

Adoption of Management Accounting Practices: Challenges and opportunities for small and medium-scale enterprises in Zimbabwe

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Thesis accepted in fulfilment of the requirements for the degree
[Doctor of Philosophy in Management Accountancy](#) at the North-
West University

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Graduation: June 2022

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DEDICATION

A special dedication for this research goes research to my wife Prisca and my three lovely girls, Libolenkosi-Nkosazana, Nokukholwa-Sinenkosi and Ayisenhle-Iminathi. I also dedicate this study to my mother, Beauty Dlamini (Makhalimali), and my father, Collin Dlamini (Mdala), who believes in me. Furthermore, this work is also dedicated to my brothers and sisters.

ACKNOWLEDGEMENTS

Primarily, I am very grateful to God the Almighty, who gave me strength, endurance, guidance, courage, and peace to successfully complete this work. I would like to express my gratitude and appreciation to my study promoter, Professor Danie P. Schutte, for being a tremendous mentor to me. I would like to thank Prof. Danie for providing a constructive and thorough review of my research work.

I would like to thank Mr Bhekilizwe Maphosa, Dr Sherman Moyo, Dr Vezumuzi Ndlovu, and my other colleagues for their assistance, advice, and generous contributions throughout this journey. I am grateful to all the participants who gave their time during the data collection process and the Ministry of Women Affairs, Community, Small and Medium Enterprise Development for granting me an opportunity to conduct a study in the SME sector in Zimbabwe.

I would also like to express my heartfelt appreciation to my wife, Prisca, and my daughters, to whom I owe more than they know, especially for their support and encouragement throughout this arduous study journey. I really lost family time as a result of the steps I was taking in this work. Finally, let me acknowledge all those who prayed for me during the course of the journey. Your prayers went a long way towards the completion of my PhD studies.

ABSTRACT

Prolonged periods of economic recession and the resultant informalisation of the Zimbabwean economy have meant that Small and Medium Enterprises (SMEs) are the new engines of economic growth. The Zimbabwean government's support mechanisms for SMEs and the decision to tax them are an implicit acknowledgement of the economic significance of the sector. However, the entrepreneurial beginnings of most SMEs often mean that their owners and staff lack the requisite business acumen needed to ensure the viability and sustainability of their businesses. SMEs are beset by a plethora of adversities, which lead to the closure of most SMEs. Scholars have advanced the view that the adoption of Management Accounting Practices (MAPs) by SMEs can mitigate the foregoing. MAPs have been shown to promote the efficiency, competitiveness, and viability of corporations. However, there is a paucity of literature that engages the use of MAPs by SMEs in Zimbabwe. Moreover, there is a lack of evidence of an existing management accounting framework that is tailored to the needs of Zimbabwean SMEs. It is against this backdrop that this study explored the use of MAPs by SMEs in Zimbabwe. The study also ascertained the benefits obtained through the use of MAPs among Zimbabwean SMEs. It further identified the factors influencing the adoption of MAPs among SMEs in Zimbabwe. Besides, the study established the role of the Zimbabwean government in the implementation of MAPs. Importantly, the study developed a management accounting framework for Zimbabwean SMEs. Data was gathered using focus group discussions and in-depth face-to-face interviews. This study used qualitative content analysis to interpret the data findings. The study revealed that there is a minimal adoption of MAPs, though there is a relatively high usage of traditional MAPs compared to contemporary MAPs among the SMEs under study. The study also discovered that there are diverse practices in the application of management accounting tools by entities within the same industry. In addition, the study found that among the five categories of MAPs, decision support systems and strategic management accounting are the least used, while budgeting systems and performance evaluation systems are moderately used, with costing systems being the most used of the five components of MAPs. The uneven and limited adoption of MAPs is attributable to an uncondusive socio-economic environment, undercapitalisation, lack of knowledge of management accounting by SME owners and staff, organisation size, and the competence of accounting personnel. The study proposed a six-staged systematic implementation method that makes the application of MAPs less cumbersome and easy to implement. The proposed framework further systematises the application of MAPs in the SME sector. It can be applied to other similar contexts in the Global South. It is highly recommended that SMEs should apply management accounting as its use promotes competitive advantage and success for an entity. The study recommends that the Zimbabwean government should popularise MAPs by convening workshops, awareness campaigns, and formulating policies that encourage the use of management accounting.

Keywords: Management accounting, Small and Medium Enterprises (SMEs), management accounting framework, Management Accounting Practices (MAPs), budgeting system, costing system, performance evaluation system, decision support system, strategic management accounting, developing countries, Zimbabwe.

PUBLICATIONS FROM STUDY

Published paper from this thesis:

1. Dlamini, B. & Schutte, D.P. 2020. An overview of the historical development of Small and Medium Enterprises in Zimbabwe, *Small Enterprise Research-Taylor and Fransis*, 27(3): 306-322.
2. Dlamini, B. & Schutte, D.P. 2021. The Development of a Management Accounting Framework for Small and Medium Enterprises Operating in Emerging Economies, *Journal of Accounting, Finance and Auditing Studies*, 7(3): 136-157.
3. Dlamini, B. & Schutte, D.P. 2021. An exploratory study on the usage of Management Accounting Practices among Small and Medium Enterprises in Zimbabwe, *The Journal of Accounting and Management*, 11(2): 116-128.

Conference papers from this thesis:

1. Dlamini, B. & Schutte, D.P. 2021. An exploratory study on the usage of Management Accounting Practices among Small and Medium Enterprises in Zimbabwe. *Unpublished conference paper delivered at the International Conference of Accounting and Business (i-CAB) 2021-Technology as a trusted companion for accountants and business professionals in the business unusual environment* (26-30 June 2021 University of Johannesburg).
2. Dlamini, B. & Schutte, D.P. 2021. The Development of a Management Accounting Framework for Small and Medium Enterprises Operating in Emerging Economies. *Unpublished conference paper delivered at the International Conference of Accounting and Business (i-CAB) 2021-Technology as a trusted companion for accountants and business professionals in the business unusual environment* (26-30 June 2021 University of Johannesburg).

Papers under review from this thesis:

1. Dlamini, B. & Schutte, D.P. Research paradigm: Implications to Novice Management Accounting Researchers studying Small and Medium Enterprises. *International Journal of Qualitative Methods*, (unpublished article).

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CHAPTER 1: INTRODUCTORY CHAPTER

1.1 Introduction and background

SMEs play a significant role in global economic growth and development (Kithae *et al.*, 2013). Saeed (2002), as well as Domingo (2017), stated that SMEs are perceived to be a panacea to economic growth and development challenges, especially in emerging economies as they transform and develop communities. There are 125 million SMEs in the world and among these, 89 million are in developing countries (Rubo, 2013). In the United States of America (USA), 90% of businesses are SMEs (CONAMP, 2013), they contribute 65% to the Gross Domestic Product (GDP) and they play a major role in exports (Hammer *et al.*, 2010). In Japan and China, 60% of the GDP comes from SMEs (Sham, 2014) and in the European Union (EU), SMEs generate 52% of the GDP and they create 60% to 70% of all jobs (Longenecker *et al.*, 2012). According to Airaksinen *et al.* (2015), 99% of all enterprises in all EU countries are SMEs, contributing 57% of the total gross value added in the EU and 53% to 86% of the total employment. In Asia, SMEs account for about 99% of all firms and 70% of the total employment (SBC, 2015; Yoshino & Wignaraja, 2015). Therefore, SMEs are perceived to be the backbone of the global economy and are the most dominant form of business (Lindner, 2013; Afolayan *et al.*, 2015; Yoshino & Taghizadeh-Hesary, 2016).

The pivotal role played by SMEs in economic development is also a reality in Africa (OECD, 2004), as indicated by a significant portion of the continent's economic activities being transacted within the realm of SMEs (Muriithi, 2017). SMEs contribute between 40% and 60% of the GDP in Sub-Saharan African countries (Fjose *et al.*, 2010) and 60% of the employment (Muriithi, 2017). Furthermore, SMEs in Sub-Saharan Africa make up 90% to 95% of all businesses (Hatega, 2007; Kauffmann, 2006). The account given above indicates that SMEs are at the heart of Africa's economic growth. Further, Table 1.1 reveals that while the world economies are contracting, the African economic growth is more than 5% on average above that of the USA, South America, and Europe (Muriithi, 2017).

Table 1.1: Fast-growing economies in the world

2001-2010 Annual Average GDPs Growth	%	2011-2015 Annual Average GDPs Growth,	%
Angola	11.1	China	9.5
China	10.5	India	8.2
Myanmar	10.3	Ethiopia	8.1
Nigeria	8.9	Mozambique	7.7
Ethiopia	8.4	Tanzania	7.2
Kazakhstan	8.2	Vietnam	7.2
Chad	7.9	Ghana	7.0
Mozambique	7.9	Zambia	6.9
Rwanda	7.6	Nigeria	6.8

Source: Bilchard (2015)

In Africa, similar to the rest of the world, SMEs play a crucial role in stimulating economic expansion and poverty eradication (Wiebe, 2002). However, literature suggests that there is a need to explore business opportunities and the challenges faced by African entrepreneurs (Dana & Ratten, 2017). In the milieu of emerging economies, there is little theoretical knowledge and empirical evidence on the various aspects of entrepreneurship and Africa is no exception; the lack of theoretical knowledge is also no exception (Ratten, 2014).

In developing countries, SMEs are regarded as a solution to economic development challenges (Saeed, 2002). According to the then Zimbabwean Minister of Finance, the Honourable Patrick Chinamasa, the SME sector has an important role to play in the economic development of the country as it constitutes over 70% of economic activities, contributing more than 50% of the country's GDP and employing more than 60% (more than 5.8 million) of the country's workforce (RBZ, 2016). Zimbabwe, as a developing country in Africa, with numerous economic challenges, has benefited a great deal from SMEs (MSMECD, 2018). The SME sector has been a catalyst in the generation of

economic growth since the country attained independent status in 1980 (Bomani *et al.*, 2015). The SME sector also contributes to the country's economy in various ways, as highlighted in the 2013 and 2016 Zimbabwe National Budget Statements. Some of these contributions include:

- the inducement of entrepreneurship;
- broadening of the tax base;
- driving rural development and contributing significantly to poverty alleviation; and
- exploiting niche markets as they are enabled by their pliability and innovation in the mainstreaming of the supply chain through backward and forward linkages (RBZ, 2016).

The government of Zimbabwe appreciates that SMEs are engines of economic growth as they create employment that is a significant part of the economy (RBZ, 2012; Manyani, 2014). In the current policy pronouncements, the government recognises SMEs as a key driver and a major player in transforming Zimbabwe's economy by 2030 (NDS1, 2020). SMEs development is, however, hamstrung by a plethora of adversities, such as;

- limited access to finance,
- working capital constraints,
- lack of entrepreneurial and business management skills,
- poor accounting practices,
- low productivity and competitiveness,
- failure to adapt to rapidly changing market conditions, and
- difficulties in the achievement of economies of scale which affects the survival of SMEs (Maseko & Manyani, 2011; RBZ, 2016).

Besides, most SMEs fail because of over-concentration on one market, failure to separate business and personal finance, lack of succession planning and business strategies (Majoni *et al.*, 2016). Hence, the government of Zimbabwe has set in motion various initiatives to revitalise the capacity of SMEs. These include the development of a regulatory framework by the Zimbabwe Stock Exchange, to embrace the SME market, the establishment of an SME incubation centre, government SME funding, as well as the development of the SMEs formalisation strategy (RBZ, 2016).

Prior studies have indicated that in a globalised, ever-changing business environment, Management Accounting Practices (MAPs) are an essential tool in the success and survival of business organisations as they promote efficiency and improve the competitive edge (Mitchell & Reid, 2000; Folk *et al.*, 2002; Horngren *et al.*, 2009). Lucas *et al.* (2013) highlighted some of the benefits of MAPs as,

- offering vital financial and non-financial information to management for decision-making purposes,
- assisting firms to have competitive advantages as they offer the best quality products and services; and
- Ensuring improved quality in planning, co-ordinating, monitoring, controlling, information-processing and evaluating business activities.

In addition to the above advantages, the use of MAPs among SMEs assists in the development of successful business strategies, withstanding competition from their larger counterparts and assisting in their growth towards becoming larger corporations (Mia & Clarke, 1999; Reid & Smith, 2002; Ahmad, 2012). Financial information analysis plays a crucial role in the success of small businesses as it aids in the decision-making process among SMEs (Folk *et al.*, 2002). SMEs tend to make decisions with inadequate financial information analysis, and this contributes to their high failure rate (Lucas *et al.*, 2013). Apart from that, the information provided by MAPs empowers small firms to face competition and cope with the rapidly changing business environment (Reid & Smith, 2002). Consequently, MAPs play a critical role in the success of smaller entities (Hopper *et al.*, 1999; Reid & Smith, 2002) and their presence may not, by themselves, guarantee corporate success, but their absence negatively affects the entity's competitive advantage (Folk *et al.*, 2002; Reid & Smith, 2002). Hopper *et al.* (1999) argued that one of the reasons for the high failure rate among SMEs is their low adoption of MAPs, compared to their larger counterparts.

Considering the benefits obtained from the use of MAPs, it is, therefore, essential for SMEs to embrace them as they assist in promoting the survival and growth of the SME (Hopper *et al.*, 1999; Folk *et al.*, 2002). However, there seems to be a lack of information on the adoption of management accounting among Zimbabwean SMEs. It remains uncertain whether SMEs in Zimbabwe have adopted or not adopted MAPs in their operations. This is of concern since there is no specific reference to the use of MAPs among SMEs in Zimbabwe. The extent of the adoption of MAPs among SMEs has not been fully explored and well documented in Zimbabwe, as in other developing countries, as noted by various scholars (Aris, 2007; Yu & Artz, 2009; Ahmad, 2012; Gichaaga, 2014), hence the relevance of this study.

1.2 Previous studies

A study conducted by Alleyne and Weekes-Marshall (2011), exploring the use of MAPs in three manufacturing companies in the West Indies (Barbados), revealed that the MAPs employed in these large entities were very effective and contributed to their success. They also noted that the MAPs were consistent, systematic and standardised across the group (Alleyne & Weekes-Marshall, 2011).

Another study was carried out by Oyerogba (2015) on the adoption of MAPs among Nigerian listed companies. The study revealed that listed companies use both conservative and modern MAPs in their operations as they have a huge contribution in improving their competitive advantage (Oyerogba, 2015). These findings on the use of MAPs in large entities, which indicate that large entities are high users of MAPs, are consistent throughout the literature (Hopper *et al.*, 1999; Reid & Smith, 2002; Lucas *et al.*, 2013). However, the challenge is that studies on MAPs have been mostly conducted in large entities with few studies done in small entities (Ali, 2014).

Ahmad (2013) conducted a study on the adoption of MAPs among SMEs in Malaysia. The study indicated that Malaysian SMEs widely used traditional MAPs including conventional budgeting, financial performance measures and traditional costing. It also brought out that the modern budgeting system has a higher rate of adoption in medium-sized entities than in small firms. Consequently, medium-sized firms have more experienced well-trained personnel and more complex operations compared to small firms (Ahmad, 2013). Few medium-sized entities have adopted the recently developed MAPs that include:

- Activity-Based Costing (ABC),
- Decision support analysis, and
- Strategic management accounting (Ahmad, 2013).

Maduekwe and Kamala (2016) conducted a study, on the use of budgets by SMEs in the Cape Metropolis in South Africa. The study revealed that most of the SMEs used budgets for planning, monitoring, controlling and measuring business performance. The hindrance to the effective use of budgeting systems among SMEs is the lack of support and appreciation by top management and the lack of trained personnel in management accounting (Maduekwe & Kamala, 2016). Their study further revealed that most SMEs use conventional MAPs, compared to contemporary MAPs, which need a more comprehensive training of employees for their successful implementation.

Many years ago, Drury *et al.* (1993) carried out a survey on MAPs in manufacturing companies in the United Kingdom (UK). The study revealed that various practices were used, and small firms generally reported a wide gap between theory and practice. In a similar study conducted almost two decades ago in the UK, Gunasekaran *et al.* (1999) discovered that MAPs play an important role in improving SME competitiveness and that there is little attention paid by SMEs to the adoption of contemporary MAPs such as ABC. A more recent study conducted by Tripath (2017) on the role played by external accountants in enhancing the use of management accounting among UK SMEs discovered that the services of external accountants are too exorbitant for SMEs. Further, the study revealed that the

knowledge of the use of management accounting by the SME owners influenced the level of use of MAPs in their organisations.

Ozyurek and Yilmaz (2015) conducted a study on the adoption and application of costing systems in SMEs in Turkey. The study revealed that firms that are not using ABC have the least trained personnel in management accounting. Furthermore, Nian and Nair (2017) surveyed factors affecting the use of MAPs in Malaysian SMEs. The study discovered that organization size, lack of support from the top management, qualifications of accounting personnel, and advanced production technology significantly influence the use of management accounting among SMEs. Additionally, Holmes and Nicholls (1998) asserted that the age of the business, the size of the business, and the nature of the industry determine an entity's management accounting system. Moreover, small entities, because of their size, have a low management accounting adoption level since their operations are not complex and the perceived risk aversion is low (Ahmad, 2012; Nian & Nair, 2017). Firms in the manufacturing industry are high adopters of MAPs because of their being more capital-intensive and having a more analytical approach to decision making (Ahmad, 2013).

Gwangwava *et al.* (2016) conducted a study focusing on management accounting information as a tool for improving the performance of SMEs in the tourism sector in Zimbabwe. It revealed that management accounting information significantly improves the performance of SMEs. The study further revealed that management accounting information enables organisations to effectively compete and survive in the modern business environment. However, it did not disclose the level of MAPs adoption among SMEs in the sector. Muza (2018) assessed the relevance of environmental management accounting for sustainability in Zimbabwe's extractive industries. The study exhibited that environmental management accounting promotes sustainability in the mining sector, though it is at entry-level with diverse applications.

From the above empirical evidence, it is noted that SMEs have adopted either traditional or contemporary MAPs at different levels. Furthermore, various factors influence the application of MAPs in small businesses. Given the benefits enjoyed in using MAPs, it was valuable to ascertain the extent of adoption of MAPs among SMEs in Zimbabwe. Moreover, it was important to identify relevant MAPs and ascertain the factors influencing the use of MAPs among SMEs in Zimbabwe. Additionally, developing a management accounting framework for Zimbabwean SMEs was paramount.

1.3 Theoretical framework

Ryan *et al.* (2002) state that in accounting studies, several social theories can be applied, and these include the contingency theory, the new institutional sociology theory, the structuration theory and the

actor-network theory. These theories (contingency theory, new institutional sociology theory and structuration theory) are often used as important theories for management accounting research (Baiman, 1990; Ribeiro & Scapens, 2006; Leftesi, 2008). The contingency theory, according to Covaleski *et al.* (1996:4), is an approach to studying organisational behaviour that "emphasizes how contingent factors such as technology, culture, and the environment influence the design and functioning of organisations". The contingency theory assumes that there is no single ideal organisational structure that applies to all entities (Vidal *et al.*, 2017). However, the effectiveness of organisations depends on the ability of the entity to fit or match well with the environmental volatility, type of technology and organisational function (Islam & Hu, 2012).

According to Otley (2016), the concept of contingency theory was first developed in the mid-1960s and recognized in management accounting literature in the mid-1970s. Ali (2014) states that the theory approach to management accounting is because there is no single appropriate system of accounting or control that could be equally applied to all business units in all situations. Nonetheless, Johnson and Kaplan (1987) and Otley (2016) argue that the contingency theory works best in large entities when the positivist paradigm and a deductive approach are used. Contrastingly, Donaldson (2006) criticises the contingency theory, arguing that it is limited by its static nature, meaning an organisation will always fit within its operating environment. In this study, the researcher views the social world as interpretively constructed and not as rule-governed, implying that a theory will not be tested but developed using empirical evidence. This study adopted an interpretivism paradigm, following an inductive approach. Hence, the contingency theory did not fit well as it requires a hypothesis to be developed and tested on the contingent factors. According to Baxter and Chua (2003), in management accounting, the structuration theory is preferable to the contingency theory.

Giddens developed the structuration theory in the early 1980s (Stones, 2005). The main conjecture of the feat relates to the ambivalence of structure as core elements of theoretical design between the agency of individuals and social structures (Coad *et al.*, 2015). The structures are abstract templates that represent the rules, routines and resources that guide human behaviour in social settings (Barley & Tolbert, 1997). According to Ashraf and Uddin (2015), the structuration theory provides a richer explanation of accounting change, particularly management accounting change, as more structures or agencies are considered in accounting studies. However, the structuration theory has been criticised for its failure to provide a social fulcrum able to link agency and structure (Jack & Kholeif, 2008). In that respect, to avoid the conflict between structure and action, a clear explanation of the link between the two realms was called for (Coad *et al.*, 2015). Literature asserts that the theory offers a small contribution to management accounting research (Jack & Kholeif, 2008; Coad *et al.*, 2015; Tripath, 2017). Stones (2005) has criticised the structuration theory for being difficult to empirically

apply, as it does not give sufficient detail on how to apply it in empirical research. Additionally, the theory has been criticised for its flat ontology, which says there are no social structure levels; the theory, therefore, suggests that MAPs for large and small entities are the same (Stones, 2005; Jack & Kholeif, 2008). However, the structuration theory is suitable for a critical realism paradigm following an abductive approach, thus combining qualitative and quantitative research methods (Lukka & Modell, 2010). As a result, the structuration theory is best suited for mixed-method research (Stones, 2005).

In addition, Rose *et al.* (2005) argued that the Actor-Network Theory (ANT) is more applicable in MAPs than the structuration theory. Bruno Latour developed the ANT theory in the 1970s and further modified it in 1997 (Jones, 2009). The ANT has been used in management accounting studies by various researchers (Mclean & Hassard, 2004; Jones & Dugdale, 2002). This approach links human and non-human actors with accounting (Mclean & Hassard, 2004). Human and non-human actors' shape MAPs and management accounting information is created to serve different purposes within an organisation (Wanderley & Cullen, 2012). The theory enables the exploration of the interconnections between accountants, inscriptions and the technology they use to demonstrate how accounting intercedes in local actions (Jones, 2009). Justesen and Mouritsen (2011) argued that the ANT is most suitable for management accounting changes in organisations.

The New Institutional Sociology (NIS) theory emerged in the 1970s and 1980s, and it views institutions outside the traditional views of economics and focuses on processes in which structures, norms, and routines become established as authoritative guidelines for social behaviour (DiMaggio & Powell, 1983; Scott, 2008). The theory suggests that organisations adopt MAPs to conform to the law and to ensure their survival (Leftesi, 2008). Various studies have used the NIS theory in the diffusion of MAPs (DiMaggio & Powell, 1983; Haunschild & Miner, 1997; Howorth *et al.*, 2002; Scott, 2008; Ali, 2014).

This study aimed to explore the extent of management accounting adoption and to identify the most relevant MAPs for SMEs in Zimbabwe. The ultimate goal was to develop a management accounting framework for Zimbabwean SMEs but refrained from examining changes in management accounting in the Zimbabwean context. The NIS theory was used in the study because it provides the best interpretation of individual organizational behaviour on accounting decisions (Tripath, 2017). The theory also provides a theoretical framework for getting an in-depth understanding of the phenomenon under study (SMEs' behaviour towards MAPs) (Ali, 2014). The NIS perspective was selected because it provides a general picture and understanding of why and how the MAPs, as designs and practices, are used in the Zimbabwean environment. Moreover, the NIS theory is useful in identifying different

institutional factors (internal and external) in creating the similarity and dissimilarity of MAPs (Scott, 2008; Ali, 2014). The theory was useful in the development of the management accounting framework for SMEs and aided the interrogation of both external and internal contingency factors that influence the adoption of MAPs among SMEs. The above-mentioned theories are further discussed in detail in Section 4.7.

1.4 Problem statement

SMEs are globally recognised for the role they play in economic growth and development and are the most dominant form of business (Lindner, 2013; Kithae *et al.*, 2013; Afolayan *et al.*, 2015; Yoshino & Taghizadeh-Hesary, 2016). The critical role played by SMEs in economic development is also a reality in Zimbabwe, as indicated by a significant portion of the country's economic activities being transacted within the realm of SMEs (RBZ, 2016). The Zimbabwean government admits that SMEs are at the heart of the country's economic growth (MSMECD, 2018). In as much as it cannot be denied that SMEs are the backbone of the Zimbabwean economy, a lot has been written about their struggle for survival and high failure rate (Maseko & Manyani, 2011; Gangata & Matavire, 2013; Nyanga, 2013; Manyani, 2014). It has been noted that one of the most serious challenges faced by SMEs is the lack of expertise in management and experience in accounting (Ebashi *et al.*, 1997; Nyoni, 2002; Karedza *et al.*, 2014). Prior studies have indicated that MAPs are essential tools to promote development plans, control operations, formulate strategy, change management and act as a key information system in the decision-making process (Mitchell & Reid, 2000; Reid & Smith, 2002; Horngren *et al.*, 2009; Lucas *et al.*, 2013). Additionally, MAPs provide financial and non-financial information that enables small businesses to effectively compete and survive in a rapidly changing business environment (Hopper *et al.*, 1999; Reid & Smith, 2002). However, some SMEs generally conjecture that MAPs are most important and appropriate for large business entities, hence there is a low uptake on the use of MAPs, especially in developing countries (Lucas *et al.*, 2013; Ahmad, 2017).

A few studies that were conducted in developing countries revealed that both traditional and contemporary MAPs are used at various levels by SMEs (Abdel-Kader & Luther, 2006; Ahmad, 2014; Maduekwe & Kamala, 2016; Ahmad, 2017). However, there is paltry research-based knowledge on the adoption level, role and contribution of MAPs among SMEs in Zimbabwe. This paucity of research-based knowledge may have been based on the preference given to large entities for empirical management accounting research, as innovation, expertise and implementation of management accounting are likely to be evident in large entities (Mitchell & Reid, 2000; Ahmad, 2013). Research on MAPs among SMEs is of great importance in the fundamental understanding of the discipline and

this might provide a direct contrast with their larger counterparts (Lorenz, 2015). Considering the size of SMEs, especially in the context of Zimbabwe as a developing country, there is little information on the adoption and application of MAPs among SMEs. Additionally, there is a lack of evidence of a management accounting framework for SMEs in Zimbabwe that guides the usage of MAPs. Therefore, these questions remain unanswered:

- 1) What is the adoption level of MAPs among SMEs in Zimbabwe?
- 2) What are the benefits of MAPs, particularly for SMEs operating in the Zimbabwean environment?
- 3) Which factors influence the usage of MAPs in Zimbabwe?
- 4) What is the role played by the Zimbabwean government in promoting the application of MAPs among SMEs?

1.5 Research objectives

The study had the main research objective that was supported by secondary research objectives.

1.5.1 Main objective

The main objective of the study was to explore the usage of MAPs with the ultimate goal of developing a management accounting framework for Zimbabwean SMEs.

1.5.2 Secondary objectives

To achieve the main objective, the following secondary objectives were set:

- To contextualise the historical development of SMEs and their contribution to the Zimbabwean economy (chapter 2);
- To contextualise the historical development of MAPs, their applicability and benefits among SMEs (chapter 3);
- To conceptualise from literature, the theories in management accounting studies (chapter 3);
- To develop a research methodology that will answer the research questions (chapter 4);
- To explore the extent of use of MAPs by Zimbabwean SMEs (chapter 5);
- To ascertain benefits obtained through the use of MAPs among Zimbabwean SMEs (chapter 5);
- To ascertain factors influencing the adoption of MAPs among SMEs in Zimbabwe (chapter 5);

- To ascertain the role of the Zimbabwean government in the implementation of MAPs (chapter 5);
- To recommend possible ways to strengthen the SMEs sector and identify key areas for future studies (chapter 7).

In a drive to achieve the above-stated objectives, the study adopted a research philosophy that influenced the choice of the research approach, research strategy, research method, techniques and procedures of data collection.

1.6 Methodology

The study sought to explore the use of MAPs with the ultimate goal of developing a management accounting framework for Zimbabwean SMEs. Various steps were followed to achieve the aim of the study. The general, as well as the particular core research philosophical assumptions underlying the study, were discussed. Methods of data collection and data analysis were considered.

1.6.1 Research paradigm

A paradigm is a "worldview" or a simple belief system or theory that guides our way of doing things that range from thought patterns to action (Patton, 2002). Research paradigms can be characterised through their ontological assumption (What is the reality?), epistemological assumption (How do you know something?) and the methodological assumption (How do you go about finding out?) (Guba & Lincoln, 2005). There are four research paradigms that are mostly used in the social sciences, and these are positivism, interpretivism, critical theory and pragmatism (Guba & Lincoln, 2005; Healy & Perry, 2000; Saunders *et al.*, 2019). Bisman (2010) deduced that positivist and interpretive research philosophies are valuable in conducting accounting research. Ryan *et al.* (2002) further suggested that the use of interpretive work gives a more meaningful context to the use of management accounting in an organisation. Furthermore, the interpretive worldview emphasises that the world is socially constructed and subjective, based on the understanding of human behaviour from the individuals' point of view (Hussey & Hussey, 1997; Easterby-Smith *et al.*, 2012). The interpretive worldview is anchored around the assumption that the social world is complex and that humans interpret the world they inhabit and attribute meanings to that world (Farquhar, 2012). In management accounting, interpretive work allows the researcher to have a deeper and more meaningful context (Tripath, 2017).

The ontological position of this study was that of relativism; the researcher perceived that multiple realities depended on the construction of meaning through interaction with the study phenomenon

(SMEs in Zimbabwe). As a result, the researcher's interaction and construction of meaning were critical in the development of a MAP framework for SMEs in Zimbabwe. To construct meaning, the researcher was attached to the study as an active participant or actor, following a subjective epistemological position. The study adopted a qualitative research method and an inductive approach to ascertain the level of adoption of MAPs and the factors influencing their use among SMEs in Zimbabwe. The knowledge developed about the use of MAPs by SMEs was a result of careful observation and measurement of the objective reality that exists in the SME business world (Ahmad, 2013). Accordingly, the findings on the factors influencing the use of MAPs among SMEs resulted in how the researcher understood the respondents' operating experiences. It was also the burden of this study to identify relevant MAPs for Zimbabwean SMEs and to develop a management accounting framework for the same.

1.6.2 Research design

A research design is a method for gathering, measuring and analysing data to achieve the objectives of a study (Yin, 2003). It is the plan, structure and overall program of the research (Bryman, 2004). A research design provides the basic guidelines for conducting a project; it provides relevant information in addressing research objectives (Hair *et al.*, 2007; Ahmad, 2012). Creswell (2009) identifies three distinct research designs: qualitative, quantitative and mixed-method designs. For instance, a qualitative research design is a non-mathematical analysis and research tool that aims to address the 'what, who, when how and why' of a phenomenon (Parker, 2008; Warren & Karner, 2010). This study adopted a qualitative research design. The design enhanced the gathering of data in ascertaining the utilisation of MAPs by Zimbabwean SMEs. This further enriched the ascertaining of factors that influence the use of MAPs among SMEs in Zimbabwe. Ultimately, the data collected using the selected research design informed the development of a management accounting framework for SMEs in Zimbabwe. Both a literature review and an empirical research analysis were conducted.

1.6.3 Sampling procedure

The study concentrated on the Zimbabwean manufacturing sector. This aids in the avoidance of unnecessary distortions arising from variations between the manufacturing sector and other sectors. The manufacturing sector was subdivided into three classes, namely, textile, food processing and beverages (MSMECD, 2018). This sector was suitable for researching MAPs since it has a high proportion of medium-sized enterprises that are most likely to use MAPs (Finscope, 2012; GOZ, 2018). At the time of the study, there was no database for all operational SMEs in Zimbabwe as the parent ministry for SMEs, the Ministry of Women Affairs, Community, Small and Medium Enterprise

Development, was working on the database. Literature asserts that SMEs tend to hide because of their unwillingness to remit taxes to the government as well as their reluctance to formalise their businesses (Dlamini, 2017). Creswell (2009) stated that a chain referral sampling technique is a useful strategy when a researcher wishes to study a stigmatised group or behaviour.

This study adopted a chain referral sampling technique. The researcher started the chain referral exercise by identifying one or two participants from small-sized firms in each province and then replicating the same pattern for medium-sized firms. The chain referral sampling technique was of significance since one research participant referred another and that person referred another, thus identifying a chain of potential participants. This was done with the support of accounting firms, the SME Association of Zimbabwe and the Ministry of Women Affairs, Community, Small and Medium Enterprise Development. Furthermore, a pilot study was conducted to acquire more knowledge about MAPs and Zimbabwean SMEs. The researcher initially liaised with accounting firms and the Ministry of Women Affairs, Community, Small and Medium Enterprise Development in Zimbabwe to solicit more information before the pilot study.

The Ministry of Women Affairs, Community, Small and Medium Enterprise Development granted the researcher approval to conduct PhD research among SMEs in Zimbabwe (see Appendix II). However, before data collection exercise, the researcher requested consent to participate from all the participants. A cover letter (Appendix I), an approval letter from the Ministry of Women Affairs, Community, Small and Medium Enterprise Development in Zimbabwe (Appendix II), a consent form (Appendix III) and interview questions (Appendix IV) were sent to all participants. The cover letter included questions, such as, which MAPs (costing system, budgeting system, performance evaluation, decision support system and strategic management accounting) does your organisation use? In using this question, the study intended to find out the level of use of MAPs among SMEs. What are the factors that influence SMEs in the application of MAPs? The question sought to identify the factors that affect the adoption of MAPs by SMEs. How has the use of MAPs improved organisational performance? This question intended to find out the opportunities and benefits enjoyed by SMEs as they apply MAPs. What is the role of the Zimbabwean government in promoting the application of MAPs? The question sought to determine the involvement of the government in promoting the implementation of MAPs in the SME sector. The researcher was very careful in this question so as not to be considered as an anti-ruling party (ZANU-PF) agent since the country has a polarised political environment (Mhizha, 2014). A full list of interview questions is attached as Appendix IV. Furthermore, the researcher sent more background information in advance of the focus group meetings and in-depth interviews to those who had confirmed their participation.

From the onset, the researcher informed all the participants that their participation was voluntary, and they were free to withdraw their consent at any time, even during the interviews. Participants were further assured that their information would only be used for the development of a management accounting framework for SMEs in Zimbabwe. The confidentiality of information collected was guaranteed and an external hard drive, secured with a password, was used to store data. The researcher also assured the participants that their anonymity was guaranteed, and no individual identities would be revealed. Pseudonyms were used during the discussions in an attempt to ensure anonymity and confidentiality. Moreover, only aggregated results would be presented and sent to all the participants. The names of the organisations represented by the participants were kept private and confidential by the researcher.

This study used focus groups and in-depth face-to-face semi-structured interviews to collect data. The study followed the focus group meeting procedures; understanding the goals of the study, defining the targeted audience, securing a venue for the meeting, recruitment of participants, designing the questions, use of a moderator and an assistant moderator and analysis of the findings. The focus group moderator was an expert in management accounting (a holder of a PhD in Accounting) and the researcher was the assistant moderator. However, the major challenge during data collection was the refusal by some participants in focus group meetings to be recorded, even though the moderator and the researcher tried to convince them to allow this. Some participants highlighted that government agents once targeted them after participating in a certain study that was audio recorded. The participants indicated that they could not be recorded because there are questions that inquire about the Zimbabwean government. Two research assistants were co-opted to transcribe the entire discussions in an attempt to capture more information during the focus group meetings. Subsequently, at the end of meetings, the moderator, the researcher, and the two research assistants met and went through the scripts chronicled by the research assistants to ensure that transcription was done accordingly. Nonetheless, in-depth face-to-face and key informant interviews were recorded.

Furthermore, the researcher presented the research proposal to the Faculty of Economic and Management Sciences at North-West University (NWU) and applied for ethical clearance from the University before data collection. Two study leaders, from NWU, who are competent in the field of study, guided the researcher. Furthermore, the researcher is competent in the field of study, as he has conducted many studies in the SMEs sector and the management accounting field in Zimbabwe.

1.6.4 Data collection and analysis

The researcher obtained comprehensive information about SMEs and MAPs through in-depth interviews and focus groups. The researcher collected and analysed data concurrently, and this aided the researcher to stop data collection after reaching the saturation level. When the researcher reached saturation level and there was no new information being obtained, data collection was stopped. Data were thematically analysed through content analysis using Microsoft Excel 2013 and Atlas. ti 7.5 software. Microsoft Excel 2013 and Atlas. ti 7.5 allowed the researcher to classify, sort, and organise data; examine the relationships in the data; test theories; cross-examine information, as well as verify and draw a conclusion.

To further ensure data credibility and reliability, the researcher performed data source triangulation. Triangulation is a technique used to validate data in a study through cross-verification from two or more different sources (Creswell, 2009). The researcher verified the outcomes from the SMEs interviews by also interviewing twenty-one key informants from the Ministry of Women Affairs, Community, Small and Medium Enterprise Development, Zimbabwe Revenue Authority, accounting firms, and representatives from the SME Association of Zimbabwe (SMEAZ). The data obtained from the research participants was compared with that which came from the key informants. Furthermore, the researcher discussed the research findings with other scholars, research participants, key informants, and various stakeholders. The researcher also compared the current study findings with other prior studies conducted, especially, in developing countries since Zimbabwe is an emerging economy. Ultimately, a management accounting framework for SMEs operating in Zimbabwe was developed. The framework can be applied to other similar contexts in the Global South.

1.7 Contribution of the study

SMEs play a substantial role in the growth of the Zimbabwean economy as the bulk of the economic activities are carried out within the SME sector (RBZ, 2016). SMEs are the cynosure of economic growth and development in Zimbabwe (RBZ, 2016; Domingo, 2017; MSMECD, 2018). However, SME development is hamstrung by a plethora of adversities that hinder the success of the sector. Despite Zimbabwean SMEs being the backbone of the economy, they have a high failure rate (Nyanga, 2013; Manyani, 2014). However, studies have indicated that management accounting plays a critical role in the success of smaller entities (Hopper *et al.*, 1999; Reid & Smith, 2002; Ahmad, 2017). Furthermore, literature asserts that MAPs are critical tools for promoting development plans, controlling operations, formulating strategies, managing change, and serving as a key information system in decision-making (Mitchell & Reid, 2000; Reid & Smith, 2002; Horngren *et al.*, 2009; Lucas *et al.*, 2013).

