants to work on the accounting aspects of their businesses (Nandan, 2010). This is mainly because they claim that the functions of an accountant are less important and believe accountants are just too expensive yet their functions are not core to their (SMEs') businesses.

#### 2.6.4.5. Support and Commitment of Owner/Manager

Maduekwe & Kamala, (2016) assert that the education level and commitment as well as support from the owner/manager had an impact on the acquisition and implementation of financial information. In a study by Wang & Huynh, (2013), it was concluded that, though strategic planning would lead to increased firm performance, most SMEs were not into the habit of planning at all. Instead, business performance ranked behind the owner's intangible goals such as autonomy, personal satisfaction and lifestyle, thus rendering strategic planning less important.

### 3. Findings

#### 3.1. Impact of MAPS on Firm Performance

To understand the actual impact of MAPs on firm performance, an enquiry was made about the performance of the entities on several selected activities in the past three years and whether the outcomes recorded could be attributable to the use of MAPs. A five-point Likert scale was employed to measure the impact, where 1 represented 'very poor' and 5 represented 'very good'. Results showed that the performance of the entities had been 'good' to 'very good' in terms of cost reduction in the past three years. However, mixed reactions were obtained on the performance regarding pricing methods with 50% of respondents indicating that their performance with regards to pricing had been poor and very poor in the past three years. They cited competition as being a factor that has made it difficult to charge realistic prices as their rivalries reduced prices to increase market share. Waterson & Dobson (2007) supported this result by concluding that as competition increases, it becomes more difficult to set prices through bargaining and thus an organisation is pressured to set prices and risks setting incorrect prices. This argument is however in contrast with literature which emphasised the need to adopt MAPs that would enable product differentiation as a reaction to competition and to avoid pricing pressure (Mazzeo & Cohen, 2007).

Likewise, decision making has been said to have been very poor. Most respondents said their decision making had been very poor. They noted that they had not been any systematic way of making decisions as their decisions were made spontaneously. One respondent even cited an example where the entity bought a machine for too high a price without even researching the market for which the machine was meant to produce the goods. The respondent highlighted that the machine had not been in use because the tastes and preferences of the market had changed and the disposal of the machine was a challenge as no one in the market wanted to have the machine. It has been highlighted, however, that the adoption of MAPs enhances decision making in organisations. Because decisions are made after some considerable analysis and evaluations through investment appraisals, performance evaluations, appropriate costing and adequate budgeting, the decisions made are based on an informed position (Nadan, 2010; Ahmad & Zabri, 2012).

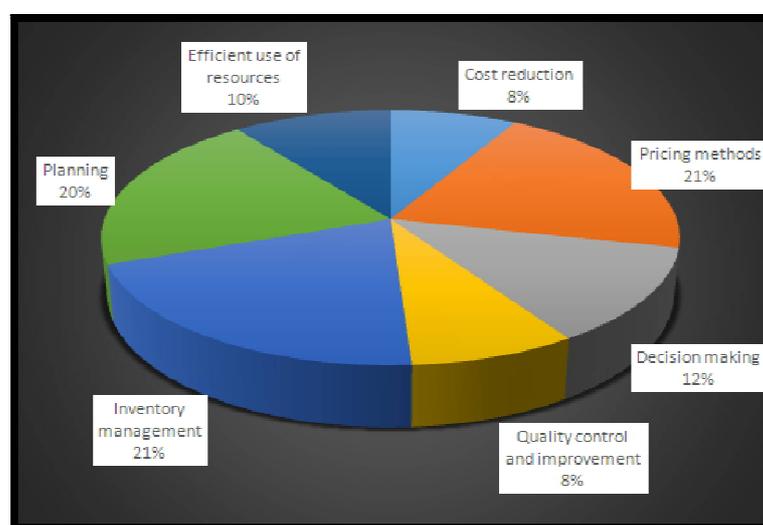


Figure 2: Impact of the Adoption of Maps on Firm Performance

### 3.2. Benefits and Challenges for Adopting Maps

#### 3.2.1. Benefits Obtained from the Adoption and Implementation of Maps

The respondents highlighted the following as the benefits for adopting and implementing MAPs: Increased customer satisfaction, improved and informed pricing strategies, cost reduction, efficient use of resources, planning and forecasting, flexibility and improved decision making. This was in agreement with the conclusions made by Maduekwe & Kamala, (2016) who highlighted the need to prepare budgets in businesses. Further, Lucas & Prowle, (2013) emphasised that the adoption of MAPs would add value to the business. Because of the endless list of benefits from the adoption of MAPs, Gwangwava, et al., (2016) emphasised the need for SMEs to have clear management accounting policies in place and ensure management accounting information is always available for decision making. They further suggested that SMEs continuously carry out cost-benefit analyses each time they make decisions in their organisations.