In light of the above, it is, therefore, essential for SMEs to embrace management accounting as it assists in promoting the survival and growth of SMEs (Ahmad, 2017). Nonetheless, this study observed that there is a lack of research-based knowledge on the adoption of management accounting among Zimbabwean SMEs. It remains uncertain whether SMEs in Zimbabwe have adopted or not adopted MAPs in their operations as there is no specific reference to the use of MAPs by Zimbabwean SMEs. The level of adoption of MAPs among SMEs has not been fully explored and well documented in Zimbabwe, as in other developing countries, as noted by various scholars (Aris, 2007; Yu & Artz, 2009; Ahmad, 2012; Gichaaga, 2014). Therefore, at the time of the study, the adoption of MAPs among SMEs in Zimbabwe was an under-researched area, and there was a dearth of information on their use and contribution among SMEs. Based on what this researcher knows, this research study was the earliest to assess the level of use of MAPs by SMEs in Zimbabwe, assessing factors influencing the use of MAPs and the role played by the Zimbabwean government in the implementation of management accounting in the SME sector. In particular, this research study was the first to attempt to develop a management accounting framework for SMEs in Zimbabwe. This study contributes empirical literature to the body of knowledge. It further adds to the literature as it sets a basis for comprehending the complexities of the SME sector in MAPs' development and application.

Furthermore, previous studies on the use of MAPs in other developing countries focused mainly on large entities (Joshi, 2001; Islam & Kantor, 2005; Wu *et al.*, 2007; Frezatti, 2007; Leftesi, 2008); consequently, an effort to deal with this problem this study bridged the existing literature gap by providing research-based knowledge on MAPs in small entities. Hence, the paucity of research-based knowledge on the adoption of MAPs among SMEs motivated this research to fill the gap in the literature through the provision of new empirical evidence. This study explored the usage of management accounting among SMEs in Zimbabwe under the five pillars of management accounting, which are costing systems, budgeting systems, performance evaluation systems, decision support systems, and strategic management accounting. This study also identified the factors that influence the application of MAPs among SMEs and ascertained the benefits of using management accounting in SMEs. It further ascertained the role of the Zimbabwean government in the implementation of MAPs among SMEs. The researcher's findings indicated that, generally, there is low adoption of MAPs, though there is relatively high usage of traditional MAPs compared to contemporary MAPs among the SMEs under study. The study also revealed that there are diverse practices in the application of management accounting tools by entities within the same industry. In addition, the study found that among the five categories of MAPs, decision support systems and strategic management accounting are the least used, while budgeting systems and performance evaluation systems are moderately

used, with costing systems being the most used of the five components of MAPs. This study provides useful insights about management accounting and the SME sector in Zimbabwe.

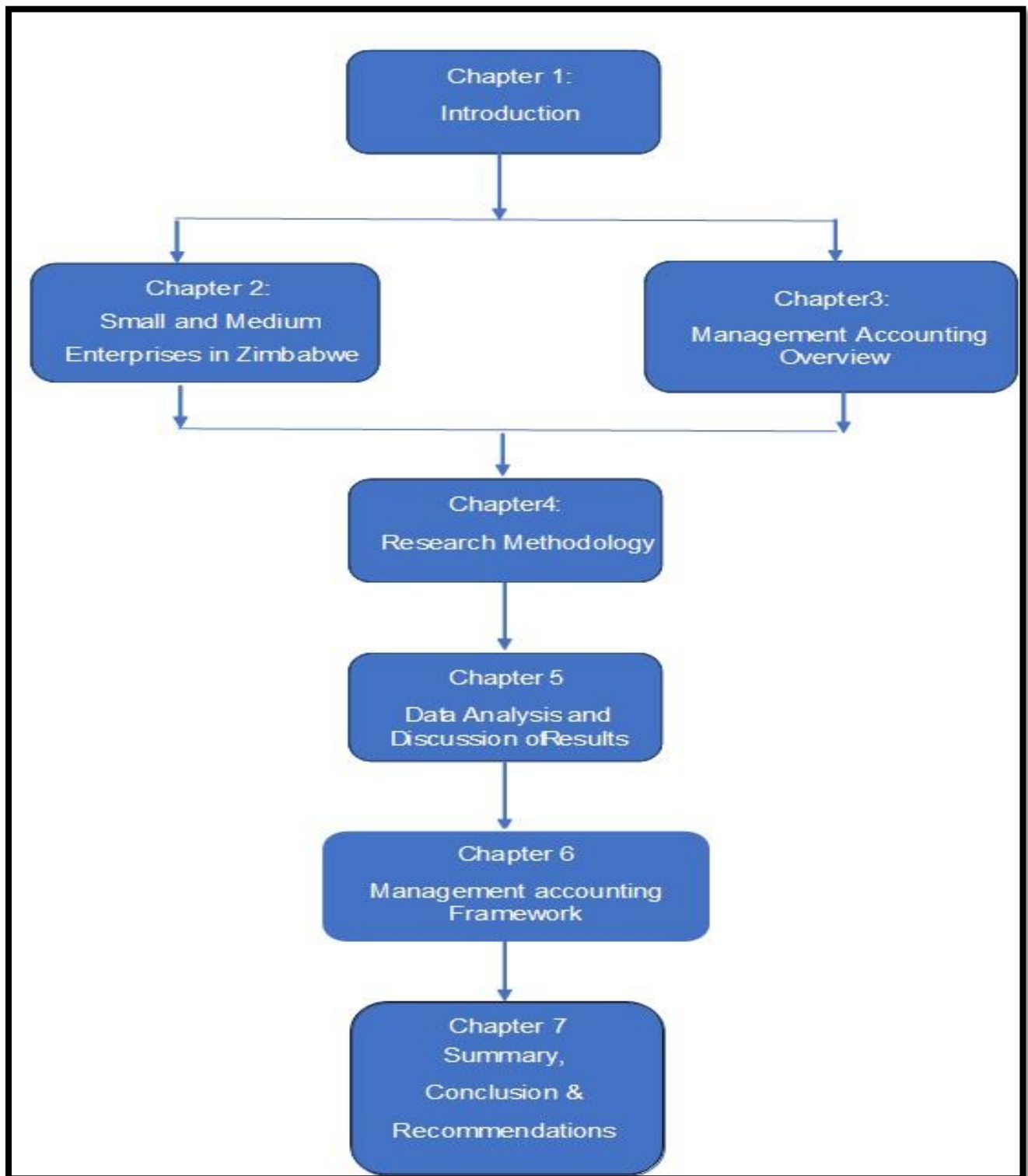
Besides, the study observed an absence of evidence of an existing management accounting framework that guides the usage of MAPs among SMEs. This study developed a management accounting framework for SMEs in Zimbabwe. This framework can be applied to other similar contexts in the Global South. The model framework advanced in this study is meant to systematise the use of MAPs by Zimbabwean SMEs. The study advanced a six-stage systematic implementation approach to promote the ease of adoption of MAPs by SMEs. Hence, the proposed framework is meant to make the application of MAPs less cumbersome as their use is important for the success and survival of small businesses (Ahmad, 2017). Additionally, the uptake of MAPs is not only essential for promoting the success and survival of SMEs, but also creates value for the entity (Armitage *et al.*, 2016). For SMEs, value creation is paramount, particularly if they are to graduate to large entities (Horngren *et al.*, 2005). Enhanced usage of MAPs may serve to benefit the economy at large as a systematic application of MAPs will enhance the value and economic output of SME entities. Such a positive impact will have a concomitant impact on the country's GDP as well as expand the government's tax base. It is paramount to note that this study was conducted in the Zimbabwean economy, which is currently characterised by adverse economic conditions. In such a context, the management accounting framework will enable the easy application of both traditional and contemporary MAPs by SMEs in Zimbabwe, which will have the concomitant effect of enhancing efficiency and resilience among SMEs.

The study compensates for the dearth of scholarship and management accounting frameworks that address the needs of SMEs. Furthermore, the study provides invaluable insights into the government of Zimbabwe in assessing future SME assistance. The theoretical contribution of this study is not only for Zimbabwe but can be used in other countries in comprehending MAPs. The recommendations from the study can assist SMEs to improve their practices and thereby help to reduce the high business failure rate in the sector. The recommendations, if adopted, will also improve efficiency and effectiveness among SMEs. Additionally, it will further improve the performance and competitive edge of SMEs as it creates awareness of MAPs in the sector and therefore increase tax revenue for the country. This study will add to the extant literature on the use of management accounting in SMEs. It will further benefit scholars, especially in management accounting, as it will form the foundation for further studies.

1.8 Overview

This thesis was divided into seven chapters, as illustrated in figure 1.1. Chapter one introduced the study, presenting the background of the study, which established the importance of SMEs and MAPs in today's modern economy and modern business management. The problem statement highlighted the possible causes of failure among SMEs and the need for SMEs to adopt MAPs. The chapter also stated the research questions, research objectives, intended research methodology and it highlighted the contribution of this study. The chapter ends with a thesis overview, which is the road map for the entire study.

Figure 1.1: Structure of the Thesis



Source: Own formulation

Chapter two considered the definition of SMEs in the Zimbabwean context and the development of the sector in Zimbabwe as well as in Sub-Saharan Africa. It also reviewed SME policies, both in Sub-Saharan Africa and in Zimbabwe. The chapter also considered the contribution of the SME sector to economic growth and development in Zimbabwe. The chapter further reviewed the role of the Zimbabwean government in promoting management accounting implementation as well as capacity building among SMEs. This chapter further reviewed studies that have been conducted in Zimbabwe in the SME sector.

Chapter three reviewed literature on the historical development of MAPs and their role in economic development. The chapter also delineated the traditional and contemporary MAPs and further considered their applicability to SMEs. This chapter discussed the benefits of MAPs within the SME sector. Furthermore, the chapter then identified the factors influencing the use of MAPs among SMEs. Lastly, the chapter reviewed empirical evidence from other studies conducted, both in developing and developed economies.

Chapter four was devoted to the presentation and discussion of the research methodology. This chapter went on to present the research philosophy that underpinned this study, discussing the philosophical assumptions and the methodological path of this study. The chapter, furthermore, examined the research approach and methodological choices, which were utilised to answer the set of research questions in a quest to achieve the research objectives. The chapter further discussed the research design and instrumentation used in the study to answer the research questions. Theories in management accounting studies were reviewed in this chapter.

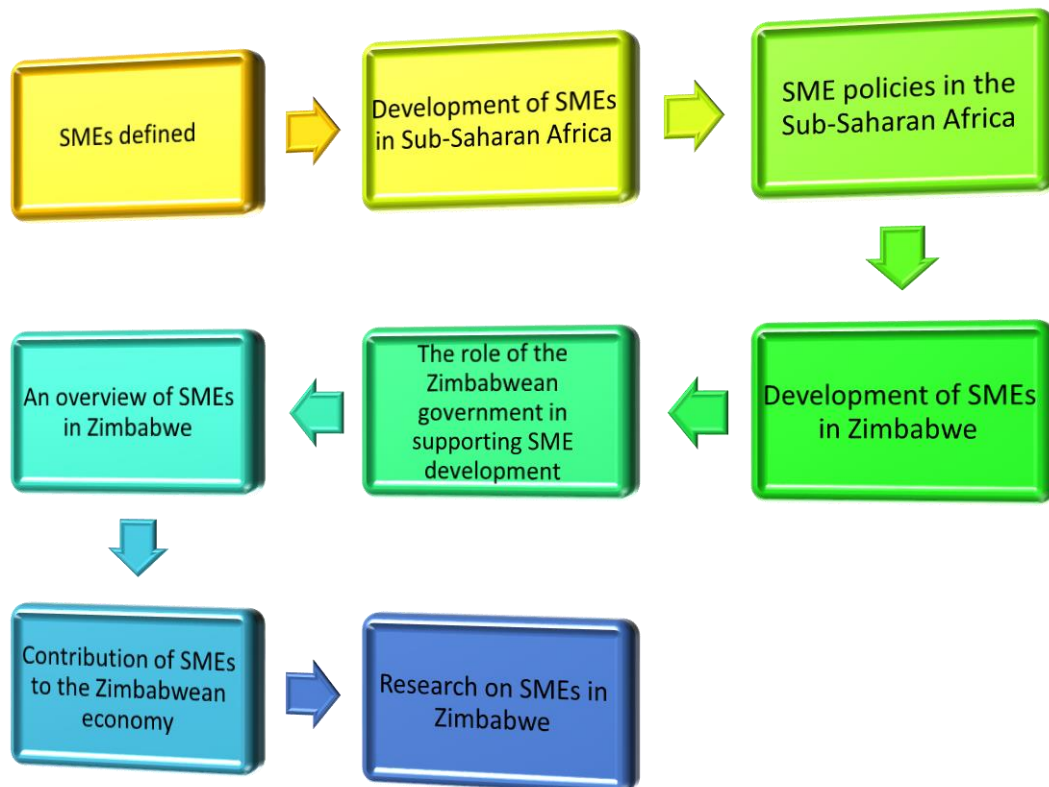
Chapter five analysed and presented the data that was collected through the review of archived documents and interviews conducted. The chapter also discussed the main findings and the implications of the findings of the study, bearing in mind the research objectives and information from the literature review chapters. Chapter six presented the proposed management accounting framework for SMEs in Zimbabwe. It discussed the purpose of the framework and further articulated the implementation process of the framework. Chapter seven culminated the study by providing a summary of the thesis, major findings of the study, contribution, and implications of the study in the modern business world. The chapter presented the recommendations of the study to various stakeholders and finally ended the study by delineating the limitations of the study and suggesting recommendations for future studies.

CHAPTER 2: SMALL AND MEDIUM-ENTERPRISES IN ZIMBABWE

2.1 Introduction

The focus of this study is to explore the usage of MAPs and ultimately to develop a management accounting framework for SMEs in Zimbabwe. It is important to understand the SME sector in the Zimbabwean context before discussing issues that have to do with MAPs among SMEs. In that regard, Figure 2.1 below illustrates the flow of the chapter. The chapter begins with a discussion of SME definitions among various countries. It goes on to establish the definition of an SME in the Zimbabwean context. Additionally, the chapter deliberates on the evolution of SMEs and SME policies in Sub-Saharan Africa. The chapter further reviews the historical development of SMEs in Zimbabwe. It further discusses the role played by the Zimbabwean government in the development of the SME sector.

Figure 2.1: Structure of the Chapter



Source: Own formulation

The chapter goes on to provide a useful overview of SMEs operating in the Zimbabwean economy. As a way of rationalising the importance of researching SMEs, the chapter further demonstrates the significance of SMEs in the Zimbabwean economy. To identify the existence of research-based knowledge on the topic under study, the last part of the chapter reviews prior studies that have been conducted among SMEs in Zimbabwe.

2.2 SMEs defined

The contribution of SMEs to global economic development and growth cannot be over-emphasised. Yoshino & Taghizadeh-Hesary (2016) state that SMEs are perceived to be the mainstay of most national economies and, globally, are the most dominant form of business organisation. Much has been said about the importance of SMEs, but still, the issue remains; what is an SME? There is no commonly agreed SME definition; the lack of unanimity is a result of variations that exist among countries and industries (Bomani *et al.*, 2015). Further, Tinarwo (2016) stated that the lack of consensus is because of the difficulties faced by scholars in capturing all the dimensions of SMEs in a single definition. Various criteria have been used to define SMEs, such as age, size, ownership structure, annual sales, number of employees, and capital base, among others (Deros *et al.*, 2006). Qi (2010) cited that since the 1970s, SMEs have been extensively researched, but their definition cannot be easily settled.

There are various definitions of SME emanating from different perspectives among academia, associations, and governments. As a result, these definitions vary from industry to industry and from one country to another (Nyathi *et al.*, 2018). Several scholars have defined SMEs using the number of employees (Storey, 1994; Analoui & Karami, 2003), whilst others base their definitions on fundamentals such as annual sales, total assets, and the number of employees (Zindiye, 2008). In the United States and Canada, SMEs are defined as businesses with fewer than 500 employees and annual revenues of less than US \$25 million (Beyene, 2002). Small-sized businesses in Egypt have fewer than 10 permanent employees, while medium-sized businesses have 10-50 permanent employees (CAPMAS, 2018). Small-sized businesses in Kenya have 10-50 employees, and medium-sized businesses have 50-100 employees (CAPMAS, 2018). Hypothetically, the definition of SMEs depends on various factors, such as the industry, the level of economic integration, and the population of the country (Kushnir, 2010). For instance, SMEs in Africa are very small compared to those in other parts of the world, an SME in Canada might be categorised under large entities in Africa (Beyene, 2002; CAPMAS, 2018).

According to the National Small Business Amendment Act (2004) of South Africa, the definition of an SME in the country varies from sector to sector. Small-sized businesses employ between 21 and 50

people, with a R1 million annual turnover limit for those in the agricultural sector, R13 million for those in the manufacturing and other trade sectors, and R32 million for those in the wholesale sector. Medium-sized businesses employ up to 200 people and have a maximum annual turnover of R64 million (wholesale sector), R51 million (manufacturing sector), and R5 million (agricultural sector) with 100 employees. Hence, in South Africa, an SME is defined, based on the number of employees, annual revenue, and asset base, with variations by sector.

Many countries base their classification of SMEs on the number of employees, annual revenue, and asset base, with variations by sector (Analoui & Karami, 2003; Nyathi *et al.*, 2018), and Zimbabwe is not an exception to that. The Small and Medium Enterprise Act of Zimbabwe (24:12) defines an SME as a business that employs 6-75 permanent employees, with an asset base of US\$250 000 to US\$2 million and an annual turnover of US \$500 000 to US\$3 million. The SME Act further classifies SMEs according to industry. Small-sized businesses are those that have between 6-30 employees, with up to 40 employees for those in the Construction, Mining and Energy (CME) sectors, with an asset base of US\$250 000 (US\$500 000 for manufacturing, US\$1 million for CME) and have an annual turnover of US\$500 000 (US\$1 million for those in construction, and US\$1.5 Million for those in mining). Medium-sized businesses have 31-75 employees, a US \$500 000 asset base (US \$1 million for manufacturing and energy, and US \$2 million for construction and mining), and an annual turnover of US \$1 million (US \$2 million for construction, and US \$3 million for mining) (SME Act, 2011). This definition is generally used in Zimbabwe (Finance Act, 2003; RBZ, 2014; ZIMRA, 2016). The Zimbabwe Revenue Authority (ZIMRA) further simplified the determination of an SME by the use of a score point basis, incorporating the level of employment, annual turnover, and asset base (ZIMRA, 2016). According to ZIMRA (2016), a business that scores nine points or less qualifies as an SME. Table 2.1 shows the SME-score table which is applied by ZIMRA.

Table 2.1: SME-score

Base	Range	Points	Factor
Employment levels	Up to 5 employees	1	A
	6 to 40 employees	2	
	41 to 75 employees	3	
	76 and above	4	
Annual Turnover	Up to \$50 000	1	B
	\$50 001 to \$500 000	2	
	\$500 001 to \$1 000 000	3	
	\$1 000 001 and above	4	
Gross value of assets	Up to \$50 000	1	C
	\$50 001 to \$1 000 000	2	
	\$1 000 001 to \$2 000 000	3	
	\$2 000 001 and above	4	

Source: ZIMRA (2016)

According to ZIMRA (2016), the SME-score is determined by incorporating three factors, using the formula $A + B + C$. Small-sized businesses are businesses with a score from five to seven and medium-sized businesses are businesses with a score of eight or nine points (ZIMRA, 2016). However, the definition that is delineated in the SME Act is generally accepted as well as applied in Zimbabwe and resembles the prevailing state of SMEs in the country (Bomani *et al.*, 2015). The ensuing section gives a brief review of the development of SMEs in Sub-Saharan Africa.

2.3 Development of SMEs in Sub-Saharan Africa

Africa stands as the second-largest continent in the world with various cultures, ethnic groups and various colonial masters that have influenced the political and socio-economic environment (Dana *et al.*, 2018). There are disparities in the business and economic systems among African countries as they are influenced by several ideologies from their colonial masters (Raftopoulos, 2019). Most African countries have an economic structure that is made up of many SMEs with few large-scale entities (Obeng *et al.*, 2012). Dana *et al.* (2018) postulate that most large entities in the world have started from small businesses. Dana and Ratten (2017) noted that much is happening at the international entrepreneurship level but there is little evidence about processes that take place in Africa due to poor documentation. The contribution of small businesses in economic growth is not in doubt in Sub-Saharan Africa though they seem to struggle for survival (OECD, 2004). The question remains, what could be the panacea to these SMEs' problems? In a drive to solve SMEs' problems, it is paramount to fully understand and appreciate the historical development and the support systems that are in place to support SMEs in the Sub-Saharan African countries. Literature asserts that the historical development of African SMEs is similar though there are some minor variations from country to country (Mmboswobeni, 2010; Matsongoni & Mutambara, 2018).

2.3.1 South Africa

The roots of SMEs in South Africa can be traced as far back as the pre-apartheid era (Bunting, 1964). In the 1950s, black entrepreneurs were restricted from liberally participating in economic activities, their main activities bestrode the agricultural and transport industry (Ladzani, 2010). Black entrepreneurs were not allowed to register a company or employ whites or manufacture anything (Kirsten, 1995). In the 1960s, during the apartheid era, South Africa was regarded as the only developed nation in Africa, its economy dominated the entire continent, but still, the black entrepreneurs were restricted to trade freely (Bunting, 1964). They could however trade in very restricted areas with other blacks only (Hetherington, 1994). In the 1970s, black business people were granted a privilege to manufacture as well as to conduct business, but they were only allowed to conduct business in Black Townships, which hindered the growth of black-owned small businesses (Hetherington, 1994). Furthermore, at that time, the South African government mainly supported the white-owned businesses with little or no attention at all paid to black-owned businesses and this further harmed the success of black-owned businesses (Hetherington, 1991).

In April 1994, a government of national unity in South Africa was formed and all people were granted an equal chance in business activities and a significant increase in the number of SMEs was

witnessed during this era (Mmboswobeni, 2010). In the same year, SMEs were recognised as a critical tool in unravelling the challenges of economic growth and employment creation in South Africa (Ladzani, 2010). Subsequently, policies and strategies have been set in place in a drive to stimulate SME development (Kirsten, 1995; Ladzani, 2010). Some of the policies and structures that have been put in place are White Paper on SME development, National Small Business Amendment Act, Small Business Development Corporation, Khula Enterprise Limited and the Small Enterprise Development Agency, among others (Ladzani & Netswera, 2009; SEDA, 2018). These were meant to foster and strengthen the growth of small businesses (SEDA, 2016). These strategies and policies have enabled the operating environment, opened access to markets, eased access to finances, and provided skills training to small business operators (Ladzani & Netswera, 2009). The efforts to support Small, Medium and Micro Enterprises (SMMEs) in South Africa have produced a lucrative yield; the number of SMMEs in the year 2000, 2015 and 2018 was reported to be 1.6 million, 2 251 821 and 2 443 163, respectively (SEDA, 2016; SEDA, 2018).

2.3.2 Nigeria

In the colonial era, European multinational companies, such as Lever Brothers, Patterson Zechonics and Leventis dominated the Nigerian business climate with only a few small-scale businesses (Ogechukwu *et al.*, 2013). The historical development of Nigerian SMEs can be traced back to 1946 when the British Government initiated the Nigerian Development Plan No. 24 of 1945 that is when SMEs were considered as the breeding ground for job creation and seeds for large entities (Aremu & Adeyemi, 2011; Imeokparia & Edigbonya, 2014). In the late 1950s to the early 1960s, there was a massive development in the SME sector as small businesses received support from the Nigerian Industrial Development Bank that aided them to access foreign markets (Nwankwo *et al.*, 2012). After the attainment of independence, there was a deliberate move by the government to develop SMEs in the country (Nwankwo *et al.*, 2012; Sridhar *et al.*, 2018). In the 1980s there was significant growth in the SME sector and this era was referred to as the golden years of the Nigerian SMEs (Sridhar *et al.*, 2018). Furthermore, the government initiated strategies and policies, such as the Nigeria Enterprises Promotion Act and the National Development Plan, to enhance the development of SMEs in the country (Ogechukwu *et al.*, 2013).

However, the Bretton Woods Institutions, which comprise the World Bank and International Monetary Fund (IMF), sponsored the Structural Adjustment Programmes in African countries, such as Nigeria, Ghana, Uganda, Zambia, and Zimbabwe, among others (Loxley, 1990; Mwale, 1999). These economic-structural reform programs produced adverse results in most of these countries (Zvobgo, 2003; Chinembiri, 2011; Nwankwo *et al.*, 2014). For instance, the Nigerian government initiated the

Structural Adjustment Programme that was a neo-economic reform programme and this programme resulted in the collapse of SMEs as the Naira (Nigerian currency) was radically devalued due to skyrocketing inflation (Nwankwo *et al.*, 2014). These reforms had short-run successes, which were later followed by the long-run significant effect on the development of SMEs in Nigeria (Noorbakhsh & Paloni, 1999; Ssonko, 2008).

In the early 2000s, the Federal government instructed higher learning institutions to incorporate entrepreneurship courses in all their programmes; hence, there was an increase in the number of micro-businesses in the country (Nwankwo *et al.*, 2014). Ogechukwu *et al.* (2013) further cited that the commitment of the Federal government to support and sustain SMEs have yielded good results as the number of SMEs have significantly increased. Literature asserts that there is a significant increase in the number of SMEs in Nigeria (Ogechukwu *et al.*, 2013; NBS, 2017). For instance, a survey that was conducted by the National Bureau of Statistics in 2017 revealed that in 2010 there were 17 284 678 SMMEs of which 72 838 were SMEs whilst in 2017 there were 41 543 028 SMMEs with 73 081 being SMEs (NBS, 2017).

2.3.3 Angola

The evolution of SMEs in Angola dates back to the period of Portuguese rule and during this era, business opportunities were available mainly to the Portuguese business people (UNCTAD, 2008). Throughout this period, multinational companies and Portuguese companies dominated most business activities (UNDP, 2006). Soon after the attainment of independence in 1975, the Angolan government nationalised Portuguese companies and that collapsed the private sector, creating a vacuum for small businesses, especially in the agricultural sector (UNCTAD, 2008). However, in the same year, the Angolan economic structure was changed from a market-based economy to a Marxist controlled economy, and this destroyed the conducive environment for SMEs' development (Gonçalves, 2010). The Angolan government believed in state-owned institutions as drivers of economic growth in the country but later in the 1990s, the focus changed to SMEs as the economy had taken a nosedive (UNDP, 2006). From 1975 to 2002, the country was hammered by civil wars which led to depressed incomes, degraded infrastructure and hyper-inflation causing an economic downturn, hence, the operation of small businesses was seriously hampered (Bessa, 2011).

During the 27 years of civil wars, the government could not give SMEs the attention they deserved to necessitate their growth and development, as a result, many small businesses collapsed (Herrington & Kelley, 2012). In 1992, the Angolan government established INAPEM as an agency for promoting and supporting SMEs' development in the country (USAID, 2008). By the year 2007, the country had

managed to achieve rapid economic growth under the auspices of the oil and mineral boom and improved macro-economic policies that enhanced the business climate (Bessa, 2011). The conducive business environment, as well as deliberate government strategies on SMEs development and various mechanisms such as the credit schemes for small businesses, stimulated SMEs growth and new entrepreneurs came on board and joined other economic players (Muzima, 2018).

Furthermore, Herrington and Kelley (2012) stated that in 2012, the government initiated the Angola Invest Programme, where the Angolan government collaborated with 20 banks to facilitate credit for SMEs. In the Angola Invest Programme, a business can get a 7-year loan of up to USD 200 000 at 5% interest per annum with the government guaranteeing 70% of the principal loan amount (Herrington & Kelley, 2012). Although there was an increase in the number of SMEs, Poulson (2014) postulated that the growth of SMEs could be more significant if the Angolan government set up a well-structured and well-organised SMEs policy, which would close the glaring gap and lead to a diversification of the economy.

2.3.4 Egypt

Like in other African countries, the roots of SMEs in Egypt can be traced back to the era of British rule. The British administration, according to Beblawi (2008), promoted private entrepreneurship with less direct control. There were notable investments in irrigation and transport (Beblawi, 2008). The Egyptian economy was static from 1900 to 1955, and in the late 1950s, there was an economic recession (Shechter, 2008). During this time, the country was recorded as one of the leading indebted nations (Beblawi, 2008; Shechter, 2008). In the same era, a series of financial crises in the economy hammered the country and many people lost their formal jobs and ventured into small family businesses (Beblawi, 2008). Hansen (1991) asserts that it was during the same era, that the economy changed from a free economy to a controlled economy, accompanied by a shift from a democratic to an autocratic structure in the political realm. The government monopolised most large-scale entities and nationalised all British, French, and Jewish properties, hence, it focused on these large entities for economic growth and development with little or no attention on small businesses (Shechter, 2008).

In the late 1980s, in a thrust to push the socio-economic development agenda, the government shifted its concentration from large-scale entities to SMEs for economic development (Beblawi, 2008). In 1991, the Egyptian government came up with a Social Fund for Development that was meant to address development challenges faced by SMEs in the country (Shechter, 2008). Furthermore, governmental and non-governmental organisations continue to support SMEs in various ways such as providing training, financial support, establishing SME linkages and banking services among others

(El-Meehy, 2004; Amr, 2019). SMEs support in Egypt has contributed significantly to the growth in their number as demonstrated by an increase in operating SMEs in 1986, 1996 and 2018 when there were 1 105 586, 1 637 312 and 2 500 000 respectively (El-Said *et al.*, 2014).

In light of the above discussions on the development of SMEs in Sub-Saharan Africa, it is evident that the evolution of SMEs has been punctuated by the burdens of the colonial era (Hetherington, 1994; Ladzani, 2010; Ogechukwu *et al.*, 2013). SMEs in the African countries seem to share a somewhat similar historical development story (Nwankwo *et al.*, 2012). While this may be less a result of design than that of an accident, it is apparent to a keen eye that the SMEs developmental story is somewhat a collection of synonyms across the generality of Africa and that of the former colonial African landscape in particular (Mmboswobeni, 2010; Dana *et al.*, 2018). Furthermore, the growth of SMEs was also promoted by various factors, these factors are not limited to the increase in unemployment, poverty alleviation stratagems and the collapse of the large entities (Beblawi, 2008; Muzima, 2018). These ignited the entrepreneurship spirit as factors created opportunities for the emergence of small businesses (Dana *et al.*, 2018). The following section discusses SME policies that have been initiated in Sub-Saharan African.

2.4 SME policies in Sub-Saharan Africa

Most African countries depend on SMEs for their economic development (Dana & Ratten, 2017). However, pathetic SME government support has hampered SME maturation into large entities (Chisala, 2008). According to Edoho (2016), several African governments struggle to separate political and socio-economic issues. Though Africa is the richest continent in terms of natural resources in the world, economic policies in many African countries are influenced by dictatorships (Dana *et al.*, 2018). More attention is placed on political issues compared to economic matters as these governments strive to ensure their power after the colonial rule, hence, policies implemented aim to maintain and keep government control over both political and economic issues (Dana & Ratten, 2017; Edoho, 2015).

Governments in different countries have initiated SME support policies and these policies replicate the political and socio-economic conditions of the country (Chisala, 2008; Dana *et al.*, 2018). Most policies for small businesses are focused on these six pillars;

- i) provision of finance,
- ii) establishment of a conducive business environment,
- iii) fostering business growth,
- iv) promoting entrepreneurial spirit,

- v) aiding market access,
- vi) stimulating innovation and technology (Beyene, 2002; Mazzarol & Clark, 2016).

In Africa, governments develop good policies for SME development, but most of these policies remain blueprints (Edoho, 2015; Mazzarol & Clark, 2016). Furthermore, Dana and Ratten (2017) postulated that African government officials rely more on formal networks in policy development and that there is a need to utilise both formal and informal networks in developing sound entrepreneurship support policies.

Dana *et al.* (2018) further cited that African government policies favour state-owned entities at the expense of promoting a conducive business environment. A study conducted by Ratten (2014) on collaborative entrepreneurship in emerging economies, revealed that there is a need for governments to change their attitude towards SME support and that collaboration between entrepreneurs and the government is a necessity. There is also a need for African governments to prioritise SME growth and development to contribute sustainably to the global economy (Ratten, 2014). This can be achieved through the reduction of political and economic instabilities as these two major factors have a bearing in promoting an unfriendly operational business environment (Dana *et al.*, 2018). The following section discusses the development of SMEs in Zimbabwe.

2.5 Development of SMEs in Zimbabwe

Despite many challenges faced by SMEs, mainly in emerging states, SMEs have a lot to offer in the development of 'under the weather economies' (Dana & Ratten, 2017). Many developing nations have used SMEs in developing and revamping their economies because of the pliability and innovation embodied in the sector (Ratten, 2014). In the mid-twentieth century, mining and agriculture were the captains of the Zimbabwean economy, and the development of the economy can be traced back to the Rhodesian rule epoch, where the country changed from an agronomic state to a prosperous industrial titan in the Southern African region (Chinembiri, 2011). The country experienced a significant economic upsurge due to the flourishing of the mining industry (Bomani *et al.*, 2015). However, after the country attained its independent status in 1980, the state of affairs changed drastically. Between 1980 and 1990, the government completely controlled the country's economy through restrictions and controls on foreign trade, foreign exchange, prices and wages (Chinembiri, 2011; Bomani *et al.*, 2015).

In 1990, Bretton Woods sponsored the Zimbabwean government to adopt an Economic Structural Adjustment Programme (ESAP) (Chinembiri, 2011). ESAP was implemented between 1991 and 1995 (Makoni, 2000). The program aimed to cut the level of poverty, reduce government expenditure and

encourage investment, have control over the prices of goods and salaries and foster trade liberalisation (Zvobgo, 2003). However, the outcomes of ESAP were negative, as they led to employee retrenchment, dwindling of the formal job market, the penury of people and a series of other financial crises in the economy (Makoni, 2000). Consequently, the failure of ESAP resulted in the burgeoning of numerous small businesses, which stimulated the economic upswing in Zimbabwe (Bomani *et al.*, 2015). Specifically, after the adoption of ESAP, the role of SMEs became more significant, and the development of SMEs became a vital strategy in the Zimbabwean economy (Ngwenya & Ndlovu, 2003).

Furthermore, the HIV/AIDS pandemic also promoted the emerging of SMEs in the country (Bomani *et al.*, 2015). According to the National Aids Council (2018) report, Zimbabwe recorded the highest ever HIV/AIDS death rate in the year 1995. Various individuals, notably women and children, fused into a small business after losing their breadwinner through the skyrocketing death toll from the AIDS pandemic (Chipangura & Kaseke, 2012). Moreover, in 1995, the government initiated a five-year policy document, the ZIMPREST for the period 1996-2000 in a move to restore macro-economic stability (Bomani *et al.*, 2015). After the mid-1990s, there were massive retrenchments and an alarming increase in the inflation rate accompanied by the substantial collapse of the mainstream industry (Marufu, 2014). During this time, the number of SMEs increased not because of the positive contribution from the ZIMPREST, but it was eschewing unemployment and an economic crisis (Ngwenya & Ndlovu, 2003). As a result, the role of SMEs became more significant in the Zimbabwean economy as SMEs stimulated economic growth and absorbed workers who were laid off through retrenchments (Bomani *et al.*, 2015).

Besides, from 1996 to 2000 the country experienced unembellished economic pressure accompanied by company closures and abnormal hyperinflation, which led to further losses of formal employment (Chipangura & Kaseke, 2012). This epoch marked an extensive upsurge in the number of SMEs, as many people became entrepreneurs as a move to earn a living (Marufu, 2014). Additionally, the unplanned disbursements to the war veterans and the participation in the DRC civil war in August 1998 by Zimbabwe worsened the economic downturn; as a result, external investors lost confidence in the country (Kanyenze *et al.*, 2017). During this period, the SME sector absorbed a significant number of those retrenched from large-scale entities as people opted for small and informal businesses as a solution for high unemployment rates (Abraham, 2003; World Bank, 2008; SEDCO, 2010). In a drive to mitigate high unemployment rates, the Zimbabwean government embraced the socialist philosophy, which promoted the funding of co-operatives for the unemployed with little or no attention to the SME sector (Chinembiri, 2011).

As a result, the Zimbabwean government realised that depending only on large-scale entities and Foreign Direct Investment (FDI) for economic development was problematic (Bomani *et al.*, 2015). After this realisation, a deliberate move to stimulate the development of SMEs was made by the government (Chinembiri, 2011). In that respect, the Zimbabwean government started to form institutions to assist small businesses and Non-Governmental Organisations (NGOs) joined in and complemented government efforts (Ijeoma & Matarirano, 2011). Further, in the late 1990s, many banks began to open a borrowing window for small businesses (Bomani *et al.*, 2015). However, those loan offers had high-interest rates and a great deal of paperwork which then defeated the drive to promote small businesses (Ngwenya & Ndlovu, 2003). In 1998, the number of SMEs had improved and the SME sector in the agricultural, service, commercial, and manufacturing industries employed approximately 500 000 workers (Bhalla *et al.*, 1999).

During the year 2000, the country faced enormous macro-economic inequalities, with a fiscal deficit surpassing 20% of the GDP, inflation skyrocketing and the growth rate nosediving while the government pursued the conservation of an overrated exchange rate (OECD, 2002). Furthermore, in the same year, there was an unscrupulous, shambolic snatching of land owned by white farmers under the controversial land reform programme (Raftopoulos, 2019). Because of the land reform, 1500 farms were invaded, and some white farmers were killed (Chigwenya & Mudzengerere, 2013; Raftopoulos, 2019). Consequently, this invited Britain and American punitive sanctions, which beleaguered economic activities and bedevilled struggling entities (Chigwenya & Mudzengerere, 2013). Additionally, in the same year 2000, the government further passed the Economic Empowerment and Indigenisation policy, which forced foreign investors to hold 49% and surrender 51% shares of their companies to local investors (Bomani *et al.*, 2015). To that effect, most of the large productive entities left the country to invest elsewhere and small businesses increased significantly, as they tried to fill the vacuum (Majoni *et al.*, 2016).

Furthermore, an SME development and growth-enabling environment were necessitated by the government as it shifted from a government-regulated economy to a market-oriented economy (Mumbengegwi, 1993). In 2002, the Zimbabwean government-initiated policies and strategies such as the 'Small, Micro and Medium Enterprises (SMMEs) Policy and Strategy Framework' to support and vitalise the growth of SMEs (SMMEs, 2014). In the same year, the SME sector became well established after the setting up of the Ministry of Small and Medium Enterprises and Co-operative Development (MSMECD), which was to spearhead the development and growth of the SME sector (MSMECD, 2018). The development and growth of the SME sector were to be achieved through the promotion of an SME conducive operating environment, mobilising resources, facilitating training,

developing market opportunities for SMEs, and further initiating the provision of infrastructure (SMMEs, 2014).

Moreover, in an attempt to stimulate the growth and survival of small businesses, the Zimbabwean government also introduced SME support institutions such as SEDCO, Empretec and Zimbabwe Enterprise Development Programme, among others (Bomani *et al.*, 2015). However, the socio-economic environment in Zimbabwe was harsh during the period 1999-2008, hence, the GDP plummeted by 52% and this period is referred to as the 'lost decade' of development (Kanyenze *et al.*, 2017). Furthermore, the Zimbabwean economy continued to experience a serious economic downturn in 2006-2008 and the business environment was harsh for both large and small businesses (Majoni *et al.*, 2016). The year 2008 turned out to be the *annus horribilis* for the country, there was an economic paralysis as the utilisation of capacity fell below 10%, accompanied by extensive commodity shortages and the last official chronicled hyperinflation stretched to 231 million per cent in July 2008 (Makochekanwa, 2008; Bomani *et al.*, 2015; Sibanda & Makwata, 2017). Most of the small businesses failed to survive during this period of economic turmoil (Bomani *et al.*, 2015).

In the year 2009, the country abandoned the Zimbabwean dollar and embraced the use of multiple currencies in a drive to stabilise the economic recovery (Helliker & Murisa, 2020). The adoption of multiple currencies marked a momentous and auspicious change in the economy (Rutherford, 2018). Subsequently, a prodigious economic growth of 5.4% in 2009, 9.6% in 2010, 10.6% in 2011, and 4.4% in 2012 is worth noting, with an average 2.9% GDP growth from 2009 to 2016 and a noteworthy increase in the number of SMEs (Sibanda & Makwata, 2017). However, the SME sector continued to face diverse challenges that hampered their growth and success (Bomani *et al.*, 2015). Despite the economic challenges faced by SMEs during the same period, the sector attested to being resilient to the challenges (RBZ, 2016). The following section reviews the collaboration of the Zimbabwean government in aiding growth as well as the development and success of the SME sector.

2.6 The role of the Zimbabwean government

Since the attainment of independent status in 1980, the role of the Zimbabwean government in the development and growth of SMEs in the country is apparent (Bomani *et al.*, 2015). In 1980-1985, the government encouraged the formation of co-operatives and it regarded SMEs as the trivial bourgeoisie (Marufu, 2014). In that regard, the government formulated two policy documents, the ZIMCORD (1981) and the Transitional National Development Plan (1982-1985), which explicitly focused on transforming the economy through co-operatives in the rural areas and decentralising industrial activities to the rural areas (Bomani *et al.*, 2015). Furthermore, in 1984, SEDCO and the Zimbabwe Development Bank (ZDB) were established to provide assistance and support to SMEs in

the form of debt finance and train the SME sector in business management practices (Nyangara, 2013). However, a lack of collateral among SMEs, high-interest rates, and insufficient government financial support for ZDB and SEDCO stifled and crippled anticipated SME growth (Manyani, 2014). Due to non-performing loans and limited funding from the government, the ZDB failed to perform; it was later transformed in 2005 into the Infrastructure Development Bank of Zimbabwe (IDBZ) (Bomani *et al.*, 2015).

The main thrust for IDBZ was to provide financial support, technical assistance, lease equipment and infrastructural development for SMEs (GOZ, 2015). During the economic turmoil that was experienced by the country between 2000 and 2008, the IDBZ was not exonerated, the bank failed to fulfil its mandate (Bomani *et al.*, 2015). After the economic recession, the IDBZ focused more on developing infrastructures, such as houses and large entity offices, at the expense of supporting SMEs (Chenga, 2015). On the other hand, in 2007, SEDCO received funds from the government to support SMEs but unfortunately, the funds were defalcated (RBZ, 2014). Furthermore, after the adoption of the multiple currencies in 2009, regrettably, the institution received little funding from the state, as a result, SMEs failed to receive the anticipated financial support (Bomani *et al.*, 2015).

Moreover, in 1991, the government introduced the ESAP in a drive to transform the economy by promoting trade liberalisation, economic deregulation, and removing market restrictions, which promoted the growth and development of SMEs (Marufu, 2014). In the ESAP policy document, the government admitted the significance of SMEs as it was plainly stated that, "the small to medium scale business has the potential to make a major contribution to the wealth and employment creation" (GOZ, 1991:7). Deregulation, under ESAP, somehow promoted small businesses' entry to formerly restricted zones such as the transport sector (Chenga, 2015). Cumbersome legislation, by-laws and licencing systems that were the barrier to the entry, development and growth of small businesses were reviewed (Sibanda, 2005).

SMEs were under the patronage of the Ministry of Industry and Commerce before the establishment of the Ministry of Small and Medium Enterprises and Co-operative Development (Chivasa, 2014). In that respect, numerous challenges faced by SMEs were not addressed accordingly, since the ministry concentrated mainly on large entities (Marufu, 2014). Hence, in 2002, the SME sector became well established after the setting up of the Ministry of Small and Medium Enterprises and Co-operative Development, which was supposed to spearhead the development and growth of the SME sector (MSMECD, 2018). In the same year, the government formulated the SMMEs Framework (2002-2012), whose core objective was to support and strengthen the growth of small businesses (GOZ, 2012). This was to be achieved through the development of policies that promoted a propitious operating

environment for SMEs, mobilising resources, facilitating training in management skills, creating market opportunities, and further enhancing the provision of infrastructure for SMEs (GOZ, 2012; MSMECD, 2018).

According to the SMMEs Policy Framework (2014-2018), in the year 2011, the Ministry of SMEs managed to gazette the SMEs Act (Chapter 24:12), which was meant to create not only the requisite legal landscape but also an enabling regulatory environment (MSMECD, 2018). Additionally, infrastructure was provided in some areas and common facility centres were established, even in institutions of higher education (Bulawayo Polytechnic College and Harare Institute of Technology) (MSMECD, 2018). A one-stop border post shop was established at the Chirundu border post to promote SME operations and growth through easy access to markets for cross-border traders (RBZ, 2016). The Ministry of SMEs also formulated another SMMEs Policy Framework (2014-2018) whose thrust was to stimulate economic growth, wealth creation, and reduce poverty through the creation and maintenance of an enabling environment for the development and growth of SMEs (MSMECD, 2018).

Generally, since the 1980s, the government has initiated various policy documents and SME support institutions with an emphasis on the development of the SME sector (Masuko, 1998; Bomani *et al.*, 2015). Zimbabwe, as a developing country, prioritised the growth of SMEs, as evident in various government policy documents (RBZ, 2014). To stimulate the growth and survival of small businesses, the government instituted SME support institutions, such as the Credit Guarantee Company of Zimbabwe, Zimbabwe Enterprise Development Programme, Venture Capital Company of Zimbabwe, Empretec and Agricultural Development Bank (Agribank), among others (Bomani *et al.*, 2015). Table 2.2 shows various policies and institutions that were established in Zimbabwe by both government and other stakeholders in support of SME development.

Table 2.2: SME policies and support Institutions in Zimbabwe

Name	Year	Service provided	Nature of institution
Zimbabwe Development Bank (ZDB)	1983	To provide assistance and support to SMEs in the form of debt finance and training on business management practices.	Public
Small Enterprise Development Corporation (SEDCO)	1984	To support the establishment and growth of SMEs in the country.	Public
Empretec	1992	To provide training and to develop entrepreneurship.	Private
Export Credit Guarantee Company of Zimbabwe	1999	To provide loans for SMEs with inadequate collateral and to reduce the funding gaps for SMEs.	Public
Ministry of Small and Medium Enterprises and Co-operative Development	2002	To spearhead the development and growth of the SME sector through policy formulation, training SMEs on management skills and enabling business linkages between SMEs and large-scale entities.	Public
SMMEs policy and strategic framework (2002-2012)	2002	To support and strengthen the growth of small businesses.	Public
Infrastructure Development Bank of Zimbabwe	2005	To provide financial support, technical assistance, lease equipment and infrastructural development for all kinds of businesses.	Public

SME Association of Zimbabwe	2011	To support SMEs in accessing market information, training, and representing SMEs.	Association
SMMEs policy and strategic framework (2014-2018)	2014	To stimulate economic growth, wealth creation and to reduce poverty.	Public
National Financial Inclusion Strategy (2016-2020)	2016	To promote capacity development and to stimulate SMEs financial products development.	Public
Transitional Stabilisation Programme (TSP) (2018-2020)	2018	To eliminate all the bottlenecks in SMEs formalisation, eradicating instability in the economy that resulted in structural or fiscal deformities.	Public

Adopted from the FinScope (2012); Bomani *et al.* (2015); MSMECD (2018)

Romano and Ratnatunga (1992) asserted that the major challenge in addressing SMEs' growth and development is to attend to their internal and external variables based on speculation and opinion, not on empirical evidence. Regrettably, the anticipated development and growth in the SME sector in Zimbabwe has not been achieved, as the sector continues to struggle for survival (Manyani, 2014; Bomani *et al.*, 2015). The main contributing factor is the implementation of policies by the government without pre-consultations in the SME sector (Sibanda, 2005). As a result, some measures implemented to benefit SMEs and stimulate their growth worked against their development (Sibanda, 2005; Bomani *et al.*, 2015). Therefore, for the government to solve SMEs' challenges there is a need to have pre-consultation in the sector before implementing a blueprint that may be a mismatch to the problems and challenges on the ground (Romano & Ratnatunga, 1992).

2.7 An overview of Zimbabwean SMEs

This section considers a detailed classification of SMEs in Zimbabwe in terms of industry, size, and the number of permanent employees, annual turnover, and the value of movable assets as shown in Table 2.3 below.

Table 2.3: Classification of Micro, Small and Medium Enterprises

Sector or Sub-sector of Economy	Size	Total number of permanent employees	Total annual turnover USD\$	Value of assets (movable property) USD\$
Agriculture, Arts, Entertainment, Culture, Education and Sport, Financial services	Medium	75	1 000 000	500 000
	Small	30	500 000	250 000
	Micro	5	30 000	10 000
Mining and Quarrying	Medium	75	3 000 000	2 000 000
	Small	40	1 500 000	1 000 000
	Micro	5	50 000	50 000
Manufacturing	Medium	75	1 000 000	1 000 000
	Small	40	500 000	500 000
	Micro	5	30 000	10 000
Construction	Medium	75	2 000 000	2 000 000
	Small	40	1 000 000	1 000 000
	Micro	5	50 000	10 000
Energy	Medium	75	2 000 000	1 000 000
	Small	40	1 000 000	500 000
	Micro	5	50 000	10 000
Transport	Medium	75	1 000 000	500 000
	Small	40	500 000	250 000

	Micro	5	30 000	10 000
Tourism and Hospitality, Services, Retail	Medium	75	1 000 000	500 000
	Small	30	500 000	250 000
	Micro	5	30 000	10 000

Adapted from SME Act Chapter 24:12

2.7.1 SMEs by Province

The data used in this section is derived from the survey that was conducted by the Ministry of SMEs in conjunction with the World Bank and FinMark Trust in 2012. This study focused on the Micro, Small and Medium Enterprise (MSME) sector in Zimbabwe and was the first study to incorporate several MSMEs nationwide. The main objective of the study was to consider the scope and size of the MSME sector in Zimbabwe and the critical factors that affect its development and growth. The study revealed that in 2012, there were 127 564 registered and unregistered SMEs in the 10 provinces of Zimbabwe, with 108 286 (84.9%) being small-sized businesses and 19 278 (15.1%) being medium-sized businesses.

Table 2.4 below shows that Bulawayo and Midlands province have the highest number of medium-sized entities, with 5 326 and 5 341 respectively. That indicates that 52% of medium-sized businesses are in two of the 10 provinces. The study results indicated that the top five provinces are Bulawayo (28%), Midlands (28%), Masvingo (19%), Mashonaland East (13%) and Harare (6%). It would have been ideal to discuss the breakdown of SMEs according to industry, but the Finscope survey did not reveal the industrial composition of SMEs. The study revealed that the bulk of medium-sized entities are in the agricultural sector, manufacturing sector, wholesale sector, and retail sector. The SME sector can be divided into three broad categories: the service sector, the agricultural sector, and the manufacturing sector (Chinembiri, 2011). The service category normally concentrates on the secondary types of industries and comprises all SMEs involved in transport business activities, wholesale, retail trade, restaurants, and construction, among others (Sibanda, 2005).

Table 2.4: Number of SMEs by Province

Province	Small	Medium	Total
Bulawayo	4 508	5 326	9 834
Harare	16 051	1 198	17 249
Manicaland	9 363	-	9 363
Mashonaland East	10 849	2 514	13 363
Mashonaland West	18 534	377	18 911
Mashonaland Central	6 655	953	7 608
Masvingo	15 116	3 569	18 685
Matabeleland North	2 332	-	2 332
Matabeleland South	4 206	-	4 206
Midlands	20 672	5 341	26 013
Total	108 286	19 278	127 564

Source: Finscope survey (2012)

The Finscope (2012) study further revealed that SMEs in the agricultural sector are involved mostly in the production of agricultural commodities. Those that are engaged in the production and processing of materials fall under the manufacturing sector. However, the study did not reveal the number of SMEs per sector; it gave a total of all the businesses (service sector, agricultural sector, and manufacturing sector) per province.

In most African economies, the SME sector is mostly dominated by retail and service SMEs, and Zimbabwe is an exception, with more SMEs in the manufacturing industry (Rasmussen, 1992; Sibanda, 2005). According to Sibanda (2005), in Sub-Saharan Africa, the manufacturing sector in Zimbabwe is among the most advanced and diverse in the region, with the formal manufacturing sector contributing more than 17% of the country's GDP. In particular, the government of Zimbabwe

is aggressively supporting the manufacturing sector as it significantly contributes to the reduction of unemployment and plays a vital role in increasing the country's exports (RBZ, 2016).

2.8 Contribution of SMEs to the Zimbabwean economy

SMEs play a critical role in global economic growth and development (Kithae *et al.*, 2013). Saeed (2002) stated that SMEs are perceived to be a panacea for economic growth and development, especially in developing countries. Zimbabwe is no exception; the role of SMEs in the country's economy is also a reality, as SMEs are the leading engine for socio-economic growth and development in the country, both in the formal and informal sectors (Mudavanhu *et al.*, 2011). Zimbabwe, as an emerging nation, has benefited from the SME sector as it is a seedbed for economic development through its successful entrepreneurial ventures (RBZ, 2016). Kongolo (2010) avers that one of the indicators of a burgeoning economy is a proliferating and blossoming SME sector. SMEs are the cynosure for economic development in Zimbabwe as they account for over 70% of economic activities, employing more than 60% and contributing more than 50% to the country's GDP (RBZ, 2016). Furthermore, SMEs are the quintessence of the country's economy as they instigate entrepreneurship, augment the tax base, and exploit niche markets because of their adaptability and innovation (RBZ, 2012; Manyani, 2014).

The closure of large-scale entities during the long periods of economic turmoil in Zimbabwe resulted in the dwindling of employment through retrenchments (Bomani *et al.*, 2015). The FinScope MSME survey that was conducted in 2012 revealed that the SME sector employs 5.7 million people out of a total workforce of 7.8 million, and the sector contributed \$7.4 billion in 2012 out of the 65% of SMEs that reported turnover (FinScope, 2012). The sector is leading in employment creation, boosting individual wealth, which contributes to an improved standard of living and poverty alleviation (RBZ, 2012). Since the mid-1990s, the sector has proved to be of value to individuals who have been affected by various epidemics in the socio-economic aspect of the country by creating employment and sustaining personal development (Bomani *et al.*, 2015). According to the National Micro, Small and Medium Enterprises Policy Framework (2014 -2018), SMEs hold superior eminence as a source of livelihoods through job creation for school-leavers, women, retrenched employees, and youth (MSMECD, 2014). The government recognises SMEs as a key driver and a major player in transforming Zimbabwe's economy by 2030 (MSMECD, 2018).

The government of Zimbabwe recognises the valuable contribution from the SME sector as it views the sector as the key to economic growth (MSMECD, 2014; RBZ, 2016). The sector also contributes to the nation's economic growth in numerous ways, and these contributions were highlighted in the 2013 and 2016 Zimbabwe National Budget Statements. This includes the inducement of

entrepreneurship; broadening of the tax base; driving rural development and contributing significantly to poverty alleviation; and exploiting niche markets as they are enabled by their pliability and innovation in the mainstreaming of the supply chain through backward and forward linkages (RBZ, 2016). Further, SMEs generate low income compared to large entities, but that income is more widely dispersed in the community than that of large entities. Hence, they improve the quality of life of the nation (Sharma & Kumar, 2011). Finscope (2012) found that SMEs are a stimulus for innovation, personal savings, and rural economic growth, with 66% of micro and small businesses in rural areas and the remaining 34% in urban areas. Moreover, the sector is an important driver of economic development as it fosters and initiates entrepreneurship and innovation in the economy, and they are incubators that feed the large entity sector (RBZ, 2016). The ensuing section reviews the previous studies that have been conducted in the Zimbabwean SME sector.

2.9 Research on SMEs in Zimbabwe

Over the past decade, various studies have been conducted in the SME sector in Zimbabwe, and this section reviews prior studies conducted in the country.

Table 2.5: Review of studies on Zimbabwean SMEs

Author	Year	Level	Method	Purpose of the Study
Dube	2014	PhD	Case study design	The study assessed the management of the Micro and Small Enterprises in Zimbabwe.
Nyamwanza	2014	PhD	Multiple case study	The study examined strategies for survival and growth that are used by SMEs in Zimbabwe.
Chiwara	2015	Master s	Survey (272 SMEs)	The study evaluated the factors that affect the growth of SMEs in Zimbabwe using Harare as a case study (2009-2015).
FinScope	2012	Multi-stakeholders	Survey (3222 SMEs)	The research described the MSMEs in Zimbabwe and key challenges they face.
Dlamini	2017	Journal	Survey (180 SMEs)	The study identified the determinants of tax non-compliance among SMEs in Zimbabwe.
Nyoni & Bonga	2018	Journal	Literature Review	The research analysed the anatomy of the Critical Success Factors in Zimbabwe SMEs.
Bomani <i>et al.</i>	2015	Journal	Literature Review	The study considered the historical overview of SMEs policies in Zimbabwe.
Munangagwa	2009	Journal	In-depth interviews	The study closely scrutinised the effects of government policies on enabling economic growth.
Chinembiri	2011	Working paper	Literature Review	The study explored the role of SMEs in economic development in Zimbabwe.
Nyanga <i>et al.</i>	2013	Journal	Multiple case study design	The study examined the survival strategies applied by Zimbabwean SMEs in surviving the economic downturn.

Source: Own formulation

Munangagwa (2009) conducted a study closely scrutinising the effects of government policies on enabling economic growth. The study revealed that government policies are generally weak, especially on investment, government spending, and structural reforms. A study by Chinembiri (2011) explored the role of SMEs in economic development in Zimbabwe. The study findings revealed that SMEs have been a key source of living income for countless homes in Zimbabwe, particularly those retrenched during the economic depression of the period between 2000 and 2008. It further revealed that the SME sector brought good competition in the manufacturing sector, and this has kept the prices within the reach of many (Chinembiri, 2011). The study also identified major policy gaps, especially between the setting of the policy and its implementation, that need further consideration by the Zimbabwean government. Bomani *et al.* (2015) reviewed the literature on the historical development of SMEs in Zimbabwe. The results revealed that government policies for SME growth have not yielded the expected results in solving SME challenges, as the major setback seems to have been the absence of prior consultations with SME stakeholders by policymakers before policy formulation. Bomani *et al.*'s results are in harmony with the results obtained by Munangagwa (2009) and Chinembiri (2011) on the lack of pre-consultation by the government in SME policy formulation.

FinScope (2012) carried out an exploratory study considering the scope and size of the Micro, Small and Medium Enterprise (MSME) sector in Zimbabwe. The study further analysed the critical factors that affect the development and growth of the SME sector. The survey was the first census of SMEs in Zimbabwe; hence, it contributed much to the overview of the sector. The study revealed that small businesses make a significant contribution to the economy. Nevertheless, their growth is hindered by numerous challenges which include, but are not limited to, a lack of management skills, inadequate funds, and market intensity, among others (FinScope, 2012). A study conducted by Nyanga *et al.* (2013) analysed the survival strategies applied by SMEs in Zimbabwe. This study revealed that SMEs that were flexible enough to diversify their services, products and markets, managed to survive. Nyanga *et al.*'s results further showed that SME owners who were optimistic with volition control and maintained a small dedicated and motivated workforce sailed through the tide of an economic crisis (Nyanga *et al.*, 2013).

In a similar vein, Dube (2014) conducted a study, assessing how SMEs in Zimbabwe manage their operations. His study found that most managers lack management skills that are necessary for the success and survival of these small businesses. In the same year, Nyamwanza (2014) carried a study examining strategies for survival and growth that are used by SMEs in Zimbabwe. The study established that most SMEs apply different approaches to strategic planning and implementation. He further contends that these small businesses face intrinsic and extrinsic challenges that hinder their growth (Nyamwanza, 2014). Furthermore, Chiwara (2015) conducted a study evaluating the factors

that affect the growth of SMEs in Zimbabwe using Harare as a case study for the period 2009 to 2015. His study revealed that access to funds, the regulatory environment, and lack of management skills are some of the major factors that hinder SME growth in Zimbabwe. Gwangwava *et al.* (2016) conducted a study focusing on management accounting information as a tool for improving the performance of SMEs in the tourism sector in Zimbabwe. It revealed that management accounting information significantly improves the performance of SMEs. The study further revealed that management accounting information enables organisations to effectively compete and survive in the modern business environment.

Dlamini (2017) investigated the precipitants of tax evasion among SMEs in Zimbabwe. The study revealed that tax knowledge, high tax rates, lack of tax audit and public funds abuse by the authorities are the major determinants of tax evasion among SMEs. In the following year, Nyoni and Bonga (2018) conducted a study examining the survival strategies applied by Zimbabwean SMEs during an economic downturn. The study established three major aspects that describe the success of SMEs in Zimbabwe; these are enterprise, environmental and entrepreneurial. Muza (2018) assessed the relevance of environmental management accounting for sustainability in Zimbabwe's extractive industries. The study exhibited that environmental management accounting promotes sustainability in the mining sector, though it is at entry-level with diverse applications. However, prior studies that have been conducted in Zimbabwe have not considered the use of management accounting as a solution to SME challenges. It is evident from the literature analysis that there is a research-based knowledge gap on the use of MAPs among SMEs in Zimbabwe since MAPs are essential tools to promote development plans, control operations, formulate strategy, change management and act as the key information system in the decision-making process (Mitchell & Reid, 2000).

2.10 Chapter summary

This chapter provided a historical overview of SME development in the African continent. It revealed that the development of SMEs in Sub-Saharan Africa stretches back to the colonial era. Also, in Zimbabwe, this business form can be traced back to the Rhodesian rule epoch. The review of the literature revealed that there are different definitions of SMEs and there is no commonly agreed SME definition. It further revealed that the lack of unanimity is a result of variations that exist among countries and industries. The chapter revealed that African SMEs are small compared to those in other parts of the world. For many African countries, including Zimbabwe, the growth of the SME sector is a result of unemployment, poverty alleviation strategy and the collapse of large entities. The chapter further revealed that various government policies led to the economic meltdown, and this created an opportunity for small businesses as it ignited the entrepreneurial spirit.

Furthermore, the review of literature further revealed that the Zimbabwean government has initiated numerous policy and strategic documents to foster the development and growth of the SME sector. The expected growth of the SME sector has however not been realised. This was accrued to the implementation of good but mismatching government policies which are initiated without any pre-consultation with the SME sector. The chapter also revealed that the Zimbabwean government concentrated on formal networks ignoring informal networks in policy development; hence, those policies fail to achieve the desired results.

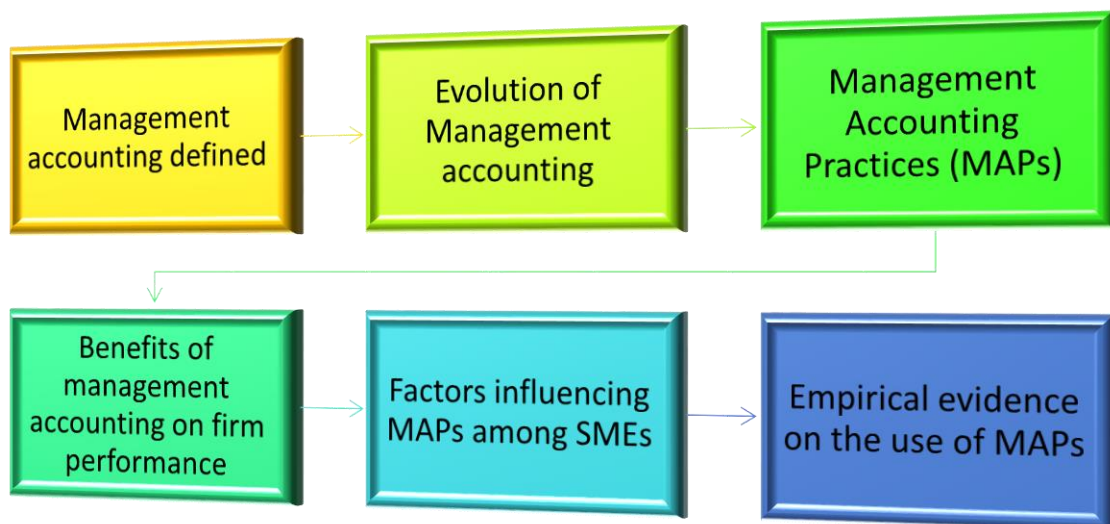
The chapter also highlighted the contribution of the SME sector to the Zimbabwean economy. The sector significantly contributes to economic development as it creates employment and wealth, and promotes innovation and entrepreneurship, among others. Additionally, the chapter reviewed some of the studies that have been conducted in the SME sector in Zimbabwe. The review of previous studies revealed that there is a dearth of research-based knowledge in management accounting among SMEs in Zimbabwe. This paucity of research-based knowledge supports the need for this study to close the knowledge gap. The next chapter reviews the literature on management accounting and its applicability among SMEs.

CHAPTER 3: MANAGEMENT ACCOUNTING OVERVIEW

3.1 Introduction

The previous chapter discussed the evolution, overview, and significance of SMEs in the Zimbabwean economy. This chapter discusses the definition of management accounting as well as the historical development of management accounting tools. The chapter discusses various management accounting techniques and their application in SMEs. It further explores the benefits associated with the use of traditional and modern MAPs in an entity. The discussion proceeds to ascertain the factors influencing the use of MAPs among SMEs. The chapter goes on to review the role of management accounting in organisational performance as well as its relevance to SMEs in particular. It further reviews the empirical literature on the use of MAPs in developed and less developed countries. Furthermore, the chapter reviews the empirical literature on specific components of management accounting. The last part of the chapter reviews existing management accounting frameworks. Figure 3.1 illustrates the structure of the chapter.

Figure 3.1: Structure of the Chapter



Source: Own formulation

3.2 Management accounting defined

There is no universally agreed definition of management accounting (Scapens, 1991; Ahmad, 2012), but various definitions are provided by different authors and accounting bodies. The Institute of Management Accountants (IMA) defines management accounting as, "a profession that involves partnering in management decision-making, devising plans and performance management systems, and providing expertise in financial reporting and control to aid management in the formulation and implementation of an organisation's strategy" (IMA, 2008:1). The Chartered Institute of Management Accountants (CIMA) describes management accounting as "the process of identification, measurement, accumulation, analysis, preparation, interpretation, and communication of information used by management to plan, check, and control within an entity and to assure proper use and accountability of its resources" (CIMA, 2005:18). The American Institute of Certified Public Accountants (AICPA) states that management accounting is a "practice extending to three areas, namely;

- i) strategic management (fostering the role of the management accountant as a strategic partner in the organisation),
- ii) performance management (embellishing the practice of business decision-making) and
- iii) risk management (contributing to frameworks and practices for identifying, measuring, managing, and reporting risks for the achievement of the objectives of the organisation)" (AICPA, 2014:6).

Several scholars reflect that the foregoing definitions affect the way management accounting is viewed. For instance, Horngren *et al.* (2009) and Drury (2012) stated that management accounting is the collection, recording, and reporting of useful statistical and accounting data for decision-making purposes as per the recipient's needs. Management accounting provides scorekeeping, problem-solving, design information and accounting systems in an organisation to induce rational decision-making (Crossman, 1958; Singer, 1961; Feltham, 1968; Horngren *et al.*, 2005).

Furthermore, management accounting is a field of accounting that integrates all areas of accounting, as it is the practical science of value creation in an entity with the leading-edge practices necessary to drive successful businesses (Drury *et al.*, 1993). It incorporates financial analysis into business strategies by combining both qualitative and quantitative data in a bid to generate, as well as preserve, value for organisations (Horngren *et al.*, 2009). This is essential for entity survival and growth, especially in a dynamic economy (Ahmad, 2012). The primary task of management accounting is not only to provide information to management for them to execute their management functions, but it also serves the critical role of redesigning the accounting system (Chenhall & Langfield-Smith, 1998).

This means that management accounting forms an integral part of the strategic process in the entire value creation exercise (Abdel-Kader & Luther, 2006). Further, this suggests that the role of management accountants has been amplified to that of business partners, with more emphasis on strategic issues and thus operating as an internal management consultancy (Kaplan & Atkinson, 1998). The following section discusses the evolution of management accounting.

3.3 Evolution of management accounting

Aristotle said that "If you wish to understand anything, observe its beginnings and its development" (ref). Littleton (1961) also appositely stated that "We are badly poised to assist the wiser movements if the trend is too dimly perceived." According to Loft (1995) and Shotter (1999), there is little that has been chronicled about the evolution of management accounting; traditional historians of accounting have written much on financial accounting. Thus, Aristotle and Littleton are vindicated by this gap in the chronicling of trends in the evolution of management accounting. Traditional historians of accounting have a consensus that financial accounting arose before management accounting, and they lament that more importance was placed on financial accounting and its principles, such as the double-entry principle, which is more than three centuries older than any management accounting principle (Garrison & Noreen, 2000). The emphasis on financial accounting stems from its stewardship role towards the business's owners (Al-khater, 1999). Boer (2000) highlighted that in the 1950s, management accounting was initially identified as cost accounting. It has been argued that cost accounting can be traced back as far as the 1600s (Kamal, 2015). Boyns and Edwards (1997) reinforce this argument by affirming that cost accounting practices were applied by Staverly Ironworks as far back as 1690. Urwick and Brech (1948) further noted that the practices in cost accounting laid a broad foundation for the development of management accounting techniques.

Furthermore, the emergence of management accounting can be traced back to the early industrial revolution, especially in the USA and UK textile and railroad industries (Johnson, 1981; Al-khater, 1999). Similarly, Garner (1947), as well as Kaplan and Atkinson (1998), postulated that management accounting arose during the industrial revolution of the 19th century as enterprises industrialised and applied both pecuniary and non-pecuniary measures of efficiency. Moreover, in the same era, multifarious metal-matching firms emerged, with their management placing more emphasis on the assessment and evaluation of efficiency and analysis of internal operational systems (Scapens, 1991). According to Kaplan and Atkinson (1998), the duet of the textile and railroad industries during the industrial revolution contributed significantly to the development of management accounting. For instance, textile mills established processes and procedures to trial their efficiency in fabric production, whilst substantial capital in the construction of the tracks was needed in the railroad

industry, therefore efficiency operational measures were inevitable (Scapens, 1991; Kamal, 2015). In the railway industry, new costing measures, such as the cost per kilogram per kilometre and the cost per traveller per kilometre, were developed and these were successively used in other industries (Johnson, 1981; Kaplan & Atkinson, 1998).

In 1903, the management of the DuPont Power Company in the USA originated a new set of management accounting tools; among them was the Return on Investment (ROI) (Johnson & Kaplan, 1987). The ROI was then implemented in the 1920s, along with other extensive MAPs that assured the survival of the company (Kaplan & Atkinson, 1998). However, from 1925 to 1950, slower progress was witnessed in management accounting innovations (Johnson & Kaplan, 1987). Various studies were conducted between the 1950s and 1960s, and highly industrialised management accounting techniques were developed during this era (Scapens, 1991). Throughout this era, management accounting information was highly regarded for supporting and assuring that financial reporting requirements were on time (Kaplan & Atkinson, 1998). However, in this era, financial accounting became more prominent than management accounting, as critics of management accounting highlighted that it was too expensive to run the two systems concurrently, hence, management accounting practices were subservient to financial accounting practices (Waweru, 2010).

Several scholars have developed various approaches in a drive to analyse the evolution of management accounting (Gliubica, 2012). The literature asserts that there are several theoretical approaches to explicating the evolution of management accounting (Kamal, 2015). Loft (1995) elucidated the history of management accounting with an unadorned description of various schools of thought. The traditional school or approach views the origin of management accounting as a response to challenges that emanated from the great depression (1873-1896) (Kamal, 2015). The advocates of this approach claim that the origin of management accounting dates as far back as the late 18th century, with the best techniques for manufacturing entities having been developed in the early 19th century (Coombs *et al.*, 2005). Changes in management accounting were a result of the response to changes in the economic environment (Gliubica, 2012). However, proponents of this approach contend that management accounting was first developed in the late sixteenth century (Loft, 1995). This school of thought is known for passively observing the management accounting techniques that are applied by entities for profit maximisation (Gliubica, 2012).

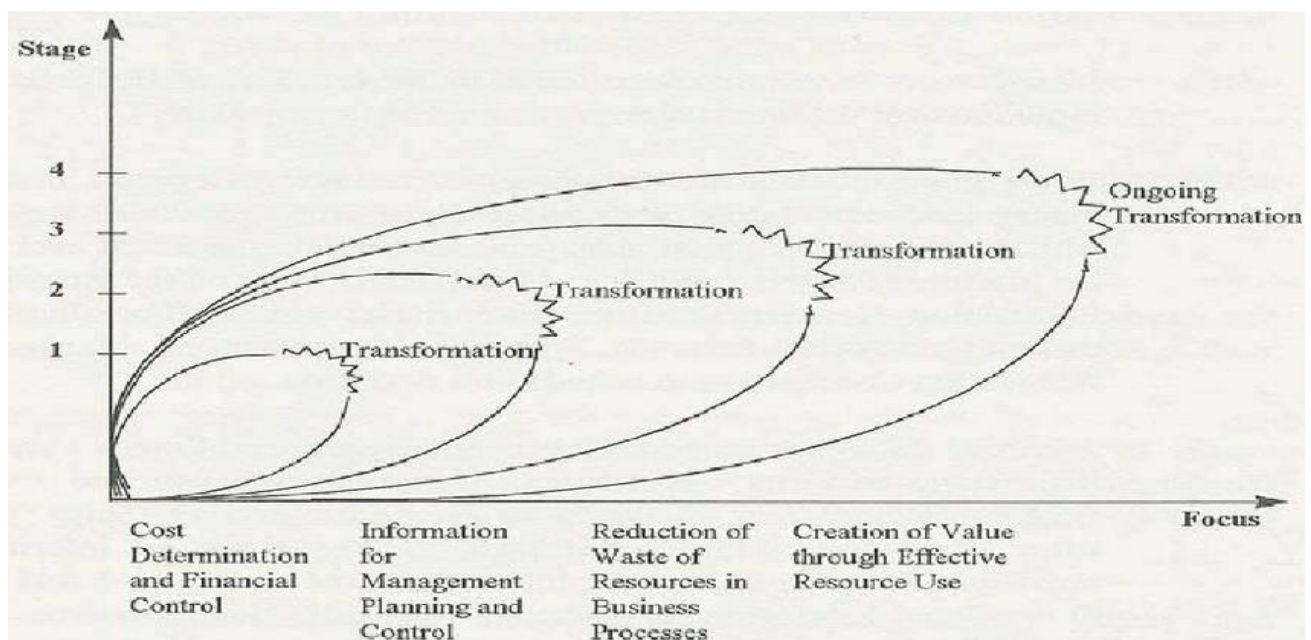
Johnson and Kaplan's "relevance lost school of thought" attested that management accounting techniques developed in the early 1900s were no longer relevant for the late 1980s environment; thus, they had lost relevance (Johnson & Kaplan, 1987; Kamal, 2015). According to proponents of this school of thought, management accounting methods were developed to address various challenges

that arose in the business world (Kamal, 2015). Atkinson *et al.* (2012) argue that nineteenth-century techniques cannot address modern accounting issues since the issues and problems that emanated during the times when these techniques were developed have drastically changed. The challenges that entities face in today's business environment are more sophisticated than those faced in the nineteenth century (Botes, 2009). Consequently, traditional MAPs have lost relevance in the contemporary world as they fail to supply the appropriate information to management (Johnson & Kaplan, 1987).

According to the labour process school of thought, the origins of management accounting are not tied to specific timeframes, but rather to an instrument developed to necessitate the exploitation of labour as a means of plummeting labour force powers to build empires for equity owners (Hopwood, 1987; Hoskin & Macve, 1988). However, other exponents of the labour process approach claim that management accounting was developed in the 1870s as they used semi-skilled employees through automation in place of skilled employees to increase plant size, control labour, and create economic value for the entity (Hopper *et al.*, 1987; Botes, 2009). This approach is concerned with processes for controlling labour as well as the applicability of effective manufacturing practices (Hopper *et al.*, 1987).

Furthermore, in 1998, the International Federation of Accountants (IFAC) identified four fundamental stages that marked the evolution of management accounting, as shown in figure 3.2.

Figure 3.2: Management accounting evolution model



Source: IFAC (1998)

The initial stage was identified as the period before 1950, which was "Cost determination and financial control" (IFAC, 1998). This period was identified as the "technical" activity, and more focus was directed towards cost determination and the setting of financial control processes (Gliaubica, 2012). During this era, many entities strove to have a strong economic position (IFAC, 1998). Most entities thrived to accomplish this by broadening their market share through increasing international demand, and they also focused on improving product quality as well as large-scale production (Kamal, 2015). Hence, there was a need for the development of management accounting methods, and various budgeting and cost accounting methods were developed at this stage (Gliaubica, 2012).