#### 3.2.2. Challenges of Adopting Maps

The respondents also highlighted several challenges they faced in trying to adopt MAPs. Key among them was the lack of skills and knowledge particularly by the owner/ managers. As decision makers, the owner/managers highlighted that they lacked the knowledge and skill on implementing the MAPs and thus required the advice from accountants as suggested by Nadan, (2010). Lucas & Prowle, (2013) suggested that SMEs could engage accountants as business partners to reduce the large costs associated with employing them as employees. They emphasised the benefits that could be obtained from the management accountant 'business partner' concept to add value to the organisation's operations and outcomes. A further challenge arose from the need for the accountant's advice as the respondents were sceptical about obtaining the accountant's services. They highlighted that accountants as people who were outside the family fibre of the business may not understand the vision of the organisation and thus lack goal congruence. However, this challenge could be solved by the management accountant 'business partner concept' highlighted earlier.

Regarding the employment of qualified accountants for SMEs, the reluctance to appoint accountants was seen in a study of a relationship between SMEs and accountants in England where it was found that there was a mismatch of expectations between the two parties. It was highlighted that accountants perceived a good relationship between themselves and their clients yet the relationship was not reciprocal as owner/managers perceived that accountants lacked knowledge and expertise of the business (Nadan, 2010). Similarly, a study in Kenya concluded that SMEs rarely subscribed to the services of a management accountant. However, Ahmad & Zabri (2012) concluded that the employment of high qualified accounting staff by medium firms may as well lead to a relatively higher uptake of MAPs by medium firms.

Another challenge cited by respondents was on the lack of technology and training on how that technology is used to enable the adoption and implementation of MAPs. One respondent commented that "...ICT illiteracy is the major challenge in the adoption and implementation of MAPs. Training of staff would also be very important for the implementation of the practices..."

### 3.3. General Summary of Findings

- The study found that the Contingency theory was also applicable to SMEs in the same manner as it applied to larger firms. Factors such as the size of the firm, market environment, technological environment, qualifications and skills of human resources (including the owner/manager), business strategy and the owner/ manager's commitment and support were found to influence the adoption of MAPs in SMEs.
- The study established that budgeting systems were very frequently used by SMEs. The fixed budget and zero-base budgeting were frequently used by most of the SMEs.
- Absorption costing was found to be the most frequently used costing system adopted by SMEs while job costing was the most frequently used method of recording costs
- The study determined that SMEs in Lupane adopted investment appraisal techniques with the payback period being the most frequently and widely used technique followed by the net present value.
- Financial performance measures were found to be the dominating performance measure adopted by SMEs. Revenue growth and profitability were the most frequently used measures to evaluate firm performance. Non-financial performance measures were also used to measure performance but at a lesser extent with measures such as market share and customer satisfaction, retention and loyalty being the ones that are often utilised to measure firm performance.
- MAPs were found to be applicable to SMEs in Lupane as these were found to enhance firm performance regarding the efficient allocation and use of resources, cost reduction, planning, decision making, working capital management, pricing strategies, delegation and monitoring and evaluation of the entity's operations.
- The study found positive statistical relationships between the adoption of budgeting techniques and cost reduction, capital budgeting and the efficient use of resources, performance evaluation and decision-making as well as budgeting and the efficient use of resources.

## 4. Conclusions of the study

The study concluded that the size of the firm, the qualification of accounting staff and the qualification, support and commitment of the owner/manager are the factors that mostly influence the adoption of MAPs in SMEs. This therefore

implies that the success of the adoption and implementation of MAPs in SMEs is heavily dependent on the availability of accounting skills in the organisation as well as the support and commitment from the owner/manager who also must have an appreciation of the MAPs to ensure goal congruence. The study further concluded that the adoption of MAPs would lead to improved customer satisfaction, cost reduction, efficient use of resources, improved decision-making, working capital management, planning and pricing strategies and create an enabling environment to nurture the entity's competitive advantage. It was also concluded that SMEs in Lupane adopted and implemented management accounting practices with budgeting and costing being the most frequently utilised then followed by performance evaluation and capital budgeting.

## 5. Recommendations for Policy and Practice

- This study recommends (to the Ministry of Women, Community, Small and Medium Enterprises and Co-operative Development and all policy makers) the creation of awareness on the applicability of MAPs to SMEs and the benefits associated with their adoption.
- A recommendation is made to the owner/managers of SMEs to acquire some basic educational qualification on management accounting as this shall enable them to have an appreciation of the needs and potential benefits of implementing MAPs.
- Owner/managers of SMEs are recommended to consider employing or partnering with management accountants in order to facilitate the adoption, implementation, monitoring and controlling as well improvement of MAPs for the good of the business.
- The study recommends and emphasises the need to continuously measure the performance of the business using both financial and non-financial performance measures.
- The study recommends the urgent need for software developers to develop a user friendly, effective and affordable management accounting computer system, specifically designed for SMEs.

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