The second stage, known as the management activity era, lasted from 1950 to 1965 and was titled "Information for management planning and control" (Gliaubica, 2012). During this period, more attention was placed on the provision of management accounting information for planning and control (IFAC, 1998). Management controls had more emphasis at this stage as more attention was directed to the proper maintenance of production and internal administration (IFAC, 2009). Furthermore, management received support in decision-making using decision analysis and responsibility accounting that were developed during the era (Botes, 2009). Ashton *et al.* (1995) also cited that in the same era, management accounting control systems were reactive since they tended to be applied only in problem identification when and where there were adverse deviations from the business strategy.

The third stage was the "Reduction of waste of resources in business processes," and it was in the period from 1965 to 1985 (IFAC, 2009). This period was characterised by major global events such as the world economic downturn of the 1970s and the oil market price shock of 1973 (IFAC, 1998). Throughout this period, there was increased global competition as countries like Japan progressed economically and brought vicissitudes into global trade (Ashton *et al.*, 1995). Intense global competition leads companies to find new ways of improving quality production and cost reduction using process analysis (Botes, 2009). During this era, various management accounting techniques, such as the theory of constraints, benchmarking, Total Quality Management (TQM), and target costing, were developed (Chenhall & Langfield-Smith, 2007).

The fourth stage was the "Creation of value through effective resource use" from 1985 to 2000 (IFAC, 1998). Throughout this era, advanced technological manufacturing processes influenced the creation of value for customers and shareholders as organisations found the traditional cost and management accounting methods failed to aid them in gaining a competitive edge (Ashton *et al.*, 1995; Abdel-Kader & Luther, 2006). Techniques, such as Just in Time (JIT), balanced scorecard, strategic management accounting, and Activity-Based Costing (ABC), were introduced during this period (Kaplan & Norton,

1996; Tuan-Mat, 2010). One may, therefore, argue that the model developed by the IFAC in 1998 aids in systematically understanding the development of management accounting (IFAC, 1998).

Furthermore, the Chartered Institute of Management Accountants (CIMA) has also played a major role in the development of management accounting, as they have taken a lead in research on the introduction of new management accounting methods. In the year 2011, CIMA and the American Institute of Certified Professional Accountants (AICPA) created a joint venture to improve the profile and development of management accounting globally (CIMA, 2015). In 2014, they developed the Global Management Accounting Principles (GMAPs) that were intended to be the chaperon for best practices in challenging decision-making in management accounting (CIMA, 2015). AICPA and CIMA jointly developed four GMAPs to ensure that MAPs are consistently used worldwide. These GMAPs ensure that management accounting techniques are applied consistently and follow the given guidelines to achieve the desired yield (CIMA, 2020). The idea here is that GMAPs are equivalent to accounting standards in management accounting (CIMA, 2015). The GMAPs will be discussed in detail in Section 3.5.

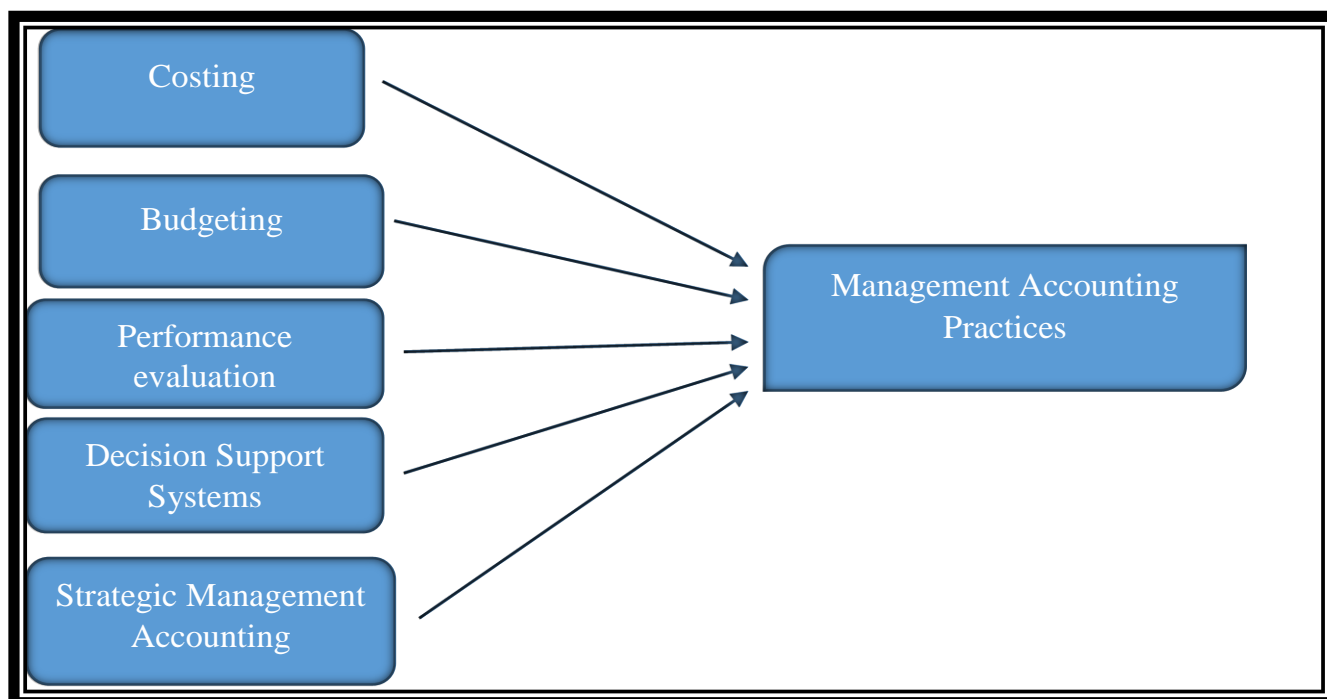
Moreover, in this rapidly changing business environment, management accounting continues to develop as companies face new problems that need to be solved (Atkinson *et al.*, 1997; Kamal, 2015). Fadaly (2008) embraced an identical thought. He asserted that changes in the organisation's management accounting system are influenced by the external environment. Hence, MAPs continue to evolve. In the evolution of management accounting, it is worth noting that practices that were applied in the previous stages are still used today (Kamal, 2015). Chenhall and Langfield-Smith (1998) support this view as they assert that traditional and contemporary MAPs accompany each other.

3.4 Management accounting practices

IFAC (1998:99) referred to MAPs as "the inter-related set of management accounting perspectives, orientations to actions, deployments in the management process, work technologies used, and functional arrangements used in the management process of organisations to ensure ongoing value creation through the efficient and effective use of resources". Gichaaga (2014) stated that MAPs are methods used in managerial accounting to help organisations plan, guide, and control operating costs and achieve profitability. Ittner & Larcker (2001) also stated that MAPs are methods and techniques used to create value in an organisation. According to Ojua (2016), MAPs are accounting tools that help management with quality, precise, and appropriate information for decision-making purposes and policy formulation.

MAPs can be classified by their level of intricacy by specifically identifying traditional and contemporary practices (Chenhall & Langfield-Smith, 1998; Hung, 2017). Traditional and contemporary MAPs can be further divided into five broad classifications, which are: "costing," "budgeting," "performance evaluation," "decision support systems" and "strategic management accounting," among many others (Ahmad, 2012; Dlamini, 2020). Figure 3.3 illustrates the components of traditional or contemporary MAPs.

Figure 3.3: Components of MAPs



Source: Dlamini (2020)

3.4.1 Costing system

A costing system is a technique or system applied to ascertain the cost of producing a product or providing a service in a business organisation (Lucey, 2002; Horngren *et al.*, 2005). This system enables cost assignment, the assigning of costs to a product or service to determine the unit cost for that particular product or service, as well as aids in the estimation of production costs and profitability analysis for various products (Kamal, 2015). Literature asserts that costing systems are watchdogs that keep entities' expenses in line with profitability as they aid in estimating the production cost and profitability analysis for various products (Dlamini, 2020). Furthermore, Drury *et al.* (1993) stated that the selection of the best costing system for the organisation should be made according to the nature of the production process. For instance, entities involved in continuous mass production, where units

go through one or more processes, should apply process costing, whereas, in the job order production system, job costing is the most suitable system to apply (Lucey, 2002). The literature further reveals that information obtained from costing systems is widely used in pricing decisions, cost control, and performance evaluation, among others (Yoshikawa, 1994; Lukka & Granlund, 1996; Drury, 2012). Costing systems can be either traditional or contemporary (Ahmad, 2017).

3.4.1.1 Traditional costing system

The traditional costing system allocates manufacturing overhead costs directly to the products based on the number of units produced or on the size of production resources utilised, for example, direct labour or machine hours consumed (Drury, 1996; Lucey, 2002). Under this system, production overheads are assigned to products based on one factor (direct labour hours, machine hours, or production units), with the implication that there is only one cost driver in production, though in practice there are various cost drivers in production (Adeniji, 2009). Traditional costing techniques under this system are standard costing, absorption costing, and marginal costing, among others (Lucey, 2002).

Absorption costing is a costing system that takes into account all production-related costs in the determination of the unit cost (Horngren *et al.*, 2005). It is also referred to as "full costing" as it considers all costs incurred in production and follows the principles applied in financial reporting (Nasieku & Oluyinka, 2016). Whereas marginal costing considers variable costs only in the production of a product or providing a service (Horngren *et al.*, 2009). In that regard, the marginal cost is the cost of producing an extra unit (ICWA, 1961). In this system, fixed costs are treated as period costs, which are incurred according to time, not in correlation with production volumes (Quesado & Silva, 2021). According to the Institute of Chartered Accountants of Nigeria (2014), this system is also referred to as direct costing or variable costing, and it is used by management mainly for short-term decision-making. Systems are used for making decisions such as determining the most profitable product mix, pricing, break-even analysis, make or buy, segment or departmental shutdown, and once-off contracts, among others (Drury, 1996; Quesado & Silva, 2021).

CIMA (2015) defined standard costing as a control technique that reports variances by comparing actual costs to pre-determined costs to facilitate action through management by exception. Standard costing aids in the determination of the production cost and selling price, budget preparation, cost control, and performance evaluation (Küçüksavaş, 2006; Nasieku & Oluyinka, 2016). In this technique, standard costs are scientifically set for each element of cost, and actual costs or revenues are compared with the standard to determine deviations from the standard, and then corrective action is taken (Horngren *et al.*, 2005). Further, standard costing is mainly suitable where identical products

are permanently produced, for example, in the pharmaceuticals and chemistry industries (Nasieku & Oluyinka, 2016).

Iliemena and Amedu (2019) criticised standard costing, absorption costing, and marginal costing, citing that these methods have lost relevance since emphasis tends to be more on direct labour; hence, cost structures have changed and, consequently, their suitability in the modern business environment has been eroded. Besides, traditional costing systems are criticised for distorting product costs in scenarios where an entity produces a wide range of products (Lucey, 2002). For instance, some products might be under or overcharged due to an imprecise unit cost (Dlamini, 2020). This leads to an imprecise price setting since a slight change in the size of the production resources utilised may cause a significant change in the overhead amount charged to a product (Zhang & Isa, 2010). Turney (2008) also criticised the traditional costing systems for using a volume-based overhead absorption basis in assigning overheads, especially where there might be a lack of correlation between production overheads and the overhead absorption basis applied.

Furthermore, Quesado and Silva (2021) stated that traditional costing systems fail to meet modern manufacturing processes and the competitive environment as they may offer distorted financial information that may mislead the decision-making process. Similarly, Drury (2012) postulated that the traditional costing systems abortively provide appropriate and timely information to management for the precise decision-making process, so the contemporary costing system should be applied. The success of the organisation also relies on the provision of accurate and timely information to management for strategic decision-making processes (Tsai *et al.*, 2019). Therefore, in a modern, rapidly changing, globalised business environment where production processes are automated and computerised, traditional costing systems fail to provide accurate information (Quesado & Silva, 2021). Hence, it is paramount to review contemporary costing systems. The following sub-section discusses the contemporary costing system.

3.4.1.2 Contemporary costing system

In the modern world, which is characterised by fast changes in business conditions, advanced technological changes, and complex automated production processes, direct labour has been considerably reduced (Zhang & Isa, 2010; Quesado & Silva, 2021). In that regard, indirect activities have assumed a superior position, resulting in having large portions of the production costs as indirect costs (Aljabr, 2020). Hence, the use of direct labour hours as the overhead absorption basis will distort the unit cost (Almeida & Cunha, 2017). Modern costing systems were developed to circumvent the shortcomings of traditional costing systems (Zhang & Isa, 2010). Modern costing systems include Activity Based Costing (ABC), backflush costing, and throughput accounting, among others (Quesado

& Silva, 2021). According to Turney (2008), Cooper and Kaplan developed the ABC system in the late 1980s. ABC is a system that allocates factory overheads to products using different cost drivers according to their usage of activities that would have triggered the costs (Cooper & Kaplan, 1991; Narong, 2009; Aljabr, 2020).

This system aimed to solve the shortcomings of absorption costing, which applied a single basis for absorbing overheads (Zhang & Isa, 2010). The ABC system traces and assigns costs to products according to their consumption of resources, and it assesses the performance of activities (Turney, 2008). This system identifies major activities in the production process, determines the cost driver, then groups overheads into cost pools, and costs are charged to products according to their usage of the activity (Bhimani & Bromwich, 2010; Tsai *et al.*, 2019). The premise of this system is that all costs are derived from the activities involved in the production of the product (Almeida & Cunha, 2017). Costs are supposed to be assigned to products and services provided based on their utilisation of the activity (Zhang & Isa, 2010). In that respect, the ABC system uses various cost drivers in allocating overhead costs (Tsai *et al.*, 2019). This yields an accurate cost assignment that aids better decision making in the organisation (Lucey, 2002). According to Turney (2008), the ABC system has some benefits over the absorption costing system. It increases organisational competitiveness as it accurately assigns overheads to products and identifies value-adding activities whilst eliminating non-value-adding activities (Cooper & Kaplan, 1991; Turney, 2008). However, the ABC system has been criticised for being more multifaceted, sophisticated, and time-consuming and being expensive for companies to operate (Bhimani & Bromwich, 2010).

CIMA terminology defines back-flush costing as "a method of costing associated with a Just in Time (JIT) production system, which applies cost to the output of a process. These costs do not mirror the flow of products through the production process but are attached to the output produced (finished goods inventory and cost of sales) on the assumption that such back-flushed costs are a realistic measure of the actual costs incurred" (CIMA, 2015:1). The system does not apply sequential tracking of costs as production takes place, but costs are charged to a product when it is ready for sale or has already been sold (Ramezani, 2016). Back-flush costing avoids having numerous accounting entries as it determines the cost of production when the product is in the warehouse or already sold (Sharma & Parmar, 2019). The system uses standard costs to work backwards in flushing out production costs, as the system does not require the recording of material costs and other related costs since these can be determined from either the finished products or sold items (Amahalu *et al.*, 2017). Moreover, the system is more appropriate in a JIT where there is zero inventory or minimum levels of inventory (Xu & Chen, 2016).

Throughput accounting is a costing system that was modified from marginal costing; hence, it is also referred to as the super variable costing system (CIMA, 2015). Lorenz (2015) stated that this system is just an extension of the existing marginal costing system under the traditional systems. The system assumes that the material cost is the only variable cost in production, while all other costs are conversion costs (Islam, 2015). The system works in conjunction with the theory of constraint, which aims at identifying and eliminating the bottleneck resources in production, and it is most appropriate in a JIT environment (Wang *et al.*, 2010; Xu & Chen, 2016). Throughput accounting was developed mainly to change manufacturing strategies in a drive to achieve production flows that are even and to match contemporary production methods to the production resources required (Islam, 2015).

3.4.2 Budgeting system

Budgeting is a tool used in forecasting, allocating resources, and controlling activities in an institution (Drury *et al.*, 1993). According to Gowthorpe (2003), a budget is a plan articulated in monetary or quantifiable terms for a defined period. Lorenz (2015) defined a budget as a short-term financial plan that strives to meet the strategic plans of the organisation. This plan quantifies the strategic plans of the organisation and predicts future financial needs (Gowthorpe, 2003). Budgeting is identified as an essential planning, controlling, and performance evaluation system in an organisation (Hansen & Van der Stede, 2004). Joshi *et al.* (2003), in congruence with Chenhall and Langfield-Smith (1998), stated that the main purpose of budgeting is to coordinate activities, identify problems in time, and improve future activities.

Budgets encourage effective organisational cross-communication because they cannot be developed in isolation; thus, they encourage cohesion (Drury, 2012). For an organisation to fully benefit from budgeting, they are not supposed to divorce budgets from the budgetary control system, since the budgetary control system is a management tool that monitors the development, implementation, and evaluation of budgets in line with the strategic goals of an organisation (Chenhall & Langfield-Smith, 1998). Consequently, the significant role of MAPs in the controlling and planning functions of management is also achieved with the use of a budgetary control system. Budgeting plays a vital part in the communication of goals, the formulation of strategy, and performance evaluation (Dobrovolsky, 2006). Budgeting systems can be either traditional or contemporary (Ahmad, 2017).

3.4.2.1 Traditional budgeting system

Traditional budgeting is a system that asserts that budgets for the upcoming period should be prepared using the previous period's information as the base year (Drury, 2009). For instance, when determining the current year's budget, the previous year's figures are adjusted for changes in activity

level, inflation rate, and market changes (Bhimani *et al.*, 2012). This system is based on the view that what was achieved in the past provides a template to rationalise future predictions ((Zhukova, 2014). The approach revolves around forecasting revenue to be generated, expenses to be incurred, and profits in a particular financial period (Dobrovolsky, 2006). The traditional budgeting system provides a framework for coordinating, allocating resources and controlling financial activities in an organisation (Drury, 2012). These activities create a reference point, as budgeting is a road map for the entity (Bhimani *et al.*, 2012). Furthermore, traditional budgets are also a tool in obtaining funding, as lenders of finance and investors are most interested in financial plans and projections before the issuance of loans as well as investing in a business (Zhukova, 2014). Advocates of the traditional budgeting system argue that this system has offered significant benefits in the past, as well as currently, as it provides a framework for control (Bhimani *et al.*, 2012).

However, critics of traditional budgeting systems posit that there is no clear link between the budget and the strategy of an organisation (Goode & Malik, 2011). This system concentrates more on reducing costs rather than creating value for the organisation since attention is focused on achieving the targets at whatever cost, usually missing the strategic purpose of budgeting (Libby & Lindsey, 2010). Even though radical thinkers assume this system is a dead approach, in reality, the traditional budgeting system is still in command of corporate financial planning in many organisations (Neely *et al.*, 2003; Lorenz, 2015). According to Alhabeeb (2016), the traditional budgeting system can still evolve and survive in the modern business environment. In agreement with Alhabeeb (2016), Ryabko *et al.* (2016) asserted that budgeting should be aligned with corporate strategies; thus, there should be a cause-and-effect relationship between budgeting activities and strategic corporate goals. Furthermore, budgeting must also incorporate non-financial performance measures as well as reduce too much detail by aggregating budgets to save time (Bogsnes, 2009). TRG (2013) further postulates that the traditional budgeting system must include modern budgeting approaches such as rolling budgeting, which aids in adapting to volatile business conditions.

3.4.2.2 Contemporary budgeting system

In a turbulent and competitive globalized modern business environment, large and small-scale entities find themselves in a bind, after all, they cannot do away with budgeting because they struggle with planning and controlling without it (Lorenz, 2015). The contemporary budgeting system includes various methods that have been developed to circumvent the shortcomings of traditional budgeting (Brimson & Antos, 1999; Bitoleuovaa *et al.*, 2020). These include, but are not limited to, activity-based budgeting, performance-based budgeting, zero-based budgeting, and rolling budgets (Crain & O’Roark, 2004; Demirel, 2015; Bhimani *et al.*, 2017). Activity-based budgeting is a top-down

approach that justifies the allocation of resources to various activities; this method is derived from activity-based costing (Brimson & Antos, 1999). The technique determines total costs and revenue by grouping them according to the anticipated activity level after a thorough scrutiny of value addition from those activities (Bhimani *et al.*, 2012; Bitoleuovaa *et al.*, 2020). This approach enhances efficiency and cost management while eliminating redundancy as it links functions with their expenditure, as well as identifies non-value-adding activities in the organisation (Ryabko *et al.*, 2016). However, the approach promotes a transitory slant as the focus is on achieving the current goals rather than the strategic goals (Bitoleuovaa *et al.*, 2020).

Performance-based budgeting is a modern approach where budgets are prepared and allied with explicit company objectives (Andrews, 2002). With this approach, the organisation first sets anticipated outcomes, and these objectives justify the allocation of resources along with the associated costs (Crain & O’Roark, 2004). Performance-based budgeting fosters a result-oriented culture as it revolves around the objectives that the entity desires to attain (Andrews, 2002). Furthermore, this approach prioritises crucial activities and allots clear ownership of resources through quantifying an organisation’s objectives and holding assigned individuals accountable (Crain & O’Roark, 2004). However, the system requires top-down and bottom-up engagement that, at times, exacerbates a sense of extrication among employees (Hager *et al.*, 2001). Moreover, the system encourages inherent subjectivity as managers use intuition in decision-making (Andrews, 2002).

Zero-based budgeting is a system that allocates resources according to requirements and efficacy without referencing prior financial information (Neely *et al.*, 2003). In this technique, the budgeting process starts from a zero base or scratch each year (Mukdad, 2019). Additionally, all items of revenue and spending have to be justified to avoid incurring unnecessary expenditure (Kimunguyi *et al.*, 2015). The zero-based approach is essential when a company is undergoing a financial restructuring or economic depression that necessitates a cost containment exercise (Neely *et al.*, 2003). This technique fosters congruence and optimal allocation of resources in line with business objectives, leading to augmented efficiency (Mukdad, 2019). Nevertheless, zero-based budgeting is time-consuming, has too much paperwork as well as bureaucracy, and the system needs more resources for it to be implemented efficiently (Lorenz, 2015).

Rolling budgeting is a rigorous approach that involves the systematic continuous updating of budgets throughout the fiscal year of the organisation (Cardos, 2014). With this approach, a budget is prepared for the entire financial period and then, at the end of each month, another month is added to the yearly budget to maintain the number of planning horizon months (Hansen, 2011). This technique presents more accurate and realistic figures as budgets are prepared throughout the year, considering

prevailing conditions (Haka & Krishnan, 2005). Furthermore, this budgeting approach is most suitable in a fast-changing environment characterised by hyperinflation and stiff competition as it aligns budgets with prevailing changes (Lynn & Madison, 2004; Hansen, 2011). However, it consumes more time and tends to be costly for the organisation (Cardos, 2014). Several authors referred to these contemporary budgeting techniques as tools for better budgeting, and they further stated that none of these techniques can offer a full solution on their own; they need to be complemented by traditional budgets (Jones, 2008; Libby & Lindsey, 2010; Goode & Malik, 2011). These budgeting approaches have a significant contribution to the success of the organisation as they align the organisation's activities with its strategic goals (Libby & Lindsey, 2010; Lorenz, 2015). Nevertheless, it is recommended that they be used occasionally rather than frequently, as they consume more time compared to traditional budgets (Neely *et al.*, 2003; Jones, 2008).

3.4.3 Performance evaluation system

Neely (2005) defined a performance evaluation system as the set of metrics used to quantify both the efficiency and effectiveness of actions. According to Alach (2017), a performance evaluation system is a management control system aimed at achieving organisational goals and strategies. This system is applied in various responsibility centres to determine their performance level (Neely, 2005). Additionally, performance evaluation serves as a guide for managers in planning and benchmarking for future periods (Akbar *et al.*, 2012). This system is essential to management as it assists in the provision of information to evaluate the various aspects of the organisation (Emmanuel *et al.*, 1990). Performance evaluation motivates managers in various responsibility centres to attain the anticipated performance levels as their output is compared with the desired targets (Cavalluzzo & Ittner, 2004). This system amalgamates the desired and actual performance discrepancies that are revealed for corrective action, thus leading to an enhanced decision-making process (Alach, 2017).

3.4.3.1 Traditional performance evaluation system

Traditional performance evaluation techniques are financial measures used to evaluate the performance of an organisation, these mainly include profit-based performance measures which revolve around profitability (Chenhall & Langfield-Smith, 1998). Financial performance measures include return on investment, residual income, standard costing and budgeting, among others (Ismail, 2007). Under the traditional performance evaluation, data is obtained mainly from financial reporting (Msomi *et al.*, 2019). Furthermore, financial measures have a high usage rate compared to non-financial measures because the information is readily available in financial reporting (Chenhall & Langfield-Smith, 2003; Yang, 2010). Literature reveals that return on investment and other profitability

measures are extensively used in many countries (Abdel-Kader & Luther, 2006; Ismail, 2007). The use of financial accounting information in performance evaluation has been criticised because of the vulnerability of financial statements to manipulation due to external reporting purposes (Ittner & Larcker, 2001; Yang, 2010). Yang (2010) asserts that financial measures on their own are not good measures of firm performance; they need to be complemented by non-financial measures.

According to Banker *et al.* (2000) and Ahmad (2012), non-monetary indicators are the best predictors of future economic performance. Non-financial measures are essential in performance evaluation as they ease the linking of the organisation's activities with the mission statement and objectives of the entity and articulate them in monetary terms (Rey-Marston & Neely, 2010; Zorek, 2020). The usage of pecuniary methods alone to assess firm performance has been lambasted for its narrow focus (Yang, 2010). Detractors of traditional performance measures revolve around the fact that they concentrate on internal operations, neglecting the external overview that significantly influences the strategic direction of the organisation (Kaplan & Norton, 2001). Moreover, the system disregards contemporary key success factors such as customer requirements, complaints, and queries (Eccles, 1991; Chenhall & Langfield-Smith, 2003). Hall (2008) postulated that it is imperative for organisations in the contemporary world to consider comprehensive performance evaluation systems that will aid employees and management in executing their operational roles.

3.4.3.2 Contemporary performance evaluation system

Modern performance evaluation techniques have been developed to cater to the shortcomings found in traditional systems (Alewine & Miller, 2016). Benchmarking, the balanced scorecard, and the novel results-determinants model are some of the popular contemporary performance evaluation techniques (Lorenz, 2015). According to CIMA Official Terminology, benchmarking is "the establishment, through data gathering, of targets and comparators that permit relative levels of performance (and particular areas of underperformance) to be identified and to adopt identified best practices to improve performance" (CIMA, 2018:2). The major purpose of the benchmarking technique is to improve the organisation performance by identifying the best-achievable performance against which it can monitor its performance (Alewine & Miller, 2016). Emma (2016) posits that this technique has an external emphasis as it compares essentials, such as competitive edge, quality, production processes, and costing methods, in contrast to best practices from other entities.

Furthermore, benchmarking improves efficiency in the organisation as it scrutinises both external and internal information in the establishment of attainable standards that eventually become facets of the continuous improvement sequencer (Alach, 2017). Advocates of benchmarking suggest that the system has the potential to increase the competitive edge of the organisation as it is an effective

method of implementing change and it fosters teamwork and cross-functional learning (Chenhall & Langfield-Smith, 1998; Lorenz, 2015). Kaplan and Norton (1996) developed a balanced scorecard technique in 1992 that combined financial measures and non-financial measures in performance evaluation. The balanced scorecard is an integrated performance measurement that links pecuniary and non-pecuniary measures to customer satisfaction and strategy (Akbar *et al.*, 2012). The technique identifies four non-financial measures explicitly; those that relate to customer satisfaction; shareholder value; internal processes; and those that relate to the growth of the organisation (Lorenz, 2015). Moreover, proponents of the balanced scorecard, including Norreklit and Mitchell (2007) and Bhimani and Bromwich (2010), argue that the technique is no longer just a performance evaluation system, but also a tool for implementing and communicating strategy. Gomes *et al.* (2004), as well as Demirbag *et al.* (2006), cited that a balanced scorecard is widely used, but there is no solid evidence that the system improves organisational performance. However, Zorek (2020) advocated for a balanced scorecard, citing that it influences firm performance and the level of exploitative innovation.

Fitzgerald *et al.* (1991) developed a result-determinants model which identified and detached results (financial and competitiveness) from the determinants (quality, flexibility, resource utilisation, and innovation). The model focuses on setting out clear standards, including rewards for achieving the standard, rather than simply identifying vital measures (Akbar *et al.*, 2012; Dlamini *et al.*, 2020). Furthermore, the model can also be used when linking the strategic goals of the entity as well as benchmarking (Lorenz, 2015). Johnson and Kaplan (1987) highlighted that in performance evaluation, organisations should only apply suitable non-financial measures based on their strategy and neglect financial measures as they have lost relevance. In contrast, Hall (2008), as well as Msomi *et al.* (2019), posit that the use of both financial and non-financial measures in performance evaluation will reflect an accurate position, thereby yielding informed decision-making in the organisation.

3.4.4 Decision support system

Decision-making is a critical aspect of management as managers at various levels have a certain degree of autonomy and are faced with planned and unplanned circumstances (Lorenz, 2015). A rapid, belligerent, competitive, business milieu requires organisations to make well-informed short-term and long-term decisions for their survival (Ahmad, 2017). Wu *et al.* (2007) noted that the most prominent aspect in a modern, changing business environment is effective decision-making. Ahmad and Zabri (2015) argued that the decisions made by managers have the most influence on the development of business strategies that will create and sustain a competitive edge for the entity. It is prudent for entities to have a decision support system that will enhance effective decision making since decisions are made *ad hoc* (Hermes *et al.*, 2007).

The decision support system should enable short-term and long-term decision-making analysis (Ahmad, 2012). Appropriate information is required to make effective decisions to achieve optimum utilisation of business resources (Drury, 2012). Moreover, management accounting provides information to various levels of management (operational, tactical, and strategic), and that information must be relevant, dependable, cost-effective, timely, and accurate to meet the intended need (Lucey, 2002). Management accounting does not only provide useful information to management but is also a systematic tool for various scenarios (Hermes *et al.*, 2007; Drury, 2012).

3.4.4.1 Traditional decision support system

Traditional management accounting decision support methods include cost volume profit analysis (CVP), relevant cash flows, inventory control models, and capital budgeting techniques, among others (Ahmad, 2012). CVP analysis is a planning technique used by management in making short-term decisions, such as how many units an entity should produce to break even, as well as how many units need to be produced to achieve an anticipated profit (Weetman, 2003). This technique reveals how changes in costs and revenue affect the entity's profits (Drury, 2009). CVP analysis aims to provide useful information by establishing the rapport among vicissitudes in activity, sales revenue, costs, and profit for decision-making (Horngren *et al.*, 2009). CVP helps managers to make informed short-term decisions about the costs and volumes of products to be produced and sold in a particular period (Abdel-Kader & Luther, 2006).

In short-term decision-making, relevant cost analysis can also be referred to as contribution analysis (Horngren *et al.*, 2009). Relevant costs are incremental costs, future costs, as well as those that will result in cash flow movement as a direct result of implementing a decision (Jones, 2007; Horngren *et al.*, 2009). The technique is applied in making decisions, such as make or buy decisions, once off-contract, product mix profit maximisation, further processing and pricing decisions, among others (Abdel-Kader & Luther, 2006). Furthermore, relevant cost analysis scrutinises the cost of production or providing a service versus the revenue generated in an attempt to aid management in making well-informed decisions (Drury, 2012). Entities should leverage the short-term decision-making process as it influences the tactical and strategic decisions to be made (Jones, 2007; Nisha, 2016).

An inventory control model is an approach that uses various methods to help management make important decisions on the issues of the inventory management life cycle in an organisation (Lucey, 2002). Inventory control methods such as economic order quantity, ABC analysis, and FNS analysis aid management in making decisions since inventory is the essential building block in the longevity of supply chain management (Gowthorpe, 2008). These methods aid in deciding the best levels to maintain or replace inventory, lead-time and quantities to be purchased, and time to replenish

inventory that does not adversely affect the cash flows or liquid business assets (Caro & Gallien, 2010). According to Gowthorpe (2008), the success and survival of the entity depend on the ability of the management to make sound long-term financial investment decisions, especially on selecting the most profitable capital investments.

Traditionally, for long-term financial decisions, entities would apply capital budgeting techniques in making investment decisions (Arora, 2008). Alhabeeb (2016) stated that metric tools should be analysed and compared for long-term financial decision-making. Traditional capital budgeting techniques include both non-discounted and discounted methods, such as payback period, internal rate of return, accounting rates of return, and net present value, among others (Army, 2013). Capital investment can also be referred to as investment appraisal, and with this technique, management will evaluate the viability of a potential investment, as well as assess the investment lifetime cash flows and overall return versus the initial investment (Jones, 2007).

The payback method emphasises the time the project will take to pay back the total investment cost (Abdel-Kader & Luther, 2006). In other words, when will the cumulative cash flows equal the initial investment? This shows the breakeven period for the investment (Drury, 2006; Arora, 2008). This method has been used in the past and it is still applied even now in most countries due to its simplicity (Yoshikawa, 1994; Abdel-Kader & Luther, 2006). The accounting rate of return considers the return from the investment against the initial project investment cost (Lunkes *et al.*, 2015). If the NPV is negative, the project should be rejected (Drury, 2012; Lunkes *et al.*, 2015). Similarly, the internal rate of return also uses discounted cash flows, but it is a discount rate expressed as a percentage, and the acceptable project is that which has a higher IRR concurrently above the cost of capital (Arora, 2008).

Alhabeeb (2016) posits that under the traditional capital budgeting techniques, IRR and NPV are superior as they provide more accurate information under conditions of certainty. However, Hermes *et al.* (2007) asserted that NPV and IRR have a higher usage rate compared to the payback period. Some of the drawbacks of these traditional capital budgeting techniques as decision-making tools are that they disregard value-creating options, apply simple risk-adjusted rates, and ignore the risk of uncertainty (Lunkes *et al.*, 2015). Furthermore, Colin (2006) postulated that traditional decision-making tools still have a high usage rate, and that management should consider combining them with modern support systems to ensure the improvement of competitive advantage.

3.4.4.1 Contemporary decision support system

The contemporary decision support system includes product profitability analysis, customer profitability analysis, customer lifetime value analysis, and strategic pricing, among others (Lorenz, 2015; Albalaki & Majeed, 2018). Product profitability analysis is an approach that assesses the costs related to the product from the production stage up to the distribution of a product against the revenue generated by that specific product to determine the profitability of the product (Dunk, 2014). This approach is a useful tool in pricing decisions, as well as in marketing strategy formulation, as it can unearth other hidden costs associated with specific products (Gulch & Baumann, 2004). Moreover, product profitability analysis helps in the identification of the most profitable products alongside the least performing products (Dunk, 2014). Hence, a product mix can be adjusted to attain optimum profitability (Albalaki & Majeed, 2018).

Customer profitability analysis is a technique that diverts the focus from product profitability to customer profitability (Albalaki & Majeed, 2018). Customer profitability analysis applies the ABC costing principle in analysing the costs of activities that are related to customers (Innes & Mitchell, 1995; Cokins, 2015). Furthermore, this technique enables management to ascertain the profitability of individual customers or groups of customers by predicting profits and costs associated with a particular customer (Lorenz, 2015; Mollah *et al.*, 2021). This technique is a "retrospective or backwards-looking" technique; it utilises both historical and current information to derive strategic choices concerning pricing, distribution service, and profitability per customer or segment of customers (Cooper & Kaplan, 1991; Dalci & Tanis, 2010). Additionally, Zeithaml and Bitner (1996) postulated that costs associated with getting a new client in the service industry are more than five times the cost of retaining current clients. In that regard, the efficacious application of customer profitability analysis in the service industry is indispensable (Mollah *et al.*, 2021).

Moreover, Cotton (2005) posits that customer profitability analysis enables entities to better understand customer profiles, then apply various strategies to different customer segments, and that this has a positive impact on overall company profits. Foster *et al.* (1997) suggested that the drawbacks of customer profitability analysis as a backwards-looking tool could be complemented by the adoption of customer lifetime value analysis, which is a forward-looking tool. Customer lifetime value analysis builds on customer profitability analysis to predict the estimates for the determination of future customer profitability (Cokins, 2015). Customer lifetime value analysis is an extension of the time horizon for customer profitability analysis (Mollah *et al.*, 2021). In Pfeifer *et al.* (2005), it is stated that in this exercise, future cash flows are discounted to produce customer lifetime value. For instance,

for an organisation to be successful in the modern business environment, it should make informed decisions that are influenced by adequate information about its customers (Mollah *et al.*, 2021).

Strategic pricing is a technique that analyses competitors' responses to changes in prices and price elasticity, as well as the value placed by a customer on the product when setting a price for the product (Langfield-Smith, 2008; Egbunike *et al.*, 2014). This approach assists the organisation in setting the price of their products, thereby strategically circumventing price wars while gaining competitive advantage through ensuring the proper position for the product and penetrating the market (Ahmad, 2014). Guilding *et al.* (2000) asserted that strategic pricing aids management in making well-informed pricing decisions. The literature suggests that traditional and contemporary decision-making tools should be used together as they complement each other (Duck, 2014; Lorenz, 2015; Metcalf, 2018).

3.4.5 Strategic management accounting system

Traditionally, MAPs were used to provide internally-oriented information to management (Gichaaga, 2014). From the early 1980s to the mid-1990s, several scholars questioned the use of conventional MAPs in strategic decision formulation due to the vicissitudes of the contemporary business environment (Baharudin & Jusoh, 2019). There was a need for management accounting to provide management with both internally and externally oriented information to aid strategically oriented decision-making (Johnson & Kaplan, 1987; Bromwich & Bhimani, 1994; Smith, 2007). According to Alsoboa *et al.* (2015), this marked the evolution of the concept of strategic management accounting. Strategic Management Accounting (SMA) is a contemporary management accounting practice, and there is a lack of evidence of traditional strategic management accounting practices (Abdel-Kader & Luther, 2006; Smith, 2007).

According to Bromwich (1990), SMA is the monitoring of the strategies of an entity and its rivals through the anatomisation of pecuniary and non-pecuniary information, aiming to develop a sustainable business strategy. Alsoboa *et al.* (2015) described SMA as methods, tools, or procedures in management accounting applied to address different aspects of decision-making needs. These tools include consumer and competitor accounting, planning, controlling, strategic costing, and performance evaluation. Furthermore, Carlsson-Wall *et al.* (2015) define SMA as a management accounting tool or method used to support strategic decision-making in a competitive commercial environment. This system supports strategy formulation through the provision of required financial information so that the entity gains a competitive advantage (Cinquini & Tenucci, 2010). SMA techniques are oriented towards two main motivations, which are the external orientation that is outward-looking and the forward-looking long-term (Agu *et al.*, 2016).

SMA techniques include target costing, life cycle costing, attribute costing, strategic costing, quality costing, value chain analysis, benchmarking, strategic pricing, and customer profitability analysis, among others (Egbunike *et al.*, 2014; Carlsson-Wall *et al.*, 2015). Target costing is a technique that aids the determination of the cost of production or the provision of a service by deducting the anticipated profit margin from the estimated market price (Baharudin & Jusoh, 2019). In this scenario, the production process is guided by the anticipated and permuted target cost (Egbunike *et al.*, 2014). Kato (1993) presented a simple formula to determine target cost, which is: target cost = estimated selling price - targeted profit. It is a marketing method for costing as the technique aims to satisfy customer demands in a profitable manner (Carlsson-Wall *et al.*, 2015). The proponents of this technique assert that it is ideal for a team of managers, engineers, and cost accountants to first anticipate customer requirements and expectations before engaging in production (Monden & Hamada, 1991; Baharudin & Jusoh, 2019).

Besides, target costing finds out what the customer requires and is willing to pay. It also finds out what competitors are offering for competition purposes, with a greater emphasis on cost control through good production planning (Ojua, 2016). Kato (1993) further asserts that target costing is predominantly beneficial during the research and development stage of the product life cycle. This is so because it is at this stage that the product is designed. Gichaaga (2014) posits that the technique is more useful at the product planning stage as a cost planning and cost reduction tool than it is at "full-scale production." In line with this technique, the product is designed in line with the targeted cost, estimated selling price, and the anticipated profit in a drive to avoid losses whilst having a competitive price (Ojua, 2016).

Life cycle costing is a technique that analyses the product costs throughout its entire market (Egbunike *et al.*, 2014). The technique scrutinises the costs of production in various stages of the product life cycle (research and development stage, introduction stage, growth stage, maturity stage, decline stage, and abandonment stage) (Pavlatos, 2015). The system builds on the ABC approach; it analyses and allocates costs according to activities at different stages of the product life cycle (Ray & Schlie, 1993). Life cycle costing is complemented by the concept of value chain analysis. Value chain analysis evaluates costs in the various stages of the product life cycle, aiming to exploit esteem values while reducing costs by eliminating non-value-adding activities (Ojua, 2016). A value chain analysis assesses value addition for each activity in the production process so that the customer values the actual product (Pavlatos, 2015). This process further scrutinises the perspective of the customer on different features of the product to eliminate non-value-adding features (Bhimani *et al.*, 2012).

In that regard, value chain analysis enables the organisation to identify features in a product that are not valued by the customer, and the customer is unwilling to pay for such features that have been incorporated during the production process at a cost (Langfield-Smith, 2008). Hence, value chain analysis enhances life cycle costing by only costing value-adding features or functions of a product (Ojua, 2016). Life cycle costing is useful in the development and production of products that will be installed, operated, maintained, and disposed of at the most affordable price for the customer (Dunk, 2004). This technique is most commonly used by organisations that place more importance on long-range planning so that they can maximise profitability over multiple years (Langfield-Smith, 2008). In contrast, those organisations that overlook life cycle costing are at risk of developing and manufacturing products with lower initial costs but incurring huge costs at the later stages of their life cycle (Pavlatos, 2015). Therefore, combining value chain analysis and life cycle costing helps an organisation improve profits and gain a competitive advantage (Nuhu *et al.*, 2017). This aids in the creation of a product or a service that meets customer preferences (Egbunike *et al.*, 2014), so they are ready to spend on it.

Kaizen costing is a method that is built on the philosophy that everything has imperfections; therefore, there is always room for improvements (Modarress *et al.*, 2005). This method is a cost reduction method that focuses on the reduction of variable costs throughout the production stage of the entire product life (Nuhu *et al.*, 2017). Kaizen costing emphasises improving productivity through the identification of better resources and processes in production, quality control, and the elimination of waste attributable to continuous improvement (Monden & Hamada, 1991). This technique begins when production takes place after the value chain analysis phase of target costing has been completed, to further the cost reduction exercise (Bhimani *et al.*, 2012). Kaizen costing repeats the value engineering process during the production stage of the product to further reduce the cost of production and improve the competitive edge (Pavlatos, 2015).

Quality costing is a technique that assists organisations in increasing productivity, satisfying customers, and lowering production costs by categorising and monitoring quality-related costs (Dale & Wan, 2002). The technique is a facet of Total Quality Management (TQM) and it fosters the pursuit of quality in every aspect of the organisation (Nuhu *et al.*, 2017). Quality-related costs can be categorised into the cost of conformance and the cost of non-conformance (Monden & Hamada, 1991; Langfield-Smith, 2008). Costs of conformance are costs incurred to achieve the specified quality standard, and such costs are prevention costs and appraisal costs (Egbunike *et al.*, 2014). Costs of non-conformance are costs incurred because of the failure to achieve the expected standard of quality, and such costs are internal failure costs and external failure costs (Bhimani *et al.*, 2012).

Prevention costs are costs incurred to avert substandard output, while appraisal costs are those incurred to safeguard mandatory quality standards (Dale & Wan, 2002; Nuhu *et al.*, 2017). Whereas internal failure costs are incurred as a result of defective items that are recognised before delivering the items to the customer, external failure costs are incurred when the customer realises that the product is defective (Bhimani *et al.*, 2012). The cost of conformance is intended to eliminate internal and external failure costs, so, for an organisation to attain zero defects and meet customer requirements, it has to incur high conformance costs (Nuhu *et al.*, 2017). Therefore, this method might result in a high level of customer satisfaction as well as an improved and efficient use of resources that increases the competitive edge for the organisation (Bhimani *et al.*, 2012; Nuhu *et al.*, 2017).

Strategic cost management is an approach to strategic decision-making where management uses marketing-oriented cost information as well as cost information related directly to any stage of the strategic management process (Shank, 2006). The approach aims to create and improve the sustainable competitive advantage of the entity through an analysis of costs related to any of the five stages of the strategic management process (Pavlatos, 2015). These stages are goal setting, analysis, strategy formulation, strategy implementation, and strategy monitoring (Cadez & Guilding, 2008). Strategic cost management is a cost management technique that helps management to synchronously reduce costs whilst intensifying the strategic position of the entity (Ewert & Ernst, 1999).

This technique amalgamates managerial decision-making design with cost information in identifying what management ought to do for the success of the organisation, then developing cost management practices that aid the efforts of management (Shank, 2006). The technique provides and scrutinises cost and managerial accounting information about the entity and its rivals in the development of the entity strategy, with more attention being given to the reduction of costs as well as continuous improvement (Egbunike *et al.*, 2014). These strategic management accounting techniques can create and sustain a competitive edge if they complement each other, unlike when they are operated in isolation (Cadez & Guilding, 2008). After discussing the traditional and contemporary MAPs, the ensuing section discusses the Global Management Accounting Principles (GMAPs).

3.5 Global management accounting principles

Management accounting is at the core of an organisation, and it provides solutions to both structured and unstructured problems (CIMA, 2015). However, the successful implementation of management accounting also lies in the understanding of the four GMAPs that were developed by the American Institute of Certified Public Accountants (AICPA) in association with the Chartered Institute of

Management Accountants (CIMA). GMAPs are principles set to guide best management accounting practice to ensure that challenging decisions can be taken (CIMA, 2015). The four principles are:

Influence: Information obtained should provide an insight that influences better decision-making in an organisation. Communication should be tailored such that it influences strategy development and execution.

Relevance: For management accounting information to provide influential insights, it should use the best available sources to get the most relevant information, which is the best context for the organisation.

Value: The impact of the value of the information should be analysed, and actions should be prioritised by their impact on outcomes. Information should be assessed to generate value for the entity.

Stewardship: Management accountants must be ethical, transparent, and trustworthy. Management accountants should ensure that business activities comply with the laws and should create and protect value for the entity (CIMA, 2021).

CIMA and AICPA asserted that in applying MAPs, entities should adhere to the four principles in a continuous manner rather than in a sequential manner (CIMA, 2015). These principles were created to guide management in responding quickly to risks, making better decisions, and safeguarding the market value of the entity (CIMA, 2021). For instance, for effective application of management accounting, accounting personnel need to be skilled, competent, and apply MAPs with integrity to achieve the desired output (CIMA, 2021). However, the effective application of the four principles rests upon the following three factors:

- i) To achieve sustainable success, it is important to understand and appreciate the need for management accounting.
- ii) use of appropriate tools and techniques, which must be continually refined, and
- iii) diagnosis of the environment to identify areas for improvement (CIMA, 2015).

At the same time, the management accountant should understand the management accounting needs of the organisation while appreciating the existing management accounting techniques that can be applied by the organisation (CIMA, 2021). Dlamini (2020) attested that not all management accounting is applicable to all environments; there is a need for the accounting personnel to scan their environment and choose techniques that best fit their circumstances. The following section will discuss the benefits associated with the use of management accounting in an organisation.

3.6 Benefits of management accounting on firm performance

Management accounting plays a pivotal role in the success of an organisation in the modern business environment (Horngren *et al.*, 2005). The provision of quality information for effective decision-making by management is the principal objective of management accounting (Drury, 2012). In the same way, Bhimani and Bromwich (2010) stated that management accounting is an information-providing tool for managers that enables them to successfully execute their management functions and for the betterment of the organisation. Lucas *et al.* (2013) highlight that management accounting provides vital information for effective decision-making purposes as well as supports companies in gaining and sustaining competitive advantages through offering the best quality products and services. Furthermore, Horngren *et al.* (2005) they further posit that management accounting enhances quality in planning, coordinating, monitoring, controlling, information processing, and developing efficacious business strategies. Azudin and Mansor (2018) also stated that management accounting provides various tools that aid in executing elementary management functions, such as budgeting, costing, profit planning, decision-making, and performance evaluation.

Numerous academics concur that the use of management accounting among entities is imperative for their success and survival as it promotes efficiency and improves the competitive edge of the entity (Mitchell & Reid, 2000; Folk *et al.*, 2002; Horngren *et al.*, 2009). On the same thread, Lucas *et al.* (2013) further postulated that the application of management accounting is inevitable for both large and small entities operating in a globalised, ever-changing business environment. Several scholars have asserted that if management accounting is well executed, it will create and sustain value for the entity (Kaplan, 1995; Mitchell & Reid, 2000; Lucas *et al.*, 2013). Kaplan (1995) further highlighted that organisations should make the management accounting function part of their strategy development and implementation team as well as the organisation's value-creation team. In addition, Ahmad (2012) stated that management accountants should be part of the decision-making process and strategy development. The author further acknowledged the value of management accounting in enhancing profitability due to improved quality, effective utilisation of resources, timely deliveries, continuous improvement, and waste reduction (Ahmad, 2017).

Furthermore, managers, in the pursuit of having successful businesses, need both financial and non-financial information (Rey-Marston & Neely, 2010; Zorek, 2020). Management accounting provides valuable services to managers for them to perform their activities (Chenhall & Langfield-Smith, 1998). The success of an entity is measured by how it performs towards achieving the desired planned targets (Mia & Clarke, 1999). In that respect, Ahmad (2012) highlighted productivity, market share, quality, new product development, revenue growth rate, return on equity, and cost as areas of

performance measures. Several scholars have supported the view that MAPs are the tools that can be applied by entities to measure and ensure their success as they enhance their competitive edge (Chenhall & Langfield-Smith, 1998; Reid & Smith, 2002; Ahmad, 2012; Lorenz, 2015). Hoque and James (2000), as well as Maiga and Jacobs (2003), carried out a study where they assessed the impact of the balanced scorecard and ABC costing on firm performance. Their results concurred, showing that a balanced scorecard and ABC costing have a positive, significant effect on firm performance. Similarly, Kennedy and Graves (2001) conducted a study examining the adoption of ABC costing by 74 companies listed on the London Stock Exchange. Their study revealed that the use of ABC increased the company value, and the companies that used ABC costing outshone those that did not adopt ABC costing.

A study, conducted by Maiga and Jacob (2006), examined how the benchmarking approach affects quality enhancements. The survey revealed that benchmarking has a strong positive and significant impact on quality enhancements. However, other studies disregard MAPs as a positive contributor to firm performance (Klammer, 1973). In studying the effect of using multifaceted capital budgeting methods on performance, Klammer (1973) revealed that there is no reliable relationship between the two variables; hence, there is no guarantee of improving firm performance by merely adopting multifaceted capital budgeting methods. However, the study by Klammer was conducted 47 years ago. It is probably that by then, the business climate was not characterised by sophisticated business conditions, as Lorenz (2015) highlighted that the business environment had changed drastically, especially in the late 2000s. The assertion by Lorenz (2015) was supported by the findings obtained by Lunkes *et al.* (2015), who conducted a comparative study on capital budgeting practices for port companies in Brazil and Spain. Their study revealed that investment appraisal techniques are still applicable and that they enhance long-term decision-making.

A study conducted in the USA by Gordon and Silvester (1999) exploring the effect of notice on a company's value for listed companies who are using ABC costing, revealed that company stock values were not affected by the announcement, so they concluded that investors do not perceive ABC as a positive performance contributor. However, the conclusion drawn by Gordon and Silvester (1999) cannot be used against the adoption of ABC systems since this was an announcement and not an empirical study by entities that have adopted the system.

The empirical evidence from the literature affirms that MAPs enhance the performance of both small and large entities (Chenhall & Langfield-Smith, 1998). Reid and Smith (2002) also emphasised that the use of MAPs among SMEs aids in their development and growth towards larger corporations. This was confirmed by Hopper *et al.* (1999), who also stated that MAPs play a critical role in the

success of smaller entities as they provide information that empowers SMEs to face competition. Ahmad (2012) also affirms that MAPs improve the profitability of small businesses through continuous waste reduction, continuous improvement, and effective utilisation of resources. The relevant and meaningful information provided by MAPs further helps an entity to improve its performance and cope with the rapidly changing business environment (Lunkes *et al.*, 2015). Considering the benefits that accrue from the use of MAPs, it is, therefore, essential for SMEs to consider embracing MAPs because of their potential to enhance survival and growth (Ahmad, 2012). The following section considers the factors that influence the use of MAPs among SMEs.

3.7 Factors influencing the use of MAPs among SMEs

Management accounting is a useful tool in management functions as it plays a critical role in the success of smaller entities and assists in their survival, growth, and migration to large-scale entities (Reid & Smith, 2002). Sulaiman *et al.* (2004) postulated that management accounting assists large-scale entities in reducing costs, maximising profitability, and excelling in the globally competitive market as they apply advanced technologies, whereas small entities apply traditional technologies. However, Hopper *et al.* (1999) stated that there is a low adoption level of MAPs among small businesses in comparison with their larger counterparts. Small businesses similarly face issues associated with sustaining their businesses due to globalisation, technology progression, funding challenges, and aggressive market competition, among others (Nandan, 2010; Ahmad, 2012).

Literature suggests that the extent of the use of MAPs is influenced by both internal and external factors (Nishimura, 2005; Azudin & Mansor, 2018). Amara and Benelifa (2017) also postulated that the successful implementation of MAPs relies on the perfect harmonisation of both the external and internal factors that surround the organisation. Kamilah (2012) further stated that advancements and changes in MAPs among entities are influenced by various contingency factors. In the same vein, Mitchell and Reid (2000) further posit that these factors are the contingency variables that determine the model and operation of the organisation. Shahzadi *et al.* (2018) assert that internal contingency variables relate to the organisation under consideration, and these factors include the size of the organisation, business strategy, education level of accounting staff, organisational structure, and operational system. Whereas external environmental factors are those that influence the organisation from the outside, such as technology and the intensity of market competition, among others (Albu & Albu, 2012; Nair & Nian, 2017). The following sub-sections discuss various factors that influence the use of management accounting among SMEs.

3.7.1 Organisation size

Prior studies have highlighted organisation size as a variable that affects the adoption of MAPs among SMEs (Mitchell & Reid, 2000; Albu & Albu, 2012; Ahmad, 2014). For instance, Nair and Nian (2017) assert that SMEs do not adopt comprehensive MAPs because of their size. In the same thread, Haldma and Laats (2002) further posit that small businesses mostly apply the traditional MAPs in contrast with the contemporary MAPs as they handle small quantities of information due to their organisational size. In that regard, large entities that have sophisticated production processes with many decisions having to be made from large volumes of information tend to adopt comprehensive MAPs compared to small entities (Albu & Albu, 2012; Ahmad, 2012). Logically, large entities will generally use more sophisticated MAPs compared to small entities as they have greater access to resources (Albu & Albu, 2012). Van-Nguyen and Brooks (1997), who examined the usage of ABC techniques, supported this and revealed that it was very high in large entities compared to smaller ones. Haldma and Laats (2002) also stated that medium-sized entities tend to adopt more MAPs compared to small-sized entities as they use more information to evaluate their performance to make an informed decision for their growth and expansion.

Furthermore, SMEs lack adequate resources to support the implementation of comprehensive MAPs, compared to their larger counterparts (Albu & Albu, 2012). Azudin and Mansor (2018), also stated that SMEs would adopt specific MAPs due to their size as they lack resources to aid transformation. On the same point, Hoque and James (2000) conducted a study on the impact of organisation size on the use of a balanced scorecard, and they revealed that entity size is positively related to accounting control systems and a balanced scorecard. They also revealed that large entities apply more MAPs that are contemporary. Cadez and Guilding (2008), as well as Albu and Albu (2012), also concur that company size is positively related to the adoption of MAPs. Similarly, Ahmad (2012) conducted a study in Malaysia on the use of MAPs among SMEs. The survey revealed that company size significantly influences the adoption of MAPs in business operations. Furthermore, the study revealed that medium-sized firms have a higher management accounting tool utilisation rate compared to small-sized firms (Ahmad, 2012). Therefore, the size of the organisation has a bearing on the adoption of MAPs as it affects the design and scope of MAPs (Nair & Nian, 2017). For instance, large organisations need more tools to aid their strategic decision-making and they have adequate resources to facilitate the use of contemporary MAPs compared to small organisations (Albu & Albu, 2012).

3.7.2 Organisation structure

Senftlechner and Hiebl (2015) postulated that the complexity of the organisation's structure does not impede the use of MAPs in an organisation since management accountants can identify appropriate MAPs for their organisational structure. Large entities have a more multifaceted structure when it comes to decision-making compared to small entities, where most decisions are made by the owner or a few individuals (Albu & Albu, 2012). Thong *et al.* (1996) noted that the owner or manager in small businesses, with an entrepreneurial organisational structure, influences the adoption of MAPs as they are key decision-makers who shape the future of the entity. Furthermore, Robbins (1990) stated that organisational structure influences the accounting system applied by the entity and influences the MAPs applied by the organisation. However, Ipinnaiye *et al.* (2017) suggested that organisations with a simple structure should have no difficulties in identifying appropriate MAPs to be adopted.

3.7.3 Business strategy

Literature asserts that the principal goal of management accounting is to create value for the organisation through the provision of information to help management in the creation and sustainment of competitive advantages for the organisation (Ahmad, 2017). The development of a business strategy cannot be separated from management accounting. Thus, business strategy and management accounting are inextricably linked (Anthony & Govindarajan, 2007). In concurrence, Kober *et al.* (2007) further stated that MAPs are shaped by the business strategy and, at the same time, they shape the business strategy. Chenhall and Langfield-Smith (1998) posit that organisations should fit MAPs into their overall business strategy for them to achieve the desired performance. Azudin and Mansor (2018) also asserted that the implementation of MAPs in an organisation is influenced by the strategic goals of the entity, among other contingency variables. Amara and Benelifa (2017) also added that the competitive strategy determines the MAPs that the organisation can adopt. Furthermore, Hoque (2004), who stated that a business strategy is positively related to non-pecuniary performance measures, also supported this view. Therefore, the strategic direction of the entity affects the MAPs that will be adopted by the entity (Azudin & Mansor, 2018). However, on the contrary, Uyar (2019) argued that management accounting information affects the development of the business strategy as well as its implementation, so the two are interdependent.

3.7.4 Qualifications of accounting staff

Brown *et al.* (2004) posit that the knowledge and qualifications of accounting personnel influence the achievement and advancement of the entity. Knowledge of the accounting staff is vital as it influences

resource allocation and utilisation, performance evaluation, as well as decision-making and policy formulation in an organisation (Albu & Albu, 2012). Accounting knowledge determines the MAPs that can be adopted in an organisation. Haldma and Laats (2002) support this, as do Abdel-Kader and Luther (2008), who, in their studies, concluded that the level of qualification of the accounting personnel has a significant positive relationship with the MAPs adopted in an organisation. In contrast, Ng and Kee (2018) further emphasised that the experience of the accounting staff is the most crucial component compared to the qualification of the staff for the adoption of MAPs in an organisation. However, Johnson and Kaplan (1987) postulated that the relevance of MAPs changes in harmony with the changes taking place in the operational environment, so experience without relevant qualification would soon lose its relevance.

Furthermore, Ismail and King (2007) stated that the variation in the use of MAPs between large entities and SMEs is significantly affected by the qualifications of the accounting staff. They further highlighted that large entities could hire qualified accounting personnel and further split the accounting department into various sections such as management accounting, cost accounting, and financial accounting. Small businesses employ or outsource accounting experts specifically for financial reporting and the compilation of tax returns (Ng & Kee, 2018). In that regard, large entities have highly qualified accounting staff who are not only employed to prepare financial statements but also to assist management in the decision-making process as well as create and sustain competitive advantages for the organisation (Ismail & King, 2007; Nair & Nian, 2017). Ahmad (2012) conducted a study that revealed that the qualifications of the management accounting staff influenced the MAPs used by Malaysian SMEs. Those that had qualified accountants had high adoption levels of MAPs, with a significant rate for the contemporary MAPs (Ismail & King, 2007). Therefore, the level of qualification for the accounting personnel affects the adoption of MAPs in an organisation and entities should consider empowering their accounting staff or hiring qualified management accountants if they are to excel (Ng & Kee, 2018).

3.7.5 Market competition

Cadez and Guilding (2008) asserted that market competition is about the entity competing in terms of products and services with other players in the industry. According to Hussain *et al.* (2015), organisations that need to gain a competitive edge should outperform their counterparts in four main areas, which are: quality, distribution channel, low production cost, and flexibility. Grubic and Peppard (2016) suggested that in small businesses, the knowledge and application of MAPs is a key driver for gaining a competitive advantage. They further asserted that the use of MAPs is a tool that can be used by SMEs to gain stamina for withstanding throat-cutting competition with the big players in the

industry (Ahmad, 2017). In this regard, it is paramount for SMEs to appreciate the use of MAPs to withstand the intensity of market competition. Similarly, Haldma and Laats (2002), as well as Ahmad (2012), earlier raised the point, as they stated in their studies that the intensity of market competition affects the adoption of MAPs among SMEs as entities strive to make sound decisions and formulate effective marketing strategies. The changes in the competitive environment affect the use of MAPs in an organisation and when the competition is stiff, sophisticated contemporary tools will be mandatory in an organisation (Hussain *et al.*, 2015).

3.7.6 Technology

Technology has occupied the centre stage in the modern world that is characterised by fast changes in business conditions with rapid advanced technological changes and complex automated production processes (Ismail & King, 2007). Advanced production technology is now paramount as innovative technology improves proficiency and performance through assisting the production processes to be faster (Zabri, 2015). In addition, advanced production technology is a management device that enhances product novelties and improves the competitive edge, especially in the modern business environment (Nair & Nian, 2017). Several scholars who have cited technology as one of the components that enable an organisation to sustain a competitive advantage (Jamil *et al.*, 2015) support this. Production processes have become more capital intensive while cutting direct labour, especially in large entities as compared to SMEs that lack adequate resources to capitalise their operations (Albu & Albu, 2012).

A study conducted by Karada (2015) revealed that SMEs have a low level of contemporary MAP adoption as they are characterised by a low technology utilisation rate. However, Bharati and Chaudhury (2015) further cited that medium-sized entities have a better appreciation of new technological changes as compared to small-sized entities, whereas both large and small entities in the developing economies have a low adoption rate of contemporary MAPs due to a lack of management accounting software that is compatible with advanced automated systems (Giotopoulos *et al.*, 2017; Dlamini, 2020). In 2012, Ahmad conducted a study on the use of MAPs by SMEs, and the study revealed that advanced production technology has a notable impact on the costing system as well as the performance evaluation system.

Holmes and Nicholls (1998) asserted that organisational structure, technology, market competition, the size of the business, and the nature of industry determine an entity's MAPs. Small entities, because of their size, have a low adoption level since their operations are not complex and the perceived risk aversion is low (Nair & Nian, 2017). Firms in the manufacturing industry are high

adopters of MAPs because they are more capital-intensive and have a more analytical approach to decision making (Ahmad, 2014). The following section reviews existing management accounting frameworks for SMEs.

3.8 Existing SME management accounting framework

Management accounting practitioners have developed various costing model frameworks for use (Cokins, 2001; IMA, 2014; Greenberg & Wilner, 2015). In their framework, Greenberg and Wilner (2015) proposed a product costing model framework for teaching the cost or managerial accounting course. Their framework was limited to the issue of product costing, and they only advanced the use of concept maps as a tool to generate integrative frameworks for teaching managerial accounting. However, it was to narrow the topic of product costing and leave out other subject areas in the field of management accounting (Greenberg & Wilner, 2015). Greenberg and Wilner (2015)'s integrative framework is identical to the conceptual framework on managerial costing proposed by the Institute of Management Accountants (IMA), which emphasises the costing models needed for managerial decisions (IMA, 2014). The Institute of Management Accountants (IMA) (2014) proposed a managerial costing framework that addressed the needs of managerial decisions accentuated in costing models. Cokins (2001) developed a management accounting framework with a "tree, branch, and leaf" structure.

Cokins based the framework on the costing pillar by suggesting that cost measurement and cost use were cardinal components of management accounting. According to Cokins (2001), the cost measurement branch of the framework contained the cost collection methods as well as the cost assignment methods. Conversely, the cost use branch encompassed the decision-making support function that included operational control, performance measurement, and predictive planning (Cokins, 2001). Cokin's framework pays minimal attention to performance evaluation and planning and is silent on the other pillars of management accounting. The framework was also designed for large corporations operating in developed economies (Cokins, 2001). There is a lack of evidence of existing frameworks or MAPs that are specifically developed for small businesses, whereas in financial reporting there are relevant International Financial Reporting Standards (IFRS) for large corporates and those for SMEs (IASPLUS, 2020). The rationale for having different IFRSs is due to the different needs and levels of capitalisation (Chenhall, 2003; IASPLUS, 2020). Similarly, in management accounting, there is a need to have a framework for small businesses that will be simple and easy to use for these entities.

Besides, several studies in management accounting among SMEs have concentrated on the use of MAPs, challenges faced by SMEs in their use, and the impact of MAPs on SME performance (Drury *et*

al., 1993; Chenhall & Langfield-Smith, 1998; Abdel-Kader & Luther, 2006; Ahmad, 2012; Lorenz, 2015; Ahmad, 2017). However, there is a gap in the development of a management accounting framework and MAPs for small businesses, as these will simplify and ease the application of management accounting among SMEs.

3.9 Empirical evidence on the use of MAPs

Numerous studies have been conducted on MAPs in various sizes of organisations such as small-scale, medium-scale and large-scale entities (Drury *et al.*, 1993; Chenhall & Langfield-Smith, 1998; Luther & Longden, 2001; Ahmad, 2012; Lorenz, 2015). Most of these researchers were motivated by the assertion made by Johnson and Kaplan (1987), who pointed out that management accounting has lost its relevance in the modern business environment. While other scholars intended to narrow down the volumes of critics asserted by the opponents of management accounting who claimed that the field was just an exaggerated textbook depicted theory; the other passion that motivated scholars was the ambiguity of the use of contemporary MAPs as well as the solutions they provide in a dynamic business environment (Abdel-Kader & Luther, 2006). The following section reviews MAPs in developed economies as well as in emerging economies.

3.9.1 Management accounting practices in developed countries

Many management accounting studies have been conducted in developed countries as compared to emerging economies, probably because accounting practices are established mainly in developed countries (Ahmad, 2012). Adler *et al.* (2000) carried out a study assessing the adoption of advanced MAPs among manufacturing businesses in New Zealand. The survey revealed that there is a low usage rate for advanced MAPs as many companies are using traditional MAPs. Drury *et al.* (1993) surveyed the UK, exploring the use of MAPs by 303 manufacturing entities, and they discovered that more than 67 per cent of entities were using various MAPs. Their study also found out that there were variations in the understanding of various practices among respondents. Similarly, Gunasekaran *et al.* (1999) also carried out a study in the UK, and they discovered that MAPs play an important role in improving SME competitiveness. They further revealed that SMEs pay little attention to the adoption of contemporary MAPs, such as ABC.

Abdel-Kader and Luther (2006) replicated Drury *et al.* (1993) and Gunasekaran *et al.*'s (1999) studies on the use of MAPs in the UK, but their study was based on 38 companies in the food and drink industry. They grouped MAPs into five different categories, which were costing systems, budgeting systems, performance measurement systems, decision support systems, and strategic analysis systems. Their results showed that the usage rate of traditional MAPs is high as compared to

contemporary MAPs. Although contemporary MAPs were thought to be more valuable than traditional MAPs, they were rarely used in practice. Furthermore, the study revealed that there was a substantial gap between theory and practice. A more recent study conducted by Lorenz (2015) analysed the use of contemporary MAPs in the UK service sector. The results showed that 73 per cent of the entities use traditional MAPs, whilst 28 per cent apply contemporary MAPs. This suggests that the use of MAPs also varies with the type of industry in which the entity operates. According to Ahmad (2012), those entities in the manufacturing sector tend to adopt more of the contemporary MAPs as compared to those in the service sector. Bruggeman *et al.* (1996) investigated the application of MAPs as well as management accounting changes among entities in Belgium. They discovered that Belgian companies were applying more of the traditional MAPs with a few contemporary MAPs. Wu *et al.* (2007) conducted a study analysing the implementation and perceived benefits of MAPs in Chinese state-owned enterprises and joint ventures. Their results revealed that these entities use MAPs, mostly target costing and budgeting systems, and that these have more benefits for the entities, though with fewer perceived benefits for the use of decision support systems. In other countries like the USA, Japan, Canada, and Australia, previous studies revealed that there are high rates of adoption of both traditional and contemporary MAPs, though the traditional ones have a relatively higher rate (Yoshikawa, 1994; Chenhall & Langfield Smith, 1998).

Lucas *et al.* (2013) conducted a study on how MAPs can improve the performance of SMEs in the UK, aiming to assess the general quality of management accounting and how the management accounting division is resourced. They further examined the MAPs that are used or not used by SMEs, as well as identified areas of improvement in MAPs among SMEs in the contemporary environment. The study revealed that in small businesses, where there is no internal accountant, the SME owner does everything whilst outsourcing accounting services for assistance on taxation and other statutory compliance issues, whereas medium-sized businesses have in-house accountants, though some of them have limited management accounting knowledge (Lucas *et al.*, 2013). In that regard, there is a need for SME executives to consider empowering their accounting personnel or hiring management accountants (Ahmad, 2017). The researchers further revealed that there is high adoption of traditional MAPs as compared to contemporary MAPs. Furthermore, Lucas *et al.* (2013) suggest that SME executives need to be assisted with a "basic MAPs toolkit for survival" to aid them in the exploitation of the benefits of MAPs in gaining a competitive edge. Moreover, Lucas *et al.* (2013) asserted that SME executives need to be educated on MAPs that are relevant for small-sized businesses and those that best fit medium-sized businesses.

Yalcin (2012) carried out an inter-country comparison study on the usage of MAPs and their benefits to firm performance in Turkey, Greece, Finland, India, Japan, and Australia. The study disclosed that

all countries apply both traditional and contemporary MAPs, though the traditional ones have a higher usage rate as compared to the contemporary MAPs. Japan and Turkey were at the forefront of the use of modern MAPs, with ABC costing and life cycle costing being more commonly used in both countries. In Turkey, Özyürek and Yılmaz (2015) conducted a study on the usage of costing systems in SMEs and discovered that medium-sized entities apply ABC costing whilst small-sized entities use the traditional costing system. The main reason for not using ABC was the lack of trained personnel in management accounting.

In the following year, Akmeşe and Bayrakçı (2016) carried out a study on the application of MAPs in the fast-food industry in Turkey. Their results concurred with the findings of Özyürek and Yılmaz (2015) as they revealed that the traditional approach is mostly used. However, in the costing system, they used ABC costing. The study further revealed that entities in the fast-food industry have adopted strategic management accounting practices mainly for the purpose of assisting in administrative processes. These studies show that the use of MAPs in large entities is consistent with the literature, which states that large entities are higher users of MAPs (Reid & Smith, 2002; Lucas *et al.*, 2013). The application of MAPs is high in developed countries, with Japan being in the lead (Oyerogba, 2015).

3.9.2 Management accounting practices in developing countries

Albu and Albu (2012) asserted that emerging economies have analogous economic characteristics and they have attracted the interest of investors as an attractive investment destination. They also asserted that investors needed to comprehend the degree of implementation of various accounting practices used in developed countries, thus contributing to increasing the number of studies conducted in emerging economies. Empirical studies reveal that emerging economies have a faster economic growth rate as compared to developed countries (Muriithi, 2017). In that regard, developing countries have drawn attention over the last two decades to research viewpoints. In the last decade, research on management accounting has proliferated in developing countries as compared to developed ones. Albu and Albu (2012) postulated that normally there are two veins in management accounting research in developing countries. One focuses on the extent of the adoption of traditional and contemporary MAPs in various countries, and the other is on the impact of MAPs on organisational performance.

Oyerogba (2015) conducted a study on the adoption of MAPs among Nigerian listed companies. The study revealed that listed companies use both conventional and modern MAPs in their operations as they have a huge contribution to make in improving their competitive advantage. Leftesi (2008) conducted a study in Libya, examining the diffusion of both traditional and contemporary MAPs among

medium-sized and large entities. The study findings are consistent with the results obtained in developed countries where large entities are high adopters of MAPs as compared to medium-sized entities. However, there are few MAPs applied in Libya as compared to techniques disclosed in management accounting literature.

In Malaysia, Ahmad (2012) researched the adoption of MAPs among SMEs, and the study showed that SMEs widely used traditional MAPs, including conventional budgeting, financial performance measures, and traditional costing. The study also revealed that few medium-sized entities have adopted contemporary MAPs, such as ABC, decision support analysis, and strategic management accounting. It was also found that a contemporary budgeting system has a higher rate of adoption in medium-sized entities than in small firms. This is because medium-sized firms have more experienced and well-trained personnel with more complex operations than small firms (Ahmad, 2012). In 2017, Ahmad did a follow-up study assessing the application of MAPs as well as their relationship to performance among Malaysian SMEs. The findings were similar to the 2014 outcomes, though in the 2017 study there was an upsurge in the use of MAPs by SMEs as compared to 2014. The study also revealed that MAPs are significantly related to firm performance. The increase in the uptake of MAPs positively influences the financial performance of the entity, so those entities striving to create and sustain competitive advantages should intensify the usage of MAPs (Ahmad, 2012; Ahmad, 2017).

Maduekwe and Kamala (2016) examined the use of budgets by SMEs in the Cape Metropolis, South Africa. The study revealed that most SMEs used budgets for planning, monitoring, controlling, and measuring business performance. The findings also showed that the hindrance to effectively using budgeting systems among SMEs was the lack of support and appreciation by top management and the lack of trained personnel in management accounting. Their results also revealed that most SMEs use the conventional budgeting system as compared to the contemporary budgeting system. The low uptake of the use of the contemporary budgeting system was because accounting staff lacked training; hence, training that is more comprehensive is essential for the successful implementation of the contemporary budgeting system (Maduekwe & Kamala, 2016). Mulani *et al.* (2015) carried out a study on 268 SMEs in India, exploring the effect of budgeting on performance. Their findings were confirmed by those of Maduekwe and Kamala (2016), as they showed that SMEs are using traditional budgeting systems. This was because of the lack of financial modelling software, as they were deemed costly to the organisation as well as the high employee training costs attached to the use of contemporary budgeting systems. Maduekwe and Kamala (2016)'s study further revealed that the traditional budgeting system has a positive impact, whereas the contemporary budgeting system has a negative impact, on sales growth.

In Zimbabwe, Gwangwava *et al.* (2016) conducted a study analysing management accounting information as a tool for improving the performance of SMEs in the tourism sector. The study revealed that management accounting information significantly improves the performance of SMEs. However, they did not disclose the level of MAP adoption among SMEs in the tourism sector in Zimbabwe. Dlamini (2020) conducted an exploratory study on understanding the implementation of MAPs among large manufacturing entities in Zimbabwe. According to the study, large entities apply more traditional and a few contemporary MAPs, such as ABC costing, part of just-in-time and strategic management accounting. Prior studies in both developed and developing countries unanimously reveal that traditional MAPs are broadly applied with a low level of contemporary MAPs even though they are deemed increasingly relevant in the modern business environment (Drury *et al.*, 1993; Abdel-Kader & Luther, 2006; Maduekwe & Kamala, 2016).

3.9.3 Empirical evidence in specific MAP components

This segment compared, in detail, studies that have been conducted in various categories of MAPs. This section was belaboured by meticulously interrogating prior studies on MAPs categories as identified by Ahmad (2012). These include, but are not limited to, "costing systems, budgeting systems, performance measurement systems, decision support systems, and strategic management accounting".

3.9.3.1 Costing system

In 2002, Szychta investigated the application of MAPs by Polish entities; the study discovered that 90 per cent of entities use the absorption costing system. Similarly, a study conducted by Clinton and Whites (2012), on costing systems in US entities also revealed that absorption costing is widely used as a management accounting tool. Abdel-Kader and Luther (2006) showed that more than 50 per cent of entities in Britain intensively use absorption costing, with a low uptake of ABC costing. The study also revealed that 83 per cent of entities can distinguish between fixed and variable costs. They further conducted another study after two years, and the study revealed that entities still view absorption costing as a key system; this reveals that absorption-costing principles occupy the centre stage in costing systems. In their study in Australia, Chenhall and Langfield-Smiths (1998) discovered that 76 per cent of the entities use marginal costing. In 2001, Joshi (2001) found a low ABC usage of 20 per cent in India, and there was an increase in the use of ABC in India by 2013, as revealed by Kumar and Mahto (2013) in their analysis of the use of ABC and traditional costing techniques.

The uptake of ABC is higher among large entities in developed countries, especially in countries like Australia, Japan, the USA, Canada, the Netherlands, and New Zealand, among others (Lamminmaki

& Drury, 2001). Ernst and Young (1995) disclosed that 18 per cent of US entities in the food industry use ABC, whilst Groot (1997) revealed that only 12 per cent of Dutch firms in the same industry use ABC. Chenhall and Langfield-Smith (1998) revealed that in Australia, 56 per cent of entities were using ABC. Lamminmaki and Drury (2001) reported that more than 50 per cent of New Zealand manufacturing entities are using ABC and others intend to apply the technique in their operations. Similarly, Krumwiede (1998) also found that more than 50 per cent of US entities use ABC. On the contrary, in a recent study conducted by Kocakulah *et al.* (2017), it was reported that ABC has a low usage rate among US SMEs.

Ahmad (2017) also discovered that marginal and absorption costing have a 76 per cent usage rate, while ABC has a 25 per cent adoption rate among Malaysian SMEs. These findings suggest that ABC has a higher usage rate in large entities as compared to SMEs. Demong and Croll (1981) earlier mentioned this by revealing that costing systems will vary even for entities in the same industry as well as according to size, because large entities will need more advanced costing systems as compared to small entities. Empirical evidence from studies that have been conducted on costing systems has revealed that though absorption costing has been criticised by many scholars, it is practically the most preferred and commanding costing system (Ahmad, 2012; Oyerogba, 2015), especially in developing countries. However, developed countries use both costing systems, with a few countries using ABC for more than half of their entities (Abdel-Kader & Luther, 2006; Lucas *et al.*, 2013).

3.9.3.2 Budgeting system

Mulani *et al.* (2015) revealed that more than 60 per cent of SMEs use traditional budgeting and that this system has a positive, significant relationship with firm performance. Their study also found that the contemporary budgeting system has a low application rate in Indian SMEs. Szychta's (2002) study revealed that 17 per cent of the firms apply a zero-based budgeting system, and the low usage of this system was due to low activity as well as volume change levels over the years. Abdel-Kader and Luther (2006) revealed that 63 per cent of entities in the UK appreciate the importance of an activity-based budgeting system, yet only 19 per cent use the system very often. In their study, they cross-tabulated ABC and activity-based budgeting, and they established that those firms that have a high usage rate for ABC also report a high usage rate for activity-based budgeting. Nevertheless, Abdel-Kader and Luther (2006) highlight that the traditional budgeting system remains the key management accounting method.

Furthermore, Maduekwe and Kamala (2016) reported that 79 per cent of SMEs in the Republic of South Africa use a traditional budgeting system. Despite the shortcomings of the traditional system,

they discovered that only 27% of SMEs use zero-based budgeting. Ahmad (2017) discovered that 87 per cent of Malaysian SMEs use traditional budgeting systems such as sales, production, cash flow, and financial position budgets. Modern budgeting techniques have a low uptake, as revealed by the 12.3 per cent application rate for zero-based budgeting. Lohan *et al.* (2010) revealed that the beyond budgeting technique has less than a 10 per cent adoption rate and entities that are using it have reported better performance as compared to those using the traditional budgeting system. Bogsnes (2009), as well as Bormistrov and Kaabøe (2013), reported that the adoption of beyond budgeting is fast increasing in several countries, though it is still at an infancy stage. However, despite the weaknesses of the traditional budgeting system, empirical evidence reveals that the traditional budgeting system has a high adoption rate and still occupies the centre stage in budgeting system "pillars" as compared to contemporary budgeting systems (Joshi, 2001; Ahmad, 2017). The traditional budgeting system can be amalgamated with contemporary budgeting systems that incorporate non-financial indicators to complement each other (Abdel-Kader & Luther (2006). This is not only particularly relevant in the current section, but it is useful as well in building an unassailable argument in terms of the whole scheme of things, as per the line of reasoning that was advanced in this work.

3.9.3.3 Performance evaluation system

Rigby and Bilodeau (2007) reported on the application of the balanced scorecard by 1 221 multinational entities, and they revealed that 66 per cent use the balanced scorecard for performance evaluation. In a study, Arena and Azzone (2005) disclosed that 31 per cent, 42 per cent, and between 50 and 60 per cent of large entities in Finland, Italy, and the USA, respectively, use the balanced scorecard for performance evaluation. Speckbacher (2003) revealed that only 26 per cent of entities in Germany apply part of the balanced scorecard technique. Ismail's (2007) findings on the application of the balanced scorecard by Egyptian entities revealed that the technique is partly applied by many entities and the chief impediment is the lack of management accounting software. Ahmad (2017) reported that 83 per cent of SMEs are using financial performance evaluation measures such as sales growth and profit related ratios. The study further revealed that non-financial performance evaluation has a 60 to 70 per cent adoption rate among SMEs, with manufacturing firms having a high usage rate.

Abdel-Kader and Luther (2006) reported that 78 per cent of UK firms use financial measures, such as return on investment and other profit measures, whilst 87 per cent use non-financial measures, though they did not quantify the rate of those who use both financial and non-financial measures. Abdel-Kader and Luther (2006), as well as Jusoh and Parnell (2008), agreed that the use of economic value added as a financial measure was ostracised due to its complexity. Congruently, Frezatti (2007) also

revealed that in Brazil, medium-sized, as well as large manufacturing entities, have a low economic value-added usage rate. In the same vein, Ahmad (2012) highlights that financial measures have a high usage rate since they are readily available. Several scholars concur on the fact that customer-related measures have high acceptance among other non-financial measures (Abdel-Maksoud *et al.*, 2008; Jusoh & Parnell, 2008; Ahmad, 2012). Prior studies reveal that both financial and non-financial measures have acceptance in various organisations (Jusoh & Parnell, 2008).

3.9.3.4 Decision support system

Ross and Kovachev (2009) reported that NPV, as a capital investment decision tool, has an 80 per cent usage rate worldwide. Abdel-Kader and Luther (2006) revealed that 41 per cent of UK firms still use the payback period, 38 per cent use CVP analysis, and 28 per cent use the contemporary decision support system. Hermes *et al.* (2007) reported that 84 per cent of Chinese firms use the payback method, and that this was due to the simple application of the method. In Australia, Chenhall and Langfield-Smith (1998) discovered that 86 per cent of entities use CVP analysis. Ahmad (2017) revealed that fewer than 50 per cent of Malaysian SMEs use a decision support system in their operations. The study further disclosed that 78 per cent of SMEs use product profitability analysis, over 50 per cent use inventory controls, and less than 50 per cent use CVP analysis. Malaysian SMEs have a 44 per cent usage rate on a payback period and a 36 per cent on NPV, IRR, and ARR. The short-term decision support system has a higher usage as compared to the long-term system, especially in SMEs.

3.9.3.5 Strategic management accounting system

Tillman and Goddard (2008) revealed that SMEs in Europe have a high usage rate of SMA systems in the manufacturing sector, especially for those operating in highly competitive environments. Alsoboa *et al.* (2015), in their study on the extent of the use of SMA in Jordan, discovered that 63 per cent of private companies have adopted SMA in their operations. A study by Innes and Mitchell (1995) revealed that 51 per cent of UK entities use customer profitability analysis, and the users of this technique acknowledge the benefits associated with the technique. After 11 years, Abdel-Kader and Luther (2006) revealed that in the UK, only 24 per cent of entities are using target costing, 20 per cent apply value chain whilst 51 per cent employ both customer profitability analysis and competitive position analysis. Ojua (2016) analysed SMA applications among Nigerian entities and found out that the usage of SMA is not only low, but even the level of their appreciation and importance is very low, with 18 per cent of the respondents having limited knowledge of SMA.

Abdel-Maksoud *et al.* (2008) discovered that quality costing, product life cycle costing, environmental costing, and target costing have a usage rate of 39.4 per cent, 25.8 per cent, 9.1 per cent and 6.1 per cent, respectively, among large entities. Hussein and Hamza (2012) revealed that the low uptake of SMA in Romanian companies was due to the cost related to the application of the technique, although the respondents appreciated the benefits associated with the use of SMA. Cinquini and Tenucci (2007) discovered that medium-sized manufacturing entities in Italy extensively use SMA techniques. Their findings concur with the findings of Guilding *et al.* (2000), who revealed that entities in the UK, Italy, New Zealand, and the USA extensively apply product life cycle costing, competitor analysis, attribute costing, customer profitability analysis, and strategic pricing, among others. Recently, Ahmad (2017) revealed that Malaysian SMEs have 65 per cent, 57 per cent, 51 per cent and 50 per cent usage rates for strategic pricing, target costing, competitor analysis, and strategic costing, respectively. The empirical literature suggests that the most commonly used SMA tools are target costing, strategic pricing, customer profitability analysis, competitor analysis, and strategic costing. As such, the discourse worked to build a robust case in support of not only the knowledge but also the resolute adoption and use of MAPs among SMEs.

3.10 Chapter summary

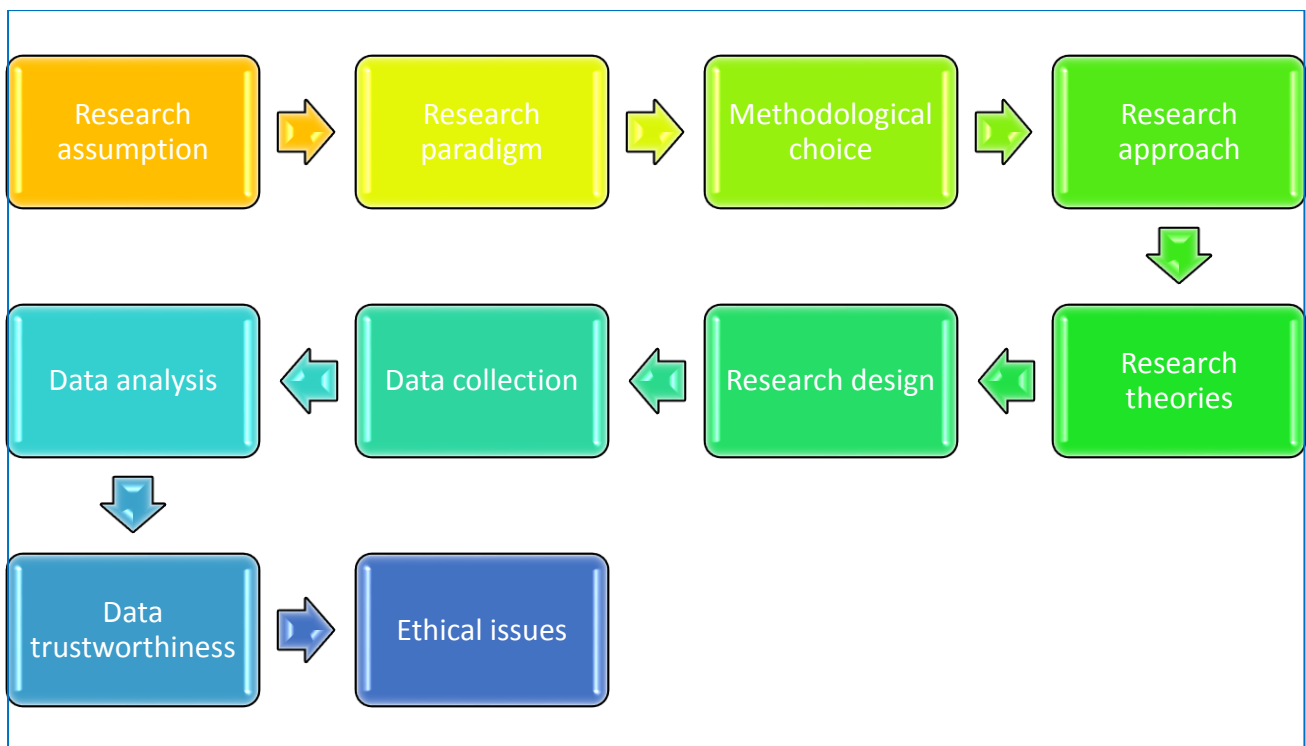
This chapter provided the definition of management accounting as well as the evolution of management accounting tools. The review of the literature revealed that management accounting was initially referred to as cost accounting and evolved in the early 1900s. It further revealed that MAPs continue to evolve and that the MAPs that were used in the early 1900s are still used by entities even in the modern business environment. The chapter further discussed traditional and modern management accounting practices as well as their role in enhancing organisational performance. The chapter further revealed that traditional and contemporary MAPs complement each other, and it is necessary for an organisation to apply both. It also discussed the benefits associated with the use of management accounting. This chapter also discussed various factors that influence the use of MAPs among SMEs. The Literature analysis revealed that organisational size, structure, business strategy, technology, market competition, and the qualification of the accounting staff are the major factors that affect the adoption of MAPs among entities. The chapter also reviewed existing management accounting frameworks. A literature review revealed that there is a dearth of SME management accounting frameworks. The last part of the chapter reviewed various studies that have been conducted on the application of management accounting. The next chapter outlines the research methodology that necessitated the development of a management accounting practice framework for Zimbabwean SMEs.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

The study sought to explore the utilisation of MAPs with the ultimate goal of developing a management accounting framework for SMEs in Zimbabwe. The study followed a range of steps to guide the researcher in an attempt to achieve the research objectives. All studies ideally have inherent, if not expressed, research designs (Creswell, 2009). The design is a framework that links empirical data to the research questions and, eventually, to its conclusion (Easterby-Smith *et al.*, 2012). The ultimate aim of this chapter was to reconnoitre the research paradigm using other paradigms and explicate the research strategy, including the research approach, methodological choice espoused, and the instruments adopted. This chapter asseverates the philosophical assumptions in social science research and further examines the ontological as well as the epistemological implications of this study.

Figure 4-1: Methodological Theoretical Path



Source: Own formulation

The chapter proceeds to discuss the research paradigm and the research approach underpinning this study. The chapter further explores the research theories explicitly applied in management accounting studies. It goes on to review the research design, data collection, and data analysis while explicating

the phases pursued in the study. It further describes how concerns about data trustworthiness were addressed in an attempt to validate the study. The chapter also discusses the consideration of ethical issues. The study underwent a methodical literature search and created a methodological theoretical path shown in Figure 4.1. To present the research methodology for this research, the researcher adopted the research model as illustrated in Figure 4.1.

4.2 Research assumptions

In every study, the researcher always conveys certain beliefs and philosophical assumptions (Creswell, 2009). These beliefs and antecedent assumptions affect the quality of the study (Dainty, 2007), as they formulate and elucidate the structure of the research as well as the techniques for collecting and interpreting data (Easterby-Smith *et al.*, 2012). Therefore, the researcher needs to understand and recognise their philosophical assumptions within the adopted paradigm for their study to ensure the quality of the research (Hussey & Hussey, 1997; Amaratunga & Baldry, 2001). In addition, these assumptions are the most important components of the methodology as they guide the researcher in making the correct, most suitable methodological decisions and in the generation of new ideas concerning the research design (Scotland, 2012). Consequently, the research philosophical assumptions set in motion the journey through the research process, which consists of ontology, epistemology, and methodology (Easterby-Smith *et al.*, 2012; Saunders *et al.*, 2019). Inquiring into the paradigm, Heron and Reason (1997), as well as Denzin and Lincoln (2011), further suggested axiology as the fourth factor to be considered. The following sub-sections discuss research philosophical assumptions.

4.2.1 Ontology

Ontology is concerned with the nature of existence; thus, the study of being (Crotty, 2003; Kamayanti, 2016), or the nature of reality (Mack, 2010). Ontological assumptions consider what constitutes reality, or in other words, what is there that can be known about a phenomenon (Guba & Lincoln, 2005). Additionally, ontology deals with the nature of the phenomenon that is to be explored and the perception of reality (Kamayanti, 2016). Therefore, the researcher has to take a position concerning their perceptions of how things work (Creswell, 2012). Besides, there are two major ends of the spectrum, and these are realism and relativism (Mack, 2010). Realism is the view that the social world is made up of objects that have an independent existence from the individuals living in it and the researcher, thus an objective view (Hopper & Powell, 1985; Ryan *et al.*, 2002; Cohen *et al.*, 2007). In this regard, the realism ontological position best fits quantitative research as it is traditionally linked

to the natural sciences (Walliman, 2011). Furthermore, it tests theories from existing knowledge using statistical models (Collis & Hussey, 2009).

On the other end of the spectrum is relativism, which is the view that there is no absolute truth and that reality is subjective, varying from one individual to the other, and this is considered the subjective view (Guba & Lincoln, 2005; Ryan *et al.*, 2002). In that respect, our realities are as numerous as individuals are, and they are mediated by our senses through individual construction as we interact with the objects under study (Frowe, 2001; Mack, 2010). In this regard, the relativism ontological position best fits qualitative research as it allows the researcher to be a social actor and interact with the study phenomenon (Tremblay *et al.*, 2021). Additionally, a qualitative research approach attempts to gain a deeper understanding of a phenomenon through interaction with the study object (Guba & Lincoln, 2005). The literature asserts that when the researcher understands the nature of reality (ontology), there is a need to consider the epistemology of how knowledge will be disseminated (Guba & Lincoln, 2005; Saunders *et al.*, 2019).

4.2.2 Epistemology

Epistemology relates to the nature of knowledge about a phenomenon, it is a way of understanding and explaining what we know about reality (Crotty, 2003; Cohen *et al.*, 2007; Abubakar *et al.*, 2016). According to Scotland (2012), epistemological assumptions are concerned with the creation, acquisition, and dissemination of knowledge; simply put, what it means to know. Bryman (2004) further stated that epistemology is the nature and forms of how to acquire knowledge. Consequently, epistemology is concerned with what is known to be true, the nature, sources, limitations, and possibilities of knowledge in a study (Tremblay *et al.*, 2021). Ryan *et al.* (2002), furthermore, argued that three considerable issues are shaping the epistemological approach, namely the basis of truth, the nature of belief, and the challenge of justification. Subsequently, the researcher needs to establish the source of belief in determining what is true and justifying a belief (Tremblay *et al.*, 2021).

It is worth noting that there are two major ends to the continuum, which are objectivism and subjectivism. Objectivism holds the position that human perception and consciousness do not affect the existence of the real object; reality exists independently (Saunders *et al.*, 2008; Schutte, 2011). Scotland (2012) also noted that in objectivism, the researcher and the study are independent entities; therefore, the meaning resides absolutely in the objects and not in the perception and consciousness of the researcher. In this regard, the researcher's own beliefs do not influence the research findings (Saunders *et al.*, 2009). On the other end of the spectrum, there is subjectivism, which holds that true reality does not exist in a social world apart from our knowledge, understanding, and perceptions of

it (Grix, 2004). To understand the social world, one must participate in it (Scotland, 2012). In contrast to objectivism, subjectivism holds the view that meaningful reality is constructed through interaction between humans and their world. Individuals studying the same phenomenon may construct meaning in a variety of ways (Crotty, 2003). Therefore, the reality is ever-changing and not static as it depends on the interactions and perceptions of individuals at various times (Scotland, 2012). A researcher in the field of management accounting can acquire knowledge or reality using a quantitative and qualitative research approach (Ryan *et al.*, 2002). With qualitative research, the researcher is enabled to gain an in-depth understanding of the contextual and subjective nature of the study object (Bryman, 2004). Furthermore, it is essential to consider (axiology), which is the role of values in the study.

4.2.3 Axiology

According to Saunders *et al.* (2008), axiology is a philosophical assumption that develops judgements about the value of information. Kivunja and Kuyini (2017) further stated that axiology refers to ethical and aesthetic issues that one should consider when planning to conduct a study. Thus, axiology is the philosophical study of value, ethics, and aesthetics. Accordingly, the assumption considers how the values brought by the researcher affect or influence the findings of the study (Creswell, 2012). In this regard, for the results of the study to be credible, the researcher's values play a role in all the stages of the research process, as was demonstrated in all the stages of the process (Kivunja & Kuyini, 2017). Furthermore, Saunders *et al.* (2019) emphasised that the philosophical approach and data collection techniques that are chosen in a study reflect the values of the researcher.

Creswell (2009) emphasised that in a quantitative study, the researcher is value-free as the researched knowledge is absolute and factual, hence not affected by the value brought by the researcher. In contrast to that, the author argued that in a qualitative study, the researcher must make their values known in a study, admit the value-laden nature of the study as well as the value-laden nature of the information collected from the field (Creswell, 2009; Kivunja & Kuyini, 2017)). In this respect, the qualitative researcher should actively report their values and biases before and during the inquiry since one is a social actor during the study (Creswell, 2012). It is of importance to consider a methodology that emphasises how the information will be gathered for the study (Scotland, 2012).

4.2.4 Methodology

A methodology is a process and procedure for studying knowledge (Creswell, 2007). Guba and Lincoln (2005), cited by Scotland (2012), stated that methodology is more concerned with how an individual can go about discovering what they believe to be known. In this regard, methodology deals

with what, where, why, how, and when data can be collected and analysed. Methods are discrete techniques and procedures used to gather and analyse either qualitative or quantitative data (Crotty, 2003). In this regard, ontological and epistemological assumptions guide the research strategy of a research project and influence the research methods (Saunders *et al.*, 2019). Burrell and Morgan (1979) stated that methodology has a nomothetic and idiographic view. In the nomothetic view, surveys and questionnaires are the most commonly used research methods, as the approach relies on hypotheses and scientific exactness (Creswell, 2012). The authors further stated that the idiographic view suggests that individuals understand the social world only by getting close to the object and exploring it in detail using case studies, observations, and interviews (Crotty, 2003). Under the nomothetic view, the researcher gathers more quantitative data, whereas in the idiographic view; it is more qualitative data (Saunders *et al.*, 2019). Therefore, methodology refers to the research design, methods, techniques, and procedures applied by the researcher to generate reality about the phenomenon.

4.3 Research paradigm

It has been noted that a review of research philosophy reduces methodological errors; hence, to ensure the quality of research, it is essential to construct a philosophical position (Kvale, 1996; Hughes & Sharrock, 1997; Dainty, 2007). The research philosophy should be appropriately elucidated to select the most relevant research approach that will properly address the research questions (Schutte, 2011). Research philosophy is a set of common beliefs that assert how problems should be understood and addressed when conducting research (Scotland, 2012). Ardalan (2003) defined a paradigm as a set of fundamental assumptions that construct certain guidelines for scientific practice. Healy and Perry (2000) and Mack (2010) agreed that a paradigm is a belief system, a theory, or a framework that guides the way we do things. In that regard, the philosophical assumptions influence the research paradigm (Mack, 2010). A research paradigm, according to Guba and Lincoln (2005), is the underlying belief system or worldview that leads the investigator not just in method selection but also in ontological and epistemological fundamentals. Even though philosophical conceptions remain concealed in research, Crotty (2003) perceives that they influence the practice of research and must be identified. According to the philosophical assumptions adopted, research can be categorised as positivism, critical theory, interpretivism, or pragmatism (Guba & Lincoln, 2005; Saunders *et al.*, 2019). The literature claims that there are four research paradigms: positivism, interpretivism, critical theory, and pragmatism (Healy & Perry, 2000; Guba & Lincoln, 2005; Saunders *et al.*, 2019). The ensuing sub-section discusses the positivist philosophical approach.

4.3.1 Positivism

Positivism is a scientific paradigm that uses mathematical analysis tools to study a phenomenon in an objective manner (Healy & Perry, 2000; Delanty, 2005). Auguste Comte first developed a positivist approach in the 1850s with the belief that reality can be observed (Guba & Lincoln, 2005). According to Comte, if activities in the physical world follow absolute laws, so do those in society (Crotty, 2003). The positivism approach asserts that society operates according to general laws; therefore, the researcher is a spectator of objective reality (Mack, 2010). The philosophy believes that one can objectively observe the object under study without interfering with it (Wahyuni, 2012). Moreover, this philosophical approach asserts that it is the responsibility of the researcher to test an existing theory or develop a hypothesis (Guba & Lincoln, 2005) or research questions using quantifiable measurement since scientific knowledge is positively verifiable (Healy & Perry, 2000; Delanty, 2005; Doran, 2014).

This approach has control and experimental groups to approve or disapprove a hypothesis (Wahyuni, 2012). A positivist paradigm's ontological position is one of realism where reality exists and is discovered without mediation by the researcher's senses and conscience (Pring, 2000). Whereas the epistemological position of positivism is one of objectivism (Saunders *et al.*, 2019). The researcher and the researched phenomena are independent entities; hence, meaning resides in the object (Creswell, 2012). The positivist philosophy follows the beneficence axiology that requires that the researcher should aim at minimising any risk or mistakes that occur during the research (Kivunja & Kuyini, 2017). In this regard, the researcher maintains an objective stance as they are independent of the data, all inquiries should be value-free and scientific methods should be used to gather data objectively (Wahyuni, 2012). Positivism asserts that researched knowledge is absolute, factual and value-free, therefore, the methodology applied in natural science should be adopted for social science studies and the reality is measured using quantitative methodological tools (Scotland, 2012). Walliman (2011), a critic of positivism, argued that patterns and behaviour are influenced by human action; hence, the social world is not static but is endlessly changing so the laws of positivism are inapplicable in the social world. The following sub-section deliberates the interpretivist research paradigm.

4.3.2 Interpretivism

Ludwig Wittgenstein rejected the positivism position of using natural science methods in a social world and influenced the development of interpretivism (Winch, 1958). This approach was developed as a reaction to the shortcomings of positivism therefore this research paradigm can be referred to as anti-

positivism (Saunders *et al.*, 2008), or constructivism as it requires social actors to construct meaning (Mack, 2010). The interpretivism approach is of the view that there is no single reality or truth, hence, reality needs to be interpreted and the researcher is part of the phenomenon of observation (Scotland, 2012). The main tenet in interpretivism is that the observer unearths reality through the participant's views (Mack, 2010). The phenomenon must be objectively discovered from the inside through direct interaction, not from the outside (Mack, 2010; Yanow & Schwartz-Shea, 2011). Therefore, the researcher is an active agent and not a detached observer to construct meaning in the study. Furthermore, Mackenzie and Knipe (2006) asserted that it is paramount, during a study, for the researcher to try to eliminate prior cultural assumptions as they may interfere with the results of the study.

In this paradigm, the reality is subjective and complex, and social reality depends on how social actors construct the meaning of an object. Therefore, relativism is the ontological position of interpretivism (Scotland, 2012; Tripathi, 2017). Individuals construct reality indirectly based on their interactions with the phenomenon, and the phenomenon derives its meaning from events that are distinct from multiple perspectives (Mack, 2010). In the real world, there is no objective knowledge; hence, knowledge depends on the reasoning and thinking of humans. Interpretivism adopts a subjectivism epistemological position based on a real-world phenomenon (Saunders *et al.*, 2019). Therefore, the epistemological stance of the interpretivism paradigm is that knowledge of reality is gained through social construction, such as language and shared meanings (Lincoln *et al.*, 2011). The researcher and the researched object are presumed to be interactively linked, and the knowledge of the researcher inescapably influences the constructed meaning (Guba & Lincoln, 2005). The interpretivism philosophy holds a balanced axiological assumption, which assumes that the values of the researcher are reflected in the outcome of the study (Kivunja & Kuyini, 2017). The researcher acknowledges that bias is present in the study and that the research is value-laden and value-bound, therefore, individual values are respected (Lincoln *et al.*, 2011). The researcher is inevitably influenced by their values in the study.

The paradigm uses meaning-oriented methodologies, which rely on a subjective correlation between the investigator and the investigated object (Scotland, 2012). Interpretivism attempts to derive meaning from a study through a comprehensive examination of the object through methods such as in-depth face-to-face interviews, open-ended questionnaires, focus group interviews, and open-ended observation (Chowdhury, 2014). These methods generally yield qualitative data. Hammersley (2003) criticised interpretivism on the basis that its descriptions are too vague and only a small number of cases are considered, hence it provides a platform for narrow conclusions. In an attempt to avoid this criticism, triangulation in social science studies has been suggested by various scholars as a solution

to the critics (Hammersley, 2003; Silverman, 2004; Chowdhury, 2014). Table 4.1 gives a summary of the difference between positivism and interpretivism.

Table 4-1: Differences between Positivism and Interpretivism

	Positivism paradigm	Interpretivism paradigm
Ontological	Realism	Relativism
Epistemology	Objectivism	Subjectivism
Axiology	Value-free	Value-laden and value-bound
Methodology	Experimental research, survey research	Phenomenological research, case study
Type of research methods	Quantitative research	Qualitative research
Methods	Statistical analysis (e.g. Questionnaire)	Qualitative interviews, observations, focus group interviews
Sampling requirements	Large numbers selected randomly	Small number of cases

Source: Crotty (2003), Easterby-Smith *et al.* (2012), Weber (2004)

4.3.3 Other research paradigms

Collis and Hussey (2009) noted that there are other research philosophies in between positivism and the interpretivism paradigm. Gill and Johnson (2010), Easterby-Smith *et al.* (2012), and Bryman and Bell (2011) supported this point by suggesting pragmatism and critical realism in the continuum of research paradigms. The interpretation of these paradigms has fuelled debate in the research literature (Bisman, 2010), as scholars fail to agree on the philosophical assumptions of these paradigms because they lack a unitary framework or set of beliefs that unite each philosophy. Hence, researchers vary in their interpretation and understanding of these research paradigms because of overlaps that exist in the antecedent assumptions (Collis & Hussey, 2009).

4.3.3.1 Critical realism

Roy Bhasker first developed a critical realism approach with the belief that society and its individuals are mutually interdependent on one another (Walliman, 2011). This philosophy combines transcendental realism (a philosophy of science) with critical naturalism (a philosophy of social science) to illustrate an interface between the natural and social worlds (Nielsen, 2002). In this regard, Doran (2014) further stated that individuals' actions influence society whilst those actions are influenced by the society to which they belong. Hence, the reality is embodied in the interrelationship of the phenomenon and the researcher. Gray *et al.* (2014) also postulated that some aspects of a phenomenon might be appropriately understood only after a close examination of the social structures of that phenomenon. Hence, we can only obtain full knowledge of the study object after being exposed to its various aspects.

Critical realism was developed as an alternative to the positivism and interpretivism paradigms in an attempt to suit studies, which were neither pure positivist nor pure interpretivist (Saunders *et al.*, 2019); however, it draws components from both paradigms in its delineation of ontology and epistemology (Denzin & Lincoln, 2011). The ontological assumption of critical realism assumes that there is a single reality that is stratified but with multiple interpretations, hence, the reality is real but probably apprehensible (Fleetwood, 2013). The epistemological position of critical realism is that of modified objectivism, which posits that knowledge is socially constructed; hence, the researcher is a social actor (Collis & Hussey, 2009). In addition, this paradigm merges features of qualitative and quantitative methodologies in a study (Lorenz, 2015) thus, critical realism is a general methodological framework for the study that is not associated with any specific set of data collection methods (Fletcher, 2017).

4.3.3.2 Pragmatism

Pragmatism is a worldview that is not oriented to any specific philosophical position but supports the view that any research must be guided by antecedent assumptions that will give the most valid results for the study (Creswell, 2007; Creswell & Clark, 2011). This paradigm argues that research questions are the most essential determinants for adopting epistemology, ontology, axiology, and methodology in a study (Saunders *et al.*, 2008). Nugrahanti (2018) also stated that different philosophical assumptions are adopted in different aspects of the study as long as they are capable of guaranteeing the best results. In this regard, the paradigm fits best, where choosing between positivism and interpretivism is somewhat unrealistic in practice (Fletcher, 2017). In addition, the philosophy holds that there are either multiple realities or single realities, and knowledge is either subjective or objective, depending on the research questions (Nugrahanti, 2018). The axiological assumption in

pragmatism holds the position that the researcher adopts both the subjective and objective points of view (Saunders *et al.*, 2008). As guided by the research questions, the study can adopt multiple method designs whereby both quantitative and qualitative data are collected and analysed. Collis and Hussey (2009) argued that research methodologies should be associated with a specific research paradigm, such as surveys are for the positivism paradigm, whereas phenomenological and action research are for interpretivism. Nevertheless, Doran (2014) asserted that research methodologies are not exclusively associated with any paradigm. In this study, various methodologies and types of research were explored and analysed before the selection of a suitable methodology for this study.

4.4 Selection of research paradigm

It is essential to scrutinise the nature of MAPs in the context of SMEs to perceive the reality behind their applicability among SMEs in Zimbabwe. The researcher's perspective on reality considers the fact that there is no concrete reality waiting to be discovered in the social world; hence, the researcher assumes that reality is socially constructed. Management accounting is believed to be a social practice and not a natural phenomenon (Ryan *et al.*, 2002) and looks for rules that are products as well as forms of social behaviour and are not generalised or universal laws (Grix, 2004). This study aimed to look for rules, which are an outcome of social behaviour, and not for the generalisation of universal laws with the understanding that social conditions and behaviour construct social structures (Ryan *et al.*, 2002). In that regard, the ontological assumptions of this study reflect that reality in the social world is the product of an individual management accountant's consciousness and is therefore subjectively created (Creswell, 2009).

The researcher was relativistic on the continuum and believed that reality subsists in the minds of participants. In that respect, the study sought to understand the perceptions of management accountants and organisations on the application of MAPs among SMEs. In an attempt to perceive the subjective reality of the application of MAPs among SMEs in Zimbabwe, the researcher acted as a social actor to understand the actions and intentions of management accountants in a meaningful way. Furthermore, the study sought to gain insight into how MAPs are being implemented among SMEs, so it was impossible to achieve these objectives without being involved. There is a need for an in-depth understanding of the application of MAPs among SMEs in Zimbabwe since there is a lack of evidence of prior studies focusing on this topic. Furthermore, there is a dearth of an existing management accounting framework for SMEs in Zimbabwe. In that regard, the study explored the subjective reality of what motivated the actions of management accountants in the SME sector in Zimbabwe to construct meaningful reality in the development of the MAPs framework for SMEs (Grix, 2004).

In the field of management accounting, what constitutes knowledge is what is known by scholars in the area of study. The frameworks developed in management accounting and knowledge that has been socially constructed to be true were considered. In addition, new knowledge in the field of management accounting obtained in this study was also considered. The interpretivism paradigm, following a qualitative approach in data collection, seemed to be suitable for this study because of its subjective nature, as the study relied heavily on the understanding of MAPs from the perspective of the participants in the SME sector. In an attempt to understand the challenges and opportunities of adopting MAPs by SMEs in Zimbabwe, the researcher participated in the study to appreciate the perceptions of accountants. Additionally, in this study, the researcher was an active agent or actor and interacted with the study object (Zimbabwean SMEs). This sufficiently equipped the researcher to gain rich accounts and understandings of MAPs among SMEs, considering that knowledge in the study is a product of the researcher's ability to reason as a management accountant. Specifically, the interpretive research permitted the researcher to explore the level of adoption of MAPs and it aided in the identification of challenges and opportunities associated with adopting MAPs among SMEs in Zimbabwe.

Scapens (2006) posits that interpretive research best fits in a study that lacks detailed knowledge on explaining the prevailing practices, hence, the application of MAPs among SMEs has a dearth of research-based knowledge, so the interpretivist paradigm was the most suitable approach for this study. Moreover, the interpretivist paradigm gave the researcher a wider scope in making sense of human actions and addressing questions such as 'how' and 'why' on the usage of application of MAPs among SMEs. The researcher understood the study to be value-laden since management accountants have various reasons for their level of application of MAPs in their operations. In that regard, an idiographic methodology was selected. Ali (2014), who asserted that the use of the idiographic methodology in qualitative research enables the researcher to gain a detailed understanding of an object under study, supported this.

Several studies in accounting have been conducted using the interpretivism paradigm (Lukka & Modell, 2010; Zoubi, 2011; Ali, 2014). Specifically, in management accounting, subjective interpretive studies have been conducted (Ryan *et al.*, 2002; Yin, 2003; Ali, 2014). Bartolomeo *et al.* (2000) used interviews with case studies to assess the nature of environmental management accounting in European countries. Muza (2018) conducted a study assessing the relevance of environmental management accounting for sustainability in Zimbabwe's extractive industries. The study adopted an interpretivist paradigm, following a qualitative method in data gathering. The author also used an idiographic methodology, which included open-ended questionnaires, interviews, and document analysis. Similarly, Ali (2014) also carried out a study investigating management accounting and

control systems change in two Libyan state-owned manufacturing companies. The study espoused the interpretivist approach, with an emphasis on the use of a qualitative methodology. Ali's study adopted the case study approach with the use of interviews, observation, and archival document analysis.

Collis and Hussey (2009) argued that research methodologies should be associated with a specific research paradigm, such as surveys are for the positivism paradigm, whereas phenomenological and action research are for interpretivism. Nevertheless, Doran (2014) avers that research methodologies are not exclusively associated with any particular paradigm. In this study, a case study approach with naturalistic methods such as interviews, observations, and analysis of existing texts was used. These methods aid in the acquisition of new insights and ideas for the development of a MAP framework for Zimbabwean SMEs. After the selection of the research paradigm, the next subsection discusses the methodological choice.

4.5 Methodological choice

The methodological choice is directly influenced by the philosophical assumptions of the researcher (Creswell, 2009). The researcher should consider the philosophy underpinning the study before the selection of the methodological choice (Wahyuni, 2012). In their explanation of the research onion, Saunders *et al.* (2008) indicate that after the research philosophy, the next layer is the methodological choice. In the field of accounting, researchers generally choose a quantitative, qualitative, or combination of the two. (Ryan *et al.*, 2002). Various scholars in the field of management accounting studies have used the quantitative research approach (Wu *et al.*, 2007; Leftesi, 2008; Cinquini & Tennucci, 2010; Nimtrakoon & Tayles, 2010). Bryman and Bell (2011) defined a quantitative approach as a method that uses standardised measures to prove or disprove a hypothesis. Creswell (2009) and Bryman (2004) also defined quantitative research as a study that collects and analyses numeric data using statistical techniques to explain an object. The quantitative approach formulates and tests or verifies the research hypothesis using a numeric set of data (Johnson & Onwuegbuzie, 2004; Abubakar *et al.*, 2016).

Wahyuni (2012) defined qualitative research as a process of inquiry where data is drawn from the context in an attempt to derive meaning and explanation of the observed phenomena. Qualitative research uses non-statistical procedures and is subjective (Hussey & Hussey, 1997; Ali & Yusof, 2011). Sale *et al.* (2002), as well as Parker (2003), agreed that a qualitative approach is most suitable for the interpretivist paradigm as it seeks to study the social world at close range. Moreover, its main objective is to use the inductive investigation to develop a theory through describing, decoding, and

translating (Easterby-Smith *et al.*, 2012; Bryman & Bell, 2011). Table 4.2 shows the differences between the quantitative and qualitative approaches.

Table 4-2: Differences between quantitative and qualitative approach

Orientation	Quantitative	Qualitative
Ontology	There is a single reality that can be measured using a specific instrument	There are multiple realities
Most relevant paradigm	Positivism	Interpretivism
Research processes	<ul style="list-style-type: none"> <input type="checkbox"/> A hypothesis is developed or formulated at the beginning of the study. <input type="checkbox"/> Test theory <input type="checkbox"/> Deductive in nature 	<ul style="list-style-type: none"> <input type="checkbox"/> A hypothesis is not necessary at the beginning of the study. <input type="checkbox"/> Inductive in nature <input type="checkbox"/> Develop a theory
Researcher's role	<ul style="list-style-type: none"> <input type="checkbox"/> Independent objective observer 	<ul style="list-style-type: none"> <input type="checkbox"/> A social actor who is immersed in the research setting.

Source: Crotty (2003), Easterby-Smith *et al.* (2012), Weber (2004)

Hoepfl (1997), as well as Creswell (2012), attested that the use of a qualitative or quantitative approach is based on the philosophical assumptions of the researcher. It is worth noting that in positivism, the reality is objective, it does not depend on the researcher, and the research is value-free (Fletcher, 2017), hence deductive forms of theories and hypotheses can be tested. In a quantitative research approach, techniques such as questionnaires, structured interviews, and statistical models are mostly used (Saunders *et al.*, 2008). A quantitative research method is a deductive approach, which is most suitable for positivist research that is linked to the natural sciences (Healy & Perry, 2000; Easterby-Smith *et al.*, 2002; Walliman, 2011).

Recently, there has been a steady growth of management accounting research that uses the qualitative approach where the objective of the research is to comprehend the relationship between management accounting systems and the immediate business environment (Hopwood, 2007; Vaivio,

2007, Lukka, 2010; Tripathi, 2017). Parker (2011), as well as Clerkin (2017), stated that qualitative research in management accounting provides a rich understanding of MAPs since the phenomenon is researched at close range. The above assertion suggests that the interpretivist paradigm is appropriate for making sense of human actions and addressing questions such as 'how' and 'why' in the application of MAPs. The paradigm enables the interpretivist management accounting researcher to articulate how MAPs change over time (Scapens, 2006; Ryan *et al.*, 2002; Yin, 2003; Ali, 2014).

Moreover, a mixed research approach combines both qualitative and quantitative research methodologies in a single study. The mixed methodology overcomes paradigmatic wars by using the strength of the two approaches and all methods are accepted (McKerchar, 2008). In the field of accounting, "paradigm wars" also exist (Bisman, 2010), and the battle is grounded in both ontological and epistemological assumptions. Both paradigms are useful in accounting studies, even though they have their weaknesses. Furthermore, the selection of the research philosophy is influenced by the researcher's worldview and philosophical assumptions. A mixed or multiple research approaches best fits when the positivist or interpretivist is not giving the desired outcome, thus adopting a research paradigm that applies a combined methodological approach, such as critical realism or pragmatism. Critical realism and pragmatism recognise the value of both quantitative and qualitative methodologies. Bisman (2010) asserts that critical realism is the solution to the "deadlock between positivists and interpretivism." However, the challenge with the mixed approach is to select data collection techniques that will achieve triangulation of results. In sum, positivist studies use quantitative methods, whereas interpretivist research uses qualitative methods. Critical realism or pragmatism uses a hybrid of quantitative and qualitative methods.

This study adopted a qualitative research method to gain a deep understanding of the nature of MAPs in the context of SMEs, exploring the factors influencing the use of MAPs and the relevance of MAPs in the SME sector in Zimbabwe. This method enabled the researcher to gain detailed and unique insights from the MAPs practitioner's perspective on how SMEs adapt to management accounting issues. Qualitative research yields deep and detailed data that aids in the development of the MAPs framework for SMEs in Zimbabwe. The next section discusses the research approaches.

4.6 Research approach

According to Bryman and Bell (2011), the two main research approaches mostly used in studies are the deductive and inductive approaches. Goel and Dolan (2004) and Klauer *et al.* (2014) pointed out that inductive and deductive reasoning usually contrasts with each other, as there are distinct logical and psychological processes involved. Deductive research is an approach where the researcher develops or formulates a hypothesis and then tests it through empirical scrutiny (Bryman & Bell,

2011). Collis and Hussey (2009) defined a deductive approach as a study that formulates a hypothesis from conceptual and theoretical structures and then tests the hypothesis against empirical data. According to Hussey and Hussey (1997) and Fletcher (2017), moving from the general rules to a specific application is typical of the deductive approach. This method starts with the general and proceeds to a guaranteed specific conclusion. Therefore, with true original assertions, the conclusion has to be true also. A deductive approach is typical of quantitative studies in natural science and suits a positivistic methodology (Lukka & Modell, 2010; Lorenz, 2015).

Hussey and Hussey (1997) referred to the inductive approach as a study that develops a theory from empirical observation analysis; hence, it is the reverse of the deductive approach. In this approach, the researcher is guided by certain ideas about the subject being investigated. The researcher begins by collecting data and the data is analysed to develop a theory; thus, moving from the specific to the general, as evidence is gathered, patterns are established, and a theory is formulated to explain the behaviour. In an inductive approach, the researcher makes analytic generalisations with an in-depth understanding of the phenomenon; therefore, it best fits in qualitative research (Wahyuni, 2012). Yin (2003) pointed out that the inductive approach is a difficult strategy for an inexperienced researcher, as one can collect data without examining the themes emerging from the data. In this regard, one has to analyse data as they do data collection and develop a conceptual framework that will guide the subsequent work (Yin, 2003). The inductive approach needs one to have a clear purpose in research, and this approach is resource-intensive with a lengthy period needed for it to be successful (Saunders *et al.*, 2008). Various studies have been conducted in management accounting (Zoubi, 2011; Ali, 2014; Kambanei, 2014; Clerkin, 2017), following inductive reasoning.

Deductive and inductive reasoning can be combined in a single study, commencing with either a deductive or an inductive approach (Saunders *et al.*, 2008). An approach that combines both reasoning is referred to as the abductive approach. Morgan (2007) stated that there are three different research approaches: inductive, deductive and abductive approaches. With the abductive approach, the researcher converts empirical data into theories and those theories are assessed through action (Morgan, 2007). The abductive approach is used in a pragmatic paradigm as it is set to address studies that apply both deductive and inductive reasoning (Wahyuni, 2012). There are few recent management accounting studies that have been conducted using the abductive approach (Malmlose, 2012; Lorenz, 2015). In a drive to answer the research questions in this study, it became ideal to adopt an inductive approach to find out the state of MAPs in SMEs in Zimbabwe. In an attempt to explore the challenges and opportunities for the adoption of MAPs among SMEs and develop a MAPs framework, an inductive approach was deemed the most appropriate approach for this study.

4.7 Research theories in management accounting studies

Wanderley and Cullen (2012) describe management accounting studies as multifarious and heterogeneous as they evolve. For any study, especially qualitative management accounting studies, it is paramount to choose a theory that underpins the study as it plays a pivotal role in understanding the study phenomena (Neuman, 2009; Clerkin, 2017). Social theories such as the contingency theory, new institutional sociology theory, structuration theory, and actor-network theory, according to Ryan *et al.* (2002), can be used in accounting studies. The neoclassical economic theory has been identified as one of the early-adopted theories in management accounting studies. However, contingency theory, new institutional sociology theory and structuration theory are the most often applied theories in management accounting studies (Baxter & Chua, 2003; Ribeiro & Scapens, 2006; Leftesi, 2008).

4.7.1 Neo-classical economic theory

Several scholars have attested that management accounting studies have largely been influenced by neo-classical economic theory (Shotter, 2000; Benston, 2006; Zimmerman, 2015). The theory-led MAPs are incidentally grounded in the profit maximisation objective (Ribeiro & Scapens, 2006; Black, 2010). The neo-classical theory seeks to understand the behaviour of entities at macro levels as optimal decisions are taken *ad hoc* in a rapidly changing environment. According to Backhouse (1985), no one will ever do something in their economic lives that adds more to their losses than to their gains, and will always do anything that adds more to their gains than to their losses. Hence, the neoclassical theory suggests that the customer strives for utility maximisation, whilst, on the contrary, the entity seeks profit maximisation (Zimmerman, 2015). The neo-classical philosophy is rooted in two assumptions; rationality and equilibrium, thus viewing economic participants as seekers of utility and profit maximisation through marginal economic analysis (Ryan *et al.*, 2002). In that regard, management accountants will only apply MAPs that enhance effective resource allocation and promote profit maximisation.

Shotter (2000) asserted that management accounting is built on the supposition of rationality in problem-solving in an intricate world. However, the neo-classical economic philosophy subjugated both research and textbooks in management accounting (Ryan *et al.*, 2002; Scapens, 2006; Hooks & Stewart, 2015). On the other hand, Teece and Winter (1984) argued that the neo-classic theory is almost based entirely on static equilibrium analyses and absolute optimisation that might be unrealisable given constrained rationality, whereas management accounting issues are so dynamic and evolve, especially in a fast-changing world. Apostolou *et al.* (2017) also asserted that the notion of profit maximisation does not mean that entities overtly apply the method to achieve profit

maximisation, even though they would hardly survive without maximising profit. Gray *et al.* (2014) then declared that the precision, scope, and conformity with which it yields is to be judged in order to provide a system of generalisations that can be used to make correct predictions about the consequences of any change in circumstances.

Dopfer (2006) also criticised the neo-classical economic theory, stating it is premised on the perception that economic changes can be explicated, based on objective laws, whereas economic events are influenced by various factors and it ignores the subjectivity of management accounting changes. Lawson (2013) further censured the neo-classical economic theory, asserting that it is unsuitable for use, especially in scrutinising economic behaviour, as it is a numerical-deductivist approach. Therefore, the neo-classical economic theory has some limitations, especially in its assumptions concerning the behaviour of management accountants. Scapens (2006), who affirmed that the behaviour of management accountants in various entities could not be described using the neo-classic economics theory, supported this.

4.7.2 Contingency theory

In 1965, Woodward initiated the contingency theory of organisational behaviour, riding on the principle that there is no single best structure for an entity to accomplish ideal results (Otley, 1995). According to Covaleski *et al.* (1996), the contingency theory is a method for studying organizational behaviour. The theory emphasises how contingent elements that are not only limited to technology, culture, and the environment have a bearing on the functionality of an entity (Vidal *et al.*, 2017). According to Islam and Hu (2012), contingency theory research suggest that organizational outcomes are the result of a fit or match between two or more contingent components. In that regard, the contingency theory emphasises that various organisational structures can be applied by different entities to achieve ideal results. Islam and Hu (2012) postulated that the effectiveness of an organisation depends on the ability of the entity in fitting or match well in the environmental volatility, type of technology and organisational function, which were supported by Vidal *et al.* (2017). The contingency theory was recognised in the management accounting literature in the mid-1970s (Otley, 2016).

The contingency theory can be applied to a study that examines the use of MAPs as management accounting systems, which varies from one organisation to another since entities operate in different industries with varying needs. Ali (2014), who posited that the application of the contingency theory in management accounting studies is because there is no single appropriate system of accounting or control that can be applied equally to all business units in all situations, supported this. Otley (2016) further argued that the contingency theory best fits in large entities using the positivist paradigm

following a deductive approach since it is easy to test a hypothesis in these large entities. Tillema (2005), an advocate of the use of the contingency theory in management accounting studies, highlighted that the low application of contemporary MAPs depends on the contingent factors surrounding the entity; hence, the theory can suit well in such studies.

Donaldson (2006), who is a critic of the contingency theory, argued that the theory is limited by its static nature, meaning the organisation will always fit within its operating environment. Reid and Smith (2002) also criticised the contingency theory in management accounting studies, asserting that contingency factors are not the only factors influencing the adoption of MAPs within an entity. In this study, the researcher viewed the social world as interpretively constructed and not as rule-governed, implying a theory or hypothesis will not be tested using empirical evidence. The contingency theory fits in well with a study that has a hypothesis to be developed and tested on the contingent factors; therefore, the theory was not suitable for this study as the study adopted an interpretivism paradigm following an inductive approach. Baxter and Chua (2003) suggested that the structuration theory is preferable to the contingency theory in management accounting.

4.7.3 Structuration theory

In 1984, Anthony Giddens developed the structuration theory (Stones, 2005). The main conjecture of the feat relates to the ambivalence of a structure as a core element of theoretical design between the agency of individuals and social structures. The premise of the structuration theory is that structure and agents are independent variables (Jack & Kholeif, 2008). Therefore, the structures are abstract templates that represent the rules, routines, and resources guiding human behaviour in social settings (Barley & Tolbert, 1997; Coad *et al.*, 2015). The structuration theory explains that human actions are executed from the perspective of a pre-established social structure (Stones, 2005). Englund and Gerdin (2014) highlight that researchers in management accounting tend to concentrate on the main elements of structure and fail to distinguish between internal and external structures in their studies.

The structuration theory has been criticised for its failure to provide a social fulcrum that links agency and structure; in that respect, to avoid the conflict between structure and action, a clear explanation of the link between the two realms is called for (Coad *et al.*, 2015). Stones (2005) criticised the structuration theory for being difficult to empirically apply, as it does not give sufficient detail on how to apply it in empirical research. Scapens (1996) also chastised structuration theory for failing to recognize the informed, purposeful human actor involved in practice formation and replication, as well as portraying structural practices "as a monolithic set of structuring features". Busco and Scapens

(2011) also stated that the theory is unsuitable for studies that analyse processes of change, especially in management accounting.

The structuration theory has been further criticised for its flat ontology, which says there are no social structure levels. Consequently, the theory suggests that MAPs for large and small entities are the same. Stones (2005) postulated that the structuration theory is appropriate for a critical realism paradigm following an abductive approach, which combines both the qualitative and quantitative research methods (Lukka & Modell, 2010). The structuration theory is most suitable for mixed-method studies (Stones, 2005) hence, it was not used in this subjective interpretivism study. This study aimed to explore the extent of MAPs' adoption and identify the most relevant MAPs for SMEs in Zimbabwe, instead of examining changes in management accounting in the Zimbabwean context. Rose *et al.* (2005) posit that the Actor-Network Theory (ANT) is more appropriate in management accounting studies as compared to the structuration theory. In support of this view, Rose *et al.* (2005) cited that ANT is based on the premise that both the human and non-human actors influence organisational change.

4.7.4 Actor-network theory

Bruno Latour developed the ANT around the 1970s and further modified the theory in 1997. This theory relates to human and non-human actors with accounting practices. Wanderley and Cullen (2012) postulated that the principle behind the application of ANT in management accounting studies is founded on the basis that MAPs are shaped by human and non-human actors. They further asserted that management accounting information is created to serve different purposes within an organisation; hence, human and non-human actors (Justesen & Mouritsen, 2011; Wanderley & Cullen, 2012) model the application of MAPs. The theory enables the exploration of the interconnections between accountants' inscriptions and the technology they use to demonstrate how accounting intercedes local actions. The ANT has been used in management accounting studies by various researchers (McClean & Hassard, 2004; Jones & Dugdale, 2002; Jackson, 2015). Justesen and Mouritsen (2011) argued that the ANT is most suitable for management accounting changes in organisations. Tatnall and Burgess (2002) criticised the ANT theory for considering human and non-human factors at the same scale.

4.7.5 Institutional theory

Under the institutional theory, three different strands premeditate varying levels of inquiry into institutions. These branches are old institutional economics, new institutional economics, and the new

institutional sociology (Lounsbury, 2008; Lorenz, 2015). Scapens (2012) defined institutions as cultural structures composed of norms, values, rules, systems, roles, behaviors, and formal and informal procedures that form and define relationships between individuals and political, economic, and social systems. Old institutional economics theory analyses the micro setting of the institution, such as routines, procedures, and individual actions within the institution. Scapens (2012) also postulated that the theory implies that individuals' behaviour can be influenced by the norms of institutions. Dissimilarly, Busco and Scapens (2011) stated that individual actors easily adapt to changes in procedures and practices whilst institutions that have a greater impact in influencing the procedures and practices take a long time to adapt. Lounsbury (2008) further posits that the theory best fits in a study that analyses the issues of change within an institution. The focus of the theory is on the intra-institutional level as it emphasises internal pressures that influence the adoption of MAPs in an organisation. However, the old institutional economics theory is criticised for its failure to give full consideration to environmental pressures (Ali, 2014). Wanderly *et al.* (2011) censure the use of the theory in management accounting studies for its failure to explain the influence of environmental pressures or external factors.

Neoclassical economic principles are followed by new institutional economics. According to DiMaggio and Powell (1991), the new institutional economics theory analyses the external nature of institutions, thus being concerned about how environmental factors, such as socio-economic and political factors, influence institutional practices. Moll *et al.* (2006) posit that the theory has placed less prominence on individual behaviour and actions that have a greater potential to shape organisational practices. Clerkin (2017) also highlighted that the new institutional economics theory asserts that organisations exist only when the cost of running the institution is less than the benefit thereof.

Scapens (2012) stated that under the new institutional economics theory, economic factors are the most critical elements in shaping management accounting systems in an organisation. In concurrence, Ali (2014) also stated that the theory concentrates on how economic factors influence the structure of an entity as well as the application of MAPs. Therefore, for one to understand the specific aspects that shape the structure of an entity they have to be inside the entity and study it from within. Ali (2014) is in harmony with Scapens (2006) that economic factors are the most critical factors but not the only factors to be considered, thus, it is more appropriate to consider the new institutional sociology theory for a better understanding and appreciation of the phenomenon under study.

The New Institutional Sociology (NIS) theory emerged in the 1970s and 1980s; it views institutions outside the traditional views of economics and focuses on processes in which structures, norms, and routines become established as authoritative guidelines for social behaviour (DiMaggio & Powell,

1983; Scott, 2008). The theory analyses institutions at the macro level and it is more concerned with how external and internal pressures, such as socio-economic, political and legal factors influence the shaping of the organisational structure (Scott, 2008). Hussain and Hoque (2002) asserted that NIS is suitable for analysing the impact of external and internal factors on organisational structure. In the same thread, Moll *et al.* (2006) further postulated that procedures, rules, practices and norms in society, as well as the environmental factors, delineate the institution. However, more attention is placed on external factors as these shape the internal system of an entity, as well as the management accounting systems.

Various studies have used the NIS theory in the diffusion of MAPs (DiMaggio & Powell, 1983; Burns & Scapens, 2000; Collier, 2001; Howorth *et al.*, 2002). The NIS theory considers how the external and internal factors influence the shape of the institutional processes as entities seek institutional legitimacy. DiMaggio and Powell (1983) contend that entities in an analogous bracket must have a similar form as well as emulate each other due to the same operational environment. NIS has been used in management accounting studies to analyse why entities in the same field use different systems (Scapens, 2006). The theory suggests that organisations adopt MAPs to conform to the law and ensure survival (Leftesi, 2008). Yassin (2020) suggested that the NIS theory focuses on isomorphic factors, especially in studies that analyse the adoption of MAPs by entities as they contend for institutional legitimacy as well as market position.

Isomorphism, according to Tripathi (2017), is defined as the adoption of an institutional practice from other organizations with similar formal structures and institutional settings. Goddard and Assad (2006) postulated that isomorphism is the propensity of entities falling in the same industry applying similar practices. DiMaggio and Powell (1983) posit that there are three types of isomorphism, and these are coercive, mimetic and normative. Coercive isomorphism is when the entity is forced to act in a particular way due to external or internal factors (Kambanei, 2014). The action of the entity can be necessitated by expectations from other entities on which it depends (Beckert, 2010). For instance, SMEs might legalise their operations so that they can trade with large entities that require certain documents, such as tax clearance, before doing business with them or financial institutions requiring certain processes before offering a loan. Tripathi (2017) also cited that government regulations might directly influence change in the processes of the entity. Scott (2001), who highlighted that the external body could influence change in the entity by force as a regulatory agency, had earlier highlighted this.

Under mimetic isomorphism, the entity has pressure to adopt certain practices due to uncertain environments that are deemed beneficial to imitate (Scott, 2001). According to DiMaggio and Powell (1991), as well as Tripathi (2017), mimetic pressures induce an entity to imitate the actions of those

organisations they perceive to be their benchmark, especially those with homogeneous organisational structures. For example, a small firm might imitate the norms and practices of a large firm that it believes to be the leader, thus adopting a follow-the-leader approach. DiMaggio and Powell (1991) cited that normative isomorphism "sprouts from professionalisation" asserting that professionals in the same organisation or field of study come together and review various processes to establish legitimacy (Brignall & Modell, 2000; Frumkin & Galaskiewicz, 2004.). Qualified management accountants will influence the application of MAPs in an entity, though their influence relies on the SME-owners' attitude and appreciation of MAPs (Ahmad, 2012).

Numerous management accounting studies have broadly applied the NIS as a theoretical framework in exploring different accounting issues (Zoubi, 2011; Ali, 2014). Some of the studies discussed how isomorphic pressures influenced the application of accounting practices in various organisations (Hussain & Hoque, 2002; Zoubi, 2011; Ali, 2014). Greenwood and Hinings (1996) criticised NIS, stating that "it is weak in analysing the internal dynamics of organisational change." Consequently, the theory is silent on why some organisations adopt radical change while others do not, despite experiencing the same institutional pressures. For this particular study, the assertions by Greenwood and Hinings on the weaknesses of NIS did not apply, as the study sought to ascertain the adoption level as well as the challenges faced by Zimbabwean SMEs in using MAPs. In that regard, Scott (2001) and Munir (2020) also stated that the use of the three types of isomorphism simultaneously enhances the outcome of the research. This study applied all three isomorphisms in an attempt to answer the research questions raised in chapter one.

The NIS theory was adopted for this study to understand the design and implementation of MAPs among SMEs. The theory was more appropriate to the current study due to the uncertainty of the external factors experienced by SMEs operating in Zimbabwe. The Zimbabwean society is currently characterised by instability on various environmental factors such as economic, social, legal and political factors. These factors have an impact on the application of MAPs among SMEs in Zimbabwe. Tsamenyi *et al.* (2006) and Ali (2014), who affirmed that NIS is more appropriate in studying entities that operate in an uncertain environment, supported this.

In addition, the study focused on both internal and external institutional forces, such as the behaviour of management accountants, regulatory boards, and industry practices. These factors impact and influence the use of MAPs in an organisation. In this respect, Munir (2020) stated that the NIS theory highlights that both external and internal institutional forces influence organisations in adopting MAPs. Scott (2008) attested that institutional forces shape and influence the actions of management accountants in an organisation. In this regard, it is critical to consider their desire as well as the

technical concerns that lead to the use of MAPs. Moreover, the NIS theory is useful in identifying different institutional factors in creating the similarity and dissimilarity of MAPs (Ali, 2014), which is of use in the development of the MAP framework for SMEs in Zimbabwe.

In that respect, the NIS theory as a theoretical framework was applied in this study to outline various management accounting issues among SMEs in Zimbabwe. The theory furnishes an account of what influences the application of MAPs among Zimbabwean SMEs; which MAPs apply to SMEs operating in Zimbabwe; and how SMEs are appreciating and reacting to institutional pressures and expectations concerning MAPs. Consequently, in the current study, the NIS perspective is more appropriate in scrutinising the external and internal factors influencing the adoption of MAPs by Zimbabwean SMEs. This enhances in the development of a management accounting framework for SMEs in Zimbabwe.

4.8 Research design

Collis and Hussey (2009) stated that the researcher should determine the philosophical foundation of a study before the construction of the research design, hence, the present section discusses the research design for this study. A good research design is essential in a study as it provides a framework and a "blueprint" for data collection and data analysis (Yin, 2003; Bryman, 2004). Researchers should exercise due diligence when developing a research design, especially in the selection of the correct methods of data collection, as they influence the quality of the study. A research design is a "master technique," whereas the method of data collection and analysis is a "servant technique" (Ghauri *et al.*, 2020). Ghauri and Gronhaug (2010) augmented the above statement by saying that a research design is a master plan with specific data collection and analysis methods towards the realisation of the research objectives.

Yin (2003) defines a research design in another way, as an action plan for getting from here to there, where 'here' may be defined as the initial set of questions to be answered and "there" is some set of conclusions answering these questions. In other words, a research design is a blueprint or logical sequential action plan that connects the empirical evidence of the study to the initial research questions up to the conclusion of the study (Creswell, 2009). There is a divergence of views in the identification of qualitative research designs among scholars, but they generally include phenomenology, ethnography, grounded theory, and case study (Bryman, 2004). For this study, a case study research design was used, and it is discussed in detail below.

4.8.1.1 Case study design

Academics vary in their understanding of what a case study is because there is no easy explanation (Zucker, 2009) since a case study can be explanatory or descriptive, be either qualitative or quantitative, and be done in the social sciences or natural sciences. According to Creswell (2014), the case study technique investigates a real-life, contemporary bounded system (a case) or numerous bounded systems (cases) across time by collecting thorough, in-depth data from multiple sources and reporting a case description and case themes. Stake (1995) stated that a case study is a strategy of exploration in which the researcher examines a phenomenon in depth. Astalin (2013) defined a case study as an intensive analysis or exploration of a person, a group of people, or a unit or institutions that a researcher can study holistically by one or more methods, and the focus is on understanding a special unit. In other words, a case study is a research strategy and an empirical, up-close, in-depth, detailed examination of people, events, and relationships to explore the causes of underlying principles and investigate a phenomenon within its real-life context (Ghauri *et al.*, 2020).

Case studies are useful when the researcher wishes to concentrate on how and why, observe behaviour without manipulation, and further understand a given phenomenon (Saunders *et al.*, 2008). Farquhar (2012) also attested that case study designs are suitable for answering how, who, and why questions. Creswell (2013) asserted that in a case study, we do not test a hypothesis, but from the case study, we may develop a hypothesis. Yin (2003) postulated that the case study design is most suitable in circumstances where it is difficult to detach variables from the object from its context. Ryan *et al.* (2002) stated that a case study research is an appropriate research design in accounting studies, especially in the field of management accounting, where more observation and interpretation is required. Parker (2003) and Ryan *et al.* (2003) confirm that in interpretive management accounting research, case studies are the commonly used method.

In essence, case study research provides detailed accounts of organisational practices and affords a better understanding of the nature of accounting in practice and an interpretation of accounting practices in organisational contexts (Ryan *et al.*, 2003). Many management accounting studies (Kaplan, 1986; Scapens, 2006; Ryan *et al.*, 2002; Ali, 2014; Lorenz, 2015; Clerkin, 2017) have been conducted, examining the factors influencing MAPs in the organisational context using case studies. Consequently, with the selected interpretive subjective paradigm and a qualitative approach, a case study design was appropriate to answer the core research questions for this study. Accordingly, the qualitative case study allowed the researcher to uncover current MAPs in the SME environment and create meaning with the development of a MAP framework for SMEs in Zimbabwe. A case study

design was adopted, and the unit of analysis was the MAPs among SMEs in Zimbabwe, with SMEs in the manufacturing sector being the unit of observation.

Flyvbjerg (2006) cited some limitations associated with the use of a case study design. These limitations include the difficulty of summarising a general proposition based on a particular case study; bias on verification; and the fact that it is most useful for generating a theory or hypothesis instead of testing the hypothesis and a theory. Accordingly, the limitation on the generalisation of a proposition was covered by the triangulation of the data collection methods. The assertion by Flyvbjerg that a case study design is most suitable for developing a theory made a case study more appropriate for this study as it was intended to develop a MAPs framework for SMEs in Zimbabwe. The following section considers the strategies to be applied in gaining access to the study sites and informants.

4.8.2 Sampling procedure

In a qualitative research methodology, many scholars do not discuss the sampling procedures (Marshall & Rossman, 2011; Creswell, 2013), as they focus less on the details of a sample's representativeness (Neuman, 2009). Easterby-Smith *et al.* (2012) noted that representativeness and precision are fundamental in sampling. Stake (1995) argued that a case study design is not sampling research since researchers in a qualitative study rarely determine a sample size before the study. In a case study, the participants' selection is in line with the study topic and not on population representation (Flick, 2009). There are three commonly used non-probability sampling techniques in qualitative research, namely, quota sampling, purposive sampling, and snowball sampling.

Quota sampling is a non-random sampling technique in which the researcher considers specific characteristics of their participants and then samples from the sub-groups in proportion to the population of the study (Yang & Banamah, 2014). Saunders *et al.* (2008) stated that in quota sampling, the researcher segments the population into groups using their judgement and data is then collected from homogeneous quotas. With this sampling technique, the researcher divides the population under study into mutually exclusive subgroups concerning certain known characteristics. Furthermore, the researcher should assign weightage to each subgroup, select an appropriate sample size, and then choose the respondents based on the weightage. Quota sampling can be used in a study where the researcher intends to analyse relationships between different subgroups.

According to Lavrakas (2008), purposive sampling, also known as selective, subjective, or judgemental sampling, has the objective of producing a sample that logically represents the population. According to Patton (2002) and Creswell and Clark (2011), purposive sampling is widely used in qualitative studies, especially in identifying and selecting information-rich individuals who are

knowledgeable about the study object. Yang and Banamah (2014) state that participants should be willing to participate and be able to articulate their opinions and experiences, and they must be selected according to their acquaintance and experience with the study phenomenon. In addition, Wegner (2013) stated that in purposive sampling, the judgement of the researchers alone determines the selection of the best sampling units.

Snowball sampling is also known as the chain referral sampling technique; hence, the two terms were used interchangeably in this study (Creswell & Clark, 2011). A chain referral sampling technique is a useful strategy when a researcher wishes to study a stigmatised group or behaviour (Creswell, 2009). According to Wegner (2013), snowball sampling is best suited when it is difficult to identify the participants in the target population because of sensitivity or confidentiality, for example, in studies related to drug addiction or HIV/AIDS. At the time of the study, there was no database for all operational SMEs in Zimbabwe as the parent ministry for SMEs, the Ministry of Women Affairs, Community, Small and Medium Enterprise Development, was working on the database. The researcher builds the sample by identifying one participant, and that participant will refer the researcher to the other participants within the same target population. Dudovskiy (2018) also stated that snowball sampling best fits in studies focusing on small businesses, and it is more popular in exploratory research situations (Wegner, 2013).

The literature asserts that SMEs tend to hide because of their unwillingness to remit taxes to the government as well as their reluctance to formalise their businesses (Dlamini, 2017). Hence, the study used a snowball sampling technique since SMEs tend to hide. In that regard, one research participant refers to another, and that person refers to another, and that person refers to another, thus identifying a chain of potential participants (Dudovskiy, 2018). The researcher started the snowballing exercise by identifying one or two participants from small-sized firms and one or two participants from medium-sized firms in each province. The researcher used various stakeholders in identifying participants at the entry point, and these participants referred the researcher to other potential participants. The process went on until the required number for each focus group was realised. The researcher developed focus groups for the following classes: textiles, food processing, and beverages. Five provinces that have a high number of registered SMEs and a high proportion of medium-sized firms (89% of all the provinces) (see section 2.7) in Zimbabwe were considered for data collection. These are Bulawayo, Matabeleland North, Harare, Midlands, and Matabeleland South.

The initial plan was to have fifteen focus group meetings and twenty-five in-depth interviews with representatives from the five provinces. For the focus group meetings, three meetings were to be conducted in each province, so each class (textile, food processing, and beverages) constituted a

focus group meeting with six participants. Of these six participants, three would be from small-sized firms and the other three would be from medium-sized firms. In the study, a specific selection criterion was applied in choosing the participants for the focus group meetings and the in-depth interviews. Either participant had to be from a small-sized firm or a medium-sized firm within the manufacturing sector. The study identified participants as small-sized firms or medium-sized firms according to the definition from the Zimbabwe SMEs Act as discussed in chapter two, section 2.2.

Specifically, the researcher conducted thirteen focus group discussions and twenty-one in-depth interviews across the five provinces. The thirteen focus group discussions and twenty-one in-depth interviews gave the researcher enough detailed information to understand the phenomenon under analysis. The chain referral sampling technique helped the researcher identify participants in the study area. The researcher further conducted nineteen key informant interviews; nine with accounting firms, five with the Zimbabwe Revenue Authority, three with the SMEs Association of Zimbabwe and two with the Ministry of Women Affairs, Community, Small and Medium Enterprise Development.

The study applied the saturation principle of diminishing returns where less new information than the preceding one was received until new information dwindled to repetitions. The number of participants was adequate for the researcher to conclude the analysis of data gathered for this study. Nevertheless, it is critical to note that chain referral sampling has a limitation in that samples are not easily defensible in representing the targeted population due to the researcher's potential subjectivity. However, several PhD studies that have been conducted in similar issues used similar or much smaller sample sizes in different countries (Zoubo, 2011; Ali, 2014; Tripath, 2017; Mabesele, 2020). For instance, Mabesele (2020) conducted a study in South Africa, she developed an integrated framework for performance measurement strategies in SMEs. The empirical data were collected from fourteen SMEs using semi-structured interviews at Cape Town municipality. In his PhD research on the role of external accountants in promoting the use of management accounting, Tripath (2017) conducted semi-structured interviews with SME owners, managers, and key personnel in eight SMEs and three accounting firms. Ali (2014) investigated the usage of management accounting and control systems in state-owned manufacturing businesses as part of his PhD research. In two companies, he conducted semi-structured interviews with managers, heads of offices, and accountants. Further, Zoubi (2011) also conducted research on the management accounting transition processes in Libyan privatized enterprises. In this study, he conducted six focus group discussions and thirteen face-to-face interviews.

4.8.3 Strategies for gaining access to the study sites and informants

Guba and Lincoln (2005) are of the view that a qualitative researcher must come up with good strategies for gaining access to study sites and the study informants. The success of a qualitative study lies in the ability of the researcher to access quality data. According to Shenton and Hayter (2004), researchers are hard hit by the restrictions on secure entry into the study site as well as in persuading individuals to be respondents to the study. In gaining access to the study site and participants, the researcher used many strategies. An application to conduct research was submitted to the Ministry of Women Affairs, Community, Small and Medium Enterprise Development in April 2019. The researcher submitted the application letter to the Bulawayo offices in April 2019. The application letter was then sent to the Permanent Secretary for the Ministry of Women Affairs, Community, Small and Medium Enterprise Development in Harare for approval.

The approval to conduct a study among SMEs in Zimbabwe was granted in September 2019. The Minister granted the researcher permission to conduct the study in any province of the country. The researcher further approached the SME Association of Zimbabwe, requesting permission to conduct a study among Zimbabwean SMEs. An approval from the ministry was attached to the application letter, and permission was granted. It is worth noting that the authorisation letter from the Ministry of Women Affairs, Community, Small and Medium Enterprise Development played a critical role in giving legitimacy to the researcher in the study area. The Ministry, as the gatekeeper, introduced the researcher to the participants, and that necessitated easy access to critical information for this study. However, even though the parent Ministry legitimised the researcher, there was imperative to undergo the process of acquiring informed consent from the participants.

There was continuous communication and a relationship-building process with various individuals who work in accounting firms, the SME Association of Zimbabwe and with friends who are SME owners. These individuals were instrumental in building up the sample for the study as they helped the researcher identify participants among SMEs. This was done many months before the data collection process began, and it enabled the researcher to successfully gain entry into the study area. The study adopted a chain referral sampling technique. The researcher had to go through a robust process of convincing the participants that he was not a Tax Authority Agent. The researcher incurred a huge telephone bill in coming up with focus group participants in the five provinces of Zimbabwe. Some participants opted to respond to interview guide questions but not in the focus group meetings.

The use of good negotiation skills assisted the researcher in identifying the best location for focus group meetings. A flexible approach aided the researcher in adjusting dates and times for scheduled meetings to cater to participants who requested changes due to some unforeseen activities. It was

imperative to constantly check the availability of participants up to the start of the meeting, as changes would take place even on the day of the meeting. The researcher used the English language to conduct the in-depth and focus group interviews. Furthermore, the researcher prompted the participants to express themselves freely and clearly in their local language. Although the researcher had planned to complete the data collection process in a specific time frame, the research participants were not required to adhere to that schedule. The study proved that seeking approval to conduct a study up to the level of gaining the co-operation of participants does not only require a plan and persistence, but also vigour and dedication. From the researcher's experience in this study, it emerged that a researcher cannot prognosticate the unfolding of their research project.

4.8.4 Criteria for choosing the manufacturing sector

In Zimbabwe, SMEs operate in different industries, like in many other countries. The SME sector can be divided into three broad categories, namely, the service sector, the agricultural sector and the manufacturing sector (Chinembiri, 2011). The service category normally concentrates on the secondary type of industries and comprises all SMEs involved in transport business activities, wholesale, retail trade, restaurant and construction, among others. SMEs in the agricultural sector are involved mostly in the production of agricultural commodities (MSMECD, 2018). Those that are engaged in the production and processing of materials fall under the manufacturing sector. The manufacturing sector receives overwhelming support from the government of Zimbabwe as it significantly contributes to the reduction of unemployment and plays a vital role in increasing the country's exports (RBZ, 2016).

The study concentrated on the Zimbabwean manufacturing sector to avoid unnecessary distortions arising from variations between sectors, and the manufacturing sector was subdivided into three classes, namely, textiles, food processing, and beverages. The manufacturing sector was suitable for researching MAPs since it has a high proportion of medium-sized enterprises that are most likely to use MAPs. Data collected from small-sized firms and medium-sized firms were separately analysed to examine the variations that exist in the use of MAPs because of firm size (Lucas *et al.*, 2013; Ahmad, 2013).

4.8.5 The pilot study

Several scholars agree on the desirability associated with a pilot study in conducting research (Creswell, 2009; Bryman, 2004; Bryman & Bell, 2007). Creswell (2013) postulated that a pilot study is a prelude carried out before the main study. This pre-test aims to verify the feasibility of the study

as well as how to ameliorate the research design. Astalin (2013) and Easterby-Smith *et al.* (2012) develop the assertion that a pilot study checks the feasibility or improves the research design. Creswell (2013) further emphasised that a pilot study should be conducted on members of the target population, though not on those who will form part of the final sample. A pilot study aids the researcher in testing the research instruments, especially in verifying whether they make sense to the participants or not. Moreover, a pre-test study helps the researcher gain an appreciation of the study phenomenon as well as develop research skills.

In this study, before conducting a pilot study, the researcher liaised with the Ministry of Women Affairs, Community, Small and Medium Enterprise Development in Zimbabwe to solicit more information before the pilot study. The researcher further sent the research instrument to Professor Sanlie Middelberg, who is one of the experts in management accounting studies at North-West University. The valuable contributions from Professor Middelberg were put into consideration by the researcher, and this enhanced the quality of the research instruments. Afterwards, a pre-test study was conducted in February 2019 in the Bulawayo Metropolitan Province.

Specifically, one focus group meeting with five participants (two from small-sized firms and three from medium-sized firms) and four in-depth interviews were piloted as these replicated the sample. The pilot study demonstrated that the prospective participants were able to understand and respond fully to the questions. In that regard, the pilot study further exhibited that the instrument lacked ambiguity and participants responded freely and clearly to the questions on the use of MAPs among SMEs. Two Chartered Accountants from accounting firms were interviewed as key informants and were further awarded an opportunity to suggest improvements to the research instruments.

4.9 Data collection

Archival records, observations, documents, and interviews are the most frequently used data collection sources in case study research (Yin, 2003; Landy & Conte, 2010). Yin (2003) further stated that qualitative interviews are the most significant data collection source in a case study. Qualitative interviews involve a direct conversation with the participants responding to questions emanating from the research problem (Bless *et al.*, 2006). Saunders *et al.* (2019) stated that the research design and the questions determine the nature of interviews. According to Bryman (2004) and Fontana and Frey (2005), interviews span a continuum that has structured interviews, which are mostly used in quantitative studies, as well as semi-structured interviews and unstructured interviews, which usually fall under qualitative studies. The structured interview is a standardised way of interviewing with predefined questions that could be answered by the interviewer (Mitchell & Jolley, 2010). It is based on a list of prearranged questions or pre-coded questionnaires; hence, the interviewer records the

responses from the asked questions in a standardised schedule (Saunders *et al.*, 2019). On the other hand, unstructured interviews comprise relatively open-ended questions with more data (Crowther & Lancaster, 2009).

Semi-structured interviews are also known as 'qualitative research interviews' (King, 2004). These are non-standardised as the researcher has questions and a list of themes to be covered which, at times, vary from one interview to another (Saunders *et al.*, 2019). Furthermore, the researcher may require additional questions as they explore the research questions in a phenomenon (Mitchell & Jolley, 2010). Sekaran (2003) stated that semi-structured interviews aim to gather an in-depth understanding and rich data on the study topic. These interviews may be conducted on a face-to-face basis, by telephone or electronically via the Internet and in other situations, on a group basis (Saunders *et al.*, 2019). On a group basis, the researcher meets a few participants to delve into a facet of the study through a group discussion that the researcher facilitates.

Semi-structured interviews are often used in exploratory and explanatory studies that seek to examine the subjective interpretations of phenomena (Saunders *et al.*, 2008). Several researchers have adopted semi-structured interviews (Lukka, 2007; Zoubi, 2011; Tripathi, 2017; Clerkin, 2017) to study MAPs in SMEs and large entities. With the semi-structured interviews, the interviewees have more freedom and honesty, therefore the researcher obtains rich information and may adjust questions and shift the direction of the discussion to follow new ideas (Yin, 2003; Zoubi, 2011). However, drawbacks also exist in that the success of the interview lies with the personality of the researcher and they are slow and expensive to administer (Creswell, 2003; Yin, 2009).

In this study, semi-structured interviews were conducted in focus group meetings and in-depth face-to-face interviews. This enabled the researcher to acquire rich information on the application of MAPs, and the researcher further shifted the direction of the discussion to follow new ideas that assisted in the development of the management accounting framework for SMEs. Interviews were conducted after obtaining the consent of the participants and ethical clearance was granted by the North-West University (NWU). All the participants were furnished with the interview questions in advance before the interviews.

4.9.1 Focus group discussions

A focus group meeting is analogous to semi-structured "one-to-one" and "group interviews," and the researcher can still apply the same instrument across the groups (Parker, 2008). Despite the literature's various definitions of a focus group, there are some common characteristics, such as organized discussion, collective activity, and social events (Krippendorff, 2012; Nyumba *et al.*, 2018).

Gibbs (2007) considers a focus group to be individuals who are selected by the researcher to discuss a particular topic. A focus group discussion provides rich information in a reasonable time with low planning costs (Gorman & Clayton, 2005). This study adopted a focus group discussion method as the method is relatively flexible, low-cost, and provides quick results.

The study followed the focus group meeting procedures, which included understanding the goals of the study, defining the targeted audience, securing a venue for the meeting, recruitment of participants, designing the questions, having a moderator and an assistant moderator, as well as the analysis of the findings (Nyumba *et al.*, 2018). The researcher collected and analysed data concurrently. This aided the researcher in stopping data collection when the saturation level was reached. According to Patton (2015), saturation occurs when the researcher has performed enough interviews and the information acquired from participants yields no new data. Squires (2018) proposes that the study be continued until data saturation is achieved. In that regard, before all the fifteen focus group meetings were conducted, the researcher stopped data collection since there was no new information being gathered. Braun and Clarke (2006) posited that the data analysis process should begin after conducting the first interview so that when you reach a saturation level, you stop collecting data.

The focus group discussions took place in central locations and neutral environments. The discussions were conducted in conference rooms at various lodges for each province, except for the Bulawayo Metropolitan Province, where the meetings were conducted at Lupane State University's 5th-floor Boardroom. The meetings did not last longer than one and a half hours. Eleven focus group discussions had five to six participants (thus 83 per cent or 100 per cent participation), whilst two had low participation of 50 per cent each. The low participation was due to the upsurge in COVID-19 cases in European countries in March 2020. The focus group moderator was a PhD holder who is an expert in management accounting. The researcher was an assistant moderator, who also took down notes.

The initial plan was to record all the focus group meetings, but the moderator and the researcher failed to convince the interviewees to allow the use of a recorder. The participants failed to agree on the use of an audio recorder, with some participants highlighting that government agents once targeted them after participating in a certain study that was audio recorded. The participants suggested a mitigation measure for their request not to record the discussions, which was to avail themselves of follow-up face-to-face or telephone interviews if there were issues that would not have been captured accordingly. In that respect, to avoid division within the house, the researcher co-opted two research assistants who aided the researcher in taking down notes. This was done to mitigate the drawback of the researcher's failure to take down certain key information, as he was also an

assistant moderator who actively raised follow-up questions. The research assistants transcribed the entire discussion. Subsequently, at the end of meetings, the moderator, researcher, and two research assistants would meet and go through the scripts chronicled by the research assistants to ensure that transcription was done accordingly.

4.9.1.1 Selection criteria for Research Assistants

The researcher considered it critical and potentially game-changing in the study to leave no stone unturned in a quest to ensure maximum quality data and, subsequently, quality findings from this qualitative study. To that end, the research assistants were selected based on their ability to comprehend and speak IsiNdebele, Tjikalanga, ChiTonga, and ChiShona languages. In addition to that, the research assistants were chosen for their deep understanding and appreciation of the cultures of these ethnicities. This was critical because Focus Group Discussions (FGDs) rely on not only the spoken but also the unspoken cues as well as the richness of the socio-cultural fibre of the subject. As a result, such nonverbal behaviours are sometimes ethnically informed, and being aware of this was critical to ensuring that the raw data was captured as accurately and comprehensively as possible. Furthermore, the research assistants were chosen for their appreciation of management accounting practices, as they were holders of the Bachelor of Commerce Honours Degree in Accounting.

4.9.2 In-depth interviews

An in-depth interview allows the researcher to ask research participants in person. This study also used in-depth interviews as the researcher noted that certain participants would not feel comfortable being part of focus group discussions. Specifically, the study conducted nineteen in-depth interviews (six in Bulawayo, four in Harare, four in the Midlands, and three in Matabeleland North and two in Matabeleland South). Creswell (2003) alluded to the fact that in-depth interviews allow the researcher to clarify and elucidate to the participants all those questions that seem to have ambiguity.

The nineteen in-depth interviews were conducted in private locations, mostly in the offices of the participants, and there were no outsiders present. The participants felt their confidentiality was secure, though three out of the nineteen refused to be recorded during the interviews. Hence, the researcher took down notes during those interview sessions. For those who allowed recording, a smartphone was used to record the interviews. The discussions were recorded with the consent of the participants. The researcher also interviewed twenty-one key informants. Precisely, five chartered accountants and seven general accountants were interviewed in accounting firms, along with two officials from the Ministry of Women Affairs, Community, Small and Medium Enterprise Development, four Zimbabwe

Revenue Authority Officers and three SME Association of Zimbabwe representatives. The key informants were interviewed in an attempt to triangulate the information obtained from focus group discussions and in-depth interviews.

Data collection began on the 4th of November 2019, and it was forced to stop on the 26th of March 2020, when the President of the Republic of Zimbabwe announced a national lockdown due to the COVID-19 pandemic. When the country went into a national lockdown, the researcher had already conducted thirteen focus group discussions, fifteen in-depth interviews, and sixteen key informant interviews. The researcher resumed data collection from the 17th of August 2020 to the 15th of September 2020 when lockdown measures were lifted. During this period, four in-depth interviews and five key informant interviews were conducted. This gave thirteen focus group meetings, nineteen in-depth interviews, and twenty-one key informant interviews. In similar studies conducted in the management accounting field, Devi and Samujh (2010) conducted eleven focus group meetings in their study on accountants as providers of support and advice to SMEs in Malaysia. Zoubi (2011) also carried out a PhD study on the processes of management accounting change in Libyan privatised companies. The study conducted six focus group discussions and thirteen face-to-face interviews. This study did not aim to obtain statistical generalisation, hence, the thirteen focus group discussions, nineteen in-depth interviews, and twenty-one key informant interviews conducted were deemed appropriate to develop theoretical generalisation.

4.9.3 Taking notes and recording data during interviews

Knight (2018) posits that the researcher should explain to the research participants how data will be recorded, managed, and used during the study lifetime. According to Saunders *et al.* (2019), adept notetaking reduces frustration during data analysis and widens the researcher's comprehension of the study findings. Note-taking and data recording are imperative during data gathering even though they have the potential to distress the participants (Holloway & Wheeler, 2002). The research participants were informed that notes would be taken during the interview sessions. Moreover, permission was sought to record the interview sessions. The recording was done using a smartphone due to its security features such as lock screens and biometric features, which ensure the protection of data from unauthorised access. However, some participants were not comfortable with audio recording, and the researcher did not compel them to agree. The researcher had to take notes during their interview sessions. The recording of the interview sessions allowed the researcher to have eye contact with the participants during data collection.

4.9.4 Data collection challenges and opportunities

Several challenges were experienced during the data collection exercise. A remarkable hindrance was the misperception that the researcher was an agent from the Zimbabwe Revenue Authority or a government agent who was gathering data for SMEs that were evading taxation or were deliberately unregistered. These suspicions were dispelled by the use of the introductory letter from the North-West University (NWU) and the proof of registration for PhD studies in management accountancy with NWU. Furthermore, the researcher had conducted two studies among SMEs before the current study. The first study was for a Master of Commerce Degree in Accounting dissertation, which focused on the identification of potential strategies to bridge the funding gap for SMEs in Zimbabwe. The second one was for a research paper that focused on tax evasion determinants among SMEs. Therefore, the researcher utilised that existing relationship with SME owners.

Given the notable challenge aforementioned, being the refusal by the focus group participants to use a recorder, the following measures were taken: To ensure accurate note-taking, the researcher co-opted two research assistants to transcribe the entire focus group discussions. This also had a bearing on the limited financial resources since the researcher had to cater for travel and subsistence for the moderator and the two research assistants. Moreover, the researcher had to reschedule several interviews due to the unavailability of participants. This affected the constrained resources as the researcher relied on personal sources since the study was not funded.

The other challenge was the unavailability of an SME database with the Ministry of Women Affairs, Community, Small and Medium Enterprise Development, which made it very difficult for the researcher to determine the sample from the targeted population. This predicament was overcome by adopting a chain referral sampling technique as well as taking advantage of the researcher's social capital, which made it easy to identify participants. The study benefited from the researcher's technical capacity, given the fact that it was not the first time that the researcher conducted a study of this character among SMEs in Zimbabwe. Furthermore, the researcher also had a prior study that was conducted on the use of MAPs among large entities, and that further helped in following up certain responses from the participants. The researcher had prior knowledge of some participants who would be averse to taking part if an approval letter from the government had been produced. This was countered by the production of NWU's proof of registration.

The researcher encountered challenges during data collection, especially on the question about the role of government in assisting in the implementation of MAPs among SMEs. In the Midlands province, some of the respondents were not free to respond to this question, especially in focus group discussions. The province has a polarised political environment, and the researcher was very careful,

in this question, so as not to be considered as an anti-ruling party agent. In one focus group when one participant criticised the government for virtually doing nothing on the promotion of management accounting among SMEs, two other participants were very vocal against critics of the government and one of them said:

"Iwewe ndiwe usurikuyita zvaunofanira kuyita siyana negovernment yedu, Unoita nezvei iwewe? Usatengese nyika uchingo shora government" (You are the one who is not doing what you have to do. Leave our government alone. What exactly are you up to? Do not sell or sabotage the country while criticising our government)

The above anecdotes reveal that the province had a polarised political environment. Some of these comments limited other participants' freedom to freely discuss the question of the role of the government in promoting the usage of MAPs. However, this was not the case in other provinces, as participants freely discussed and constructively criticised the government without fear. The researcher would continuously remind the participants that the purpose of the study was purely for academic purposes.

4.10 Data analysis

In a qualitative study, it is critical to outline a detailed depiction of how the data was analysed. This enables readers to evaluate the trustworthiness of the study findings and the credibility of the entire research process (Ryan, *et al.*, 2007; Nowell *et al.*, 2017). In this regard, this section provided a detailed description of how the data in this study were analysed. Data was transcribed from the audio recordings and then thematically analysed with the aid of Atlas ti.7.5. The thematic analysis permits the identification of themes or pattern meanings in an interview data set (Braun & Clarke, 2006). Some scholars are of the view that thematic analysis is not a method in its own right as it is used in various qualitative methods (Ryan & Bernard, 2000). On the contrary, other scholars contend that thematic analysis is a data analysis technique in its own right (King, 2004; Nowell *et al.*, 2017). Thematic analysis is not limited to a specific research paradigm or tied up to a particular theoretical framework, so it has greater strength due to its flexibility (Boyatzis, 1998).

Data analysis is not a linear process from raw data to research findings, but rather it comprises going back and forth until a proper explanation of the study phenomenon is obtained (Tripathi, 2017). The advocates of thematic analysis, Braun and Clarke (2006), came up with the reflexive thematic analysis method to aid the identification of patterns of meaning in a dataset to address research questions. In this study, the reflexive approach to thematic analysis, as highlighted by Braun and Clarke (2006), was adopted. Patterns were identified after a strenuous process that involved data familiarisation,

coding, and the generation of themes. The codes and themes were interrelated with the key theoretical issues emanating from the research questions to keep the analysis focused on the research questions. The dataset was initially organised by assigning appropriate codes to segments of the interview transcripts. The researcher was actively involved in all the six stages of data analysis that were suggested by Braun and Clarke (2006):

Stage 1: Familiarisation with the Data

The researcher was actively involved in all the interviews conducted. The researcher jotted down key points during the interviews at the same time while recording them using a smartphone. Some of the respondents used their vernacular language (isiNdebele or chiShona), though most of the respondents used the English language. Thus, interview recordings were transcribed verbatim into text, and all vernacular transcripts were translated into English by the researcher. All the scripts that were translated from vernacular to the English language were sent to a polyglot for verification. Transcripts were actively re-read several times over to familiarise the researcher with the data; profound phrases were noted; patterns pertinent to the study were highlighted. Significant phrases were triangulated with notes written during the interview sessions and field notes. Field notes were scanned and stored with interview recordings on an external hard drive. This stage enabled the researcher to gain a greater understanding of the empirical data.

Stage 2: Generating Initial Codes

The researcher avoided single word coding, as this would have limited the data analysis process by leaving other sets of data. Semantic and latent codes were used; these were predetermined from theory as well as through picking pertinent information from the data set. The study found that codes were allied to the research questions and the results were relevant. To ensure systematic coding for the entire data set, transcripts were cross-examined line-by-line, and all the data sets were given equal attention. The process was repetitively reviewed to further capture unforeseen themes.

Stage 3: Generating Themes

The initial codes were categorised and linked into broadly organised themes that caught the main issues mentioned in the research questions. At this stage, a thematic map was developed, and similar codes were clustered together into broader themes that were generated by the researcher. This was an attempt to fully understand the entire analysis. Notwithstanding that, the themes were considered individually, but different themes were linked together as they were distinctive and, at the same time, "part of the whole". This enabled the analysis of the findings to remain linked to the focus of the study.

Stage 4 Reviewing of themes

The themes that were determined in stage three above were critically reviewed. During the review process, some themes were merged, whilst others were split to ensure that they best correlated with the coded data. To reduce overlapping meanings, subsidiary sub-themes were added. The researcher ensured enough time for the analysis and was not bogged down by the original themes, even in cases where there was a need to diverge from the initial themes. All sub-themes were further linked to the master themes. The reviewed themes supplanted the initial themes, which seemed to be general in preference to the more specific and thus more meaningful themes.

Stage 5 Defining and Naming themes

All the themes were named and depicted to elucidate the overall concept or story that is linked to the themes. The themes were verified against the entire data set from the interviews. At this stage, the researcher described the central idea of the theme and the overall story of the analysis.

Stage 6 Producing the Report

At stage 6, the researcher determined the order in which the themes would be presented. The research findings were interpreted from the themes, and the subsequent results were further included in the research report. The researcher incorporated vivid, compelling dataset extracts as empirical examples into the report, and these were related to the research questions and literature.

4.11 Data analysis software

The thematic analysis that was done was conducted using Atlas. ti 7.5. Part A of the research instrument was analysed using Microsoft Excel 2013 whilst in part B, Atlas. ti 7.5 was used. The advantage of using the mentioned software was that it timeously and effectively negotiated data collected from the fieldwork. The transcripts from the interview and field notes were uploaded into the software. The analysis was done concurrently with data collection maintaining an iterative approach. An element of reflexivity was preserved by the researcher with the understanding of his impact on the analysis. The researcher kept self-reflective notes throughout the study and through constant engagement with his PhD supervisor. The researcher and the supervisor often reflected on the research process, resulting in a mutually profitable back and forth experience whose value and wealth could never be underrated in this work.

4.12 Data trustworthiness

The usefulness of a qualitative study is established when the criteria of credibility, reliability, validity and confirmability are applied holistically to assess the research project's trustworthiness (Korstjens & Moser, 2018; Gunawan, 2015). Trustworthiness is concerned with the degree of confidence in the methods applied to ensure the quality of the study during data collection, analysis, and interpretation of data (Creswell, 2014). The researcher must ensure that the study findings can be confirmed by other studies so that confidence can be placed in the truth of the study findings (Connelly, 2016; Korstjens & Moser, 2018). It is critical to examine trustworthiness in a qualitative study; "the trustworthiness of a research report lies at the heart of issues conventionally discussed as validity and reliability" (Seale, 1999:266). According to Hoepfl (1997) and Silverman (2001), validity is the degree or extent to which an account or findings accurately represent reality. Creswell (2009) posits that in a qualitative study, validity does not convey the same connotations as it does in a quantitative study. Validity relies on the determination of whether the findings are correct and accurate in the eyes of other scholars and participants (Creswell & Miller, 2000).

Reliability, mostly in quantitative research, refers to the ability of the research instrument to produce consistent results if the research is to be repeated (Connelly, 2016). Hussey and Hussey (1997) affirms that reliability in a qualitative study would mean that other observers produce similar observations and interpretations on separate occasions. In a case study, Ryan *et al.* (2002) proposed that a good research design that addresses research questions and is documented well meets the reliability criteria. Yin (2003) also suggested that researchers in a qualitative study need to document steps and procedures followed in their case study. The researcher presented a case study protocol specifying in detail the processes used in obtaining and analysing data in this research. Gibbs (2007), cited by Creswell (2009), stated that in checking the accuracy of the findings in qualitative research, the researcher has to employ certain procedures or strategies that will indicate that the research approach is consistent across various scholars. Lorenz (2015) suggested that various management accounting studies use triangulation as a method of increasing validity and reliability. Triangulation is a technique used to validate data in a study through cross verification from two or more different sources (Connelly, 2016).

In this study, the researcher is an experienced scholar with more than twelve years of activity in the management accounting field as an accountant and as a university lecturer. The researcher has published more than eight research articles in peer-reviewed journals and most of the studies were conducted in the SME sector. The researcher has supervised academic research dissertations at postgraduate and undergraduate levels at the Lupane State University in Zimbabwe.

Furthermore, a pilot study was conducted in February 2019 in the Bulawayo Metropolitan Province. The pre-test was to verify the feasibility of the study as well as how to ameliorate the research design. Due to the lack of an SME database in Zimbabwe, the researcher adopted a snowball sampling technique and various stakeholders were used in identifying participants at the entry point (Ministry of Women Affairs, Community, Small and Medium Enterprise Development, SMEs Association of Zimbabwe, Zimbabwe Revenue Authority, Accounting firms, friends who are SME owners). Thirteen focus group meetings, nineteen face-to-face in-depth interviews and twenty-one key informant interviews were conducted in five provinces for six months (from November 2019 to March 2020 and August 2020).

The researcher gave all the participants a consent form requesting their consent to participate in the research. The participants were assured that their information would only be used in the development of a Management Accounting Practice framework for SMEs only. A cover letter (Appendix I) and interview questions (Appendix III) were sent to the participants in advance. The study followed the focus group meeting procedures which are understanding the goals of the study, defining the targeted audience, securing a venue for the meeting, recruitment of participants, designing the questions, having a moderator and an assistant moderator, as well as the analysis of the findings. The focus group moderator was a PhD holder who is an expert in management accounting. The researcher was an assistant moderator and also took down notes during the meetings and asked follow-up questions. The meetings did not last longer than one and a half hours. Several questions were asked on each component of MAPs with numerous follow-up questions and on various occasions, the participants were asked to clarify their responses.

One of the major challenges faced by the researcher in the focus group meetings was the refusal to use a recorder. To ensure accurate notetaking, the researcher co-opted two research assistants to transcribe the entire focus group discussions. The research assistants could comprehend and speak IsiNdebele, Tjikalanga, ChiTonga and ChiShona languages and also had deep comprehension, as well as an appreciation of the cultures of these ethnicities. The five provinces had three major ethnic groups (Ndebeles, Kalangas and Shonas). Furthermore, the research assistants were chosen for their appreciation of management accounting as they were holders of the Bachelor of Commerce Honours Degree in Accounting.

In-depth interviews were recorded and transcribed by the researcher with the help of the two research assistants. The study adopted the reflexive approach to thematic analysis which was developed by Braun and Clarke (2006) and patterns were identified after a strenuous process that involved data familiarisation, coding and generation of the theme. The codes and themes were interrelated with the

key theoretical issues emanating from the research questions to keep the analysis focused on the research questions. The dataset was initially organised by assigning appropriate codes to segments of the interview transcripts. The researcher was actively involved in all the six stages of data analysis which were suggested by Braun and Clarke (2006). Data were analysed using Atlas. ti. 7.5 and Microsoft Excel 2013.

To further ensure data credibility and reliability, the researcher performed data source triangulation. The researcher verified the outcomes from the SMEs interviews by also interviewing twenty-one key informants made up of five Chartered Accountants and seven general accountants from accounting firms, two Officials from the Ministry of Women Affairs, Community, Small and Medium Enterprise Development, four Zimbabwe Revenue Authority Officers and three SMEs Association of Zimbabwe representatives. The data obtained from the research participants was compared with what came from the key informants. The researcher discussed the research findings with other scholars, research participants, key informants, and various stakeholders. The researcher also compared the current study findings with other prior studies conducted, especially, in developing countries since Zimbabwe is an emerging economy. Therefore, the framework that was developed as informed by the dataset, might also be applicable in other countries.

4.13 Reporting on study findings

The purpose of qualitative research is not generalisability but depth of inquiry (Golafshani, 2003). This study used a qualitative approach, intending to gain a deeper understanding of the phenomenon under study rather than a general, surface description of a phenomenon through the use of a large sample of a population. The study set out to explore the use of MAPs among SMEs in Zimbabwe with the ultimate goal of developing a management accounting framework for SMEs. A sampling frame for the study could not be established. This was as due to the fact that the total population could not be established since Zimbabwe does not have an SME database. At the time of the study, the Ministry of Women Affairs, Community, Small and Medium Enterprise Development indicated that since 2016 they are still working on the SME database. However, Finscope (2012) survey estimated the number of SMEs to be more than 100 000 registered and unregistered SMEs in the 10 provinces of Zimbabwe. Further, this 2012 study did not reveal the industrial composition of SMEs. Since the current study was based on a qualitative paradigm, it did not set out to find generalisable aspects about the use of MAPs by Zimbabwean SMEs or to generalize the findings to SMEs in Zimbabwe but it set out to establish a deeper understanding of the application of MAPs by SMEs in Zimbabwe and having done so, to develop a tentative management accounting framework for SMEs. As such a sample of 109 interviewees (from thirteen focus groups, nineteen in-depth semi-structured interviews and twenty-

one face to face interviews with key informants) from five provinces in Zimbabwe was deemed adequate for this qualitative study.

Furthermore, several PhD studies have used similar or much smaller sample sizes in investigating similar issues in different countries (Zoubo, 2011; Ali, 2014; Tripath, 2017). For instance, Tripath (2017) conducted semi-structured interviews with SME owners, managers and key staff in eight SMEs and three accounting firms in his PhD studies on the role played by external accountants in promoting the use of management accounting. Ali (2014) conducted a PhD study, investigating the use of management accounting and control systems in state-owned manufacturing companies. He used semi-structured interviews in two companies interviewing managers, heads of offices and accountants of each company. Zoubi (2011) also conducted research on the management accounting transition processes in Libyan privatized enterprises. In this study, he conducted six focus group discussions and thirteen face-to-face interviews. While this study's findings cannot be generalised to Zimbabwean SMEs, they nonetheless reveal critical aspects about the use of MAPs by SMEs in Zimbabwe. The findings of the study are also in tandem with findings that used larger sample sizes like Ahmad (2012) who conducted a PhD study on the use of management accounting among Malaysian SMEs. Ahmad's study was quantitative he sent questionnaires to 1 000 SMEs. Besides, this study was conducted in an emerging economy and his study findings are similar to the current current findings. This further buttresses the trustworthiness of this study's findings.

4.14 Ethical issues

Researchers must ensure that they adhere to ethical procedures before undertaking the study (Tharenou *et al.*, 2007). Creswell (2009) suggested that during data collection, the researcher needs to consider ethical issues, such as respecting the values of the participants and the sites they are studying. The author further stated that the researcher has to develop a consent form that would be signed by the participants. In this study, the researcher sent a consent form with a cover letter and interview questions to all participants requesting their consent to participate in the research. The cover letter included questions, such as which MAPs (costing system, budgeting system, performance evaluation, decision support system and strategic management accounting) does your organisation use? What are the challenges you face in the use of MAPs? How have MAPs improved organisational performance? A full list of interview questions is attached as Appendix III. The researcher sent more background information before the focus group discussions and in-depth interviews to those who had confirmed their attendance.

The researcher informed participants that their participation was voluntary and they were free to withdraw consent at any time. Participants were further assured that the information would only be

used to develop a management accounting framework for SMEs in Zimbabwe. Confidentiality of information collected was guaranteed, and an external hard drive secured with a password was used to store data. The researcher also assured the participants that their anonymity was assured and that no identities would be revealed. Pseudonyms were used during the discussions in an attempt to ensure anonymity and confidentiality, and only aggregated results were presented. The researcher presented his proposal to the Faculty of Economic and Management Sciences (NWU) and the researcher applied for ethical clearance with the university before data collection. The ethical clearance committee at NWU granted the researcher permission to use the research instrument to collect data (see Appendix V: Ethical clearance letter).

Two study leaders from NWU who are competent in the field of study also guided the researcher. Furthermore, the researcher is competent in the field of study, as he has conducted some studies in the SME sector in Zimbabwe and management accounting. The researcher had conducted two studies among SMEs before the current study. The first study was for a Master of Commerce Degree in Accounting dissertation, which was focusing on identifying strategies to bridge the funding gap of SMEs in Zimbabwe. The second one was a more recent research paper, which focused on the determinants of tax evasion among SMEs. Hence, the researcher understood the ethical issues involved in dealing with SMEs and management accounting issues.

4.15 Chapter summary

This chapter reviewed the research methodology literature and created a methodological path to guide the researcher in achieving the research objectives. The chapter considered the core philosophical assumptions adopted in approaching this study. It further explored various research paradigms used in the social sciences. The interpretivist was selected for this study as the researcher acted as a social actor to understand the actions and intentions of management accountants in a meaningful way and to perceive the subjective reality of the application of MAPs among SMEs in Zimbabwe. The chapter also discussed the methodological choices, and the qualitative method with an inductive approach was deemed the most suitable for this study, as this approach assisted the researcher to gain an in-depth understanding of the research area. This study was exploratory in nature, as there is a paucity of research-based knowledge about the adoption of MAPs in Zimbabwe. The explanatory stance was further taken in an attempt to explain the opportunities for the adoption of MAPs among SMEs in Zimbabwe.

Furthermore, the chapter discussed various theories used in management accounting studies. The study selected the NIS theory. The NIS perspective is more appropriate in scrutinising the external and internal factors influencing the adoption of MAPs by Zimbabwean SMEs. This enhances the

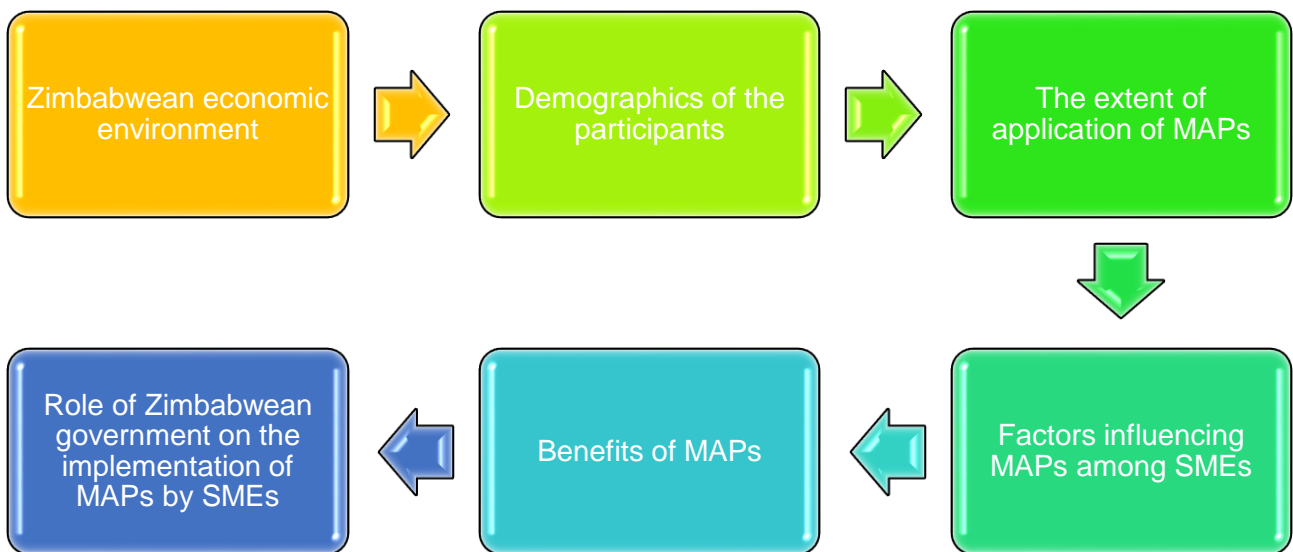
development of a management accounting framework for SMEs in Zimbabwe. Furthermore, the chapter discussed the research design adopted in this study. It further presented the data collection method and the challenges encountered during the data collection process. The chapter further outlined the data analysis procedures and the reflexive approach to thematic analysis, as highlighted by Braun and Clarke (2006), was adopted. The chapter also presented how data trustworthiness of the current study was guaranteed. It further discussed how the study findings will be reported. It finally discussed how ethical issues were addressed in the current study. The next chapter analyses the data that was collected as well as discusses the main findings and the implications of the findings of the study.

CHAPTER 5: ZIMBABWEAN SMALL AND MEDIUM-ENTERPRISES' PERSPECTIVE OF MANAGEMENT ACCOUNTING

5.1 Introduction

The chapter presents the empirical findings of the study. Figure 5.1 is a graphical representation of the organisation of the chapter. The chapter is a thematic discussion of the findings concerning the research objectives articulated in chapter one. Data presented here was solicited from various stakeholders in the SME sector using focus group discussions and in-depth interviews as outlined in the methodology chapter.

Figure 5-1: Structure of the Chapter



Source: Own formulation

The study sets out to explore the usage of MAPs with the ultimate goal of developing a management accounting framework for Zimbabwean SMEs. As stated above, the study findings presented in this chapter capture the key components relevant to the research objectives. The perspective of the SME sector in the application of management accounting in the context of the Zimbabwean economic environment is explored. The analysis focuses on the extent of the adoption of MAPs among

Zimbabwean SMEs and the factors that influence their adoption. Furthermore, it details the benefits that accrue to those who apply MAPs in their SMEs. The analysis also extends to the role of the Zimbabwean government in facilitating the adoption of MAPs by the SME sector. The findings obtained in this chapter will be used in the development of a proposed management accounting framework for SMEs in Zimbabwe.

However, as discussed in section 4.13, this study used a qualitative approach, intending to gain a deeper understanding of the phenomenon under study rather than a general, surface description of the phenomenon through the use of a large sample of a population. A sampling frame for the study could not be established as the total population could not be established since Zimbabwe does not have an SME database. Therefore, this chapter does not generalise the findings to SMEs in Zimbabwe, but it sets out to establish a deeper understanding of the application of MAPs by SMEs under study. As such, a sample of 109 interviewees (from thirteen focus groups, nineteen in-depth semi-structured interviews, and twenty-one face-to-face interviews with key informants) from five provinces in Zimbabwe was deemed adequate for this qualitative study. Eighty-eight SMEs were considered in this study. Besides, several PhD studies have used similar or much smaller sample sizes in investigating similar issues in different countries (Zoubo, 2011; Ali, 2014; Tripath, 2017). The ensuing section discusses the Zimbabwean economic environment.

5.2 The Zimbabwean economic environment

As previously discussed in chapter two (Section 2.5), the Zimbabwean economy has been in decline for the past two decades, though there have been episodes of temporary economic boom (Chinembiri, 2011; Bomani *et al.*, 2015; Kanyenze *et al.*, 2017). Notably, the years 2000 to 2008 saw an unprecedented economic contraction, with inflation peaking at 231 million per cent in July 2008 and 79 billion per cent in November 2008 (Makochekeka, 2008; Sibanda & Makwata, 2017; Pettinger, 2019). As a result, the country abandoned the Zimbabwean dollar and adopted a multi-currency system to arrest runaway inflation and improve economic prospects (Rutherford, 2018). The adoption of the multi-currency system had the desired effect of stabilising the economy and stimulating economic growth (Helliker & Murisa, 2020). For instance, the economy grew by 5.4 per cent in 2009, 9.6 per cent in 2010, 10.6 per cent in 2011, 4.4 per cent in 2012, and GDP grew by 2.9 per cent from 2009 to 2016 (Sibanda & Makwata, 2017).

However, the economic boom was short-lived. By 2017, the economy was exhibiting signs of recession because of policy blunders by the government owing to factionalism and primitive accumulation tendencies by politicians in the ruling party (Raftopoulos, 2019). The situation was further worsened by the November 15th, 2017, coup d'etat, which was alternatively called a military-

assisted transition (Rutherford, 2018). The coup brought about an upsurge of political uncertainty as the ruling party sought to consolidate its power whilst the opposition parties sought to capitalise on the temporary instability within the ruling party (ZANU-PF) (Helliker & Murisa, 2020). ZANU-PF branded the aftermath of the coup as "the second republic" or "the new dispensation" (Helliker & Murisa, 2020; Ndlovu-Gatsheni & Ruhanya, 2020). The president emphasised that Zimbabwe was "now open for business" (Rutherford, 2018). However, in the so-called "new dispensation" or "second republic", the country continues to experience a harsh economic environment characterised by an unfriendly business environment, hyperinflation, rampant corruption, and exchange rate instability (World Bank, 2020).

Furthermore, the political situation remains unstable both at the level of the state and within the main political parties in the country (ZANU-PF and MDC Alliance) (Helliker & Murisa, 2020). ZANU-PF is still grappling with factionalism, while the main opposition (MDC Alliance) refuses to acknowledge the legitimacy of the ZANU-PF-led government, which it accuses of "stealing" the 2018 presidential vote (Rutherford, 2018). In that regard, the outcome of the 2018 harmonised elections had to be decided by the country's Constitutional Court (Con-Court) (Helliker & Murisa, 2020; Ndlovu-Gatsheni & Ruhanya, 2020). The Con-Court ruling that confirmed the ZANU-PF candidate, Emmerson D. Mnangagwa, as the winner, further worsened the animosity between the ruling party and the MDC Alliance (Ndlovu-Gatsheni & Ruhanya, 2020). This had the effect of crippling the parliamentary system, thereby compromising policy formulation and implementation (Helliker & Murisa, 2020). These political ructions had negative ramifications on the economy and the business environment and further continued to affect trade and commerce (Raftopoulos, 2019; Helliker & Murisa, 2020). The dire economic situation currently gripping the country has affected the entire spectrum of the industry (Rutherford, 2018). Small and medium-sized businesses have not been spared from the resulting economic shocks (Chirume & Kaseke, 2020).

Despite the government's rhetoric that emphasised the ease of doing business in the new dispensation, post-2017 economic policies and blueprints have severely curtailed business viability and growth (Raftopoulos *et al.*, 2020; Helliker & Murisa, 2020). Chief among them is the 2018 Transitional Stabilisation Programme (TSP), which was framed as an "austerity for prosperity" programme (GOZ, 2018; Helliker & Murisa, 2020). The TSP aimed to stabilise the macro-economy, transform the economy into a private-sector-led economy, facilitate financial institutional reforms, and reduce government expenditure (GOZ, 2018). The measures articulated in the TSP are similar to those of the Economic Structural Adjustment Programme (ESAP) of the 1990s that had a devastating impact on the country (Makoni, 2000; Manyumwa, 2009; Helliker & Murisa, 2020). The period 2018 to 2020 was characterised by the promulgation of more than three hundred statutory instruments

(Nyanga & Zirima, 2020), which some respondents cited as being responsible for economic instability and policy inconsistency. One respondent in this study said:

"If you want your business to go down the drain, in the Zimbabwean economic environment, stick to the book! Many statutory instruments have been issued, for instance; statutory instrument No. 01 of 2020 was issued on the 10th of January 2020 and was cancelled by statutory instrument No. 97 of 2020 on the 17th of January 2020. If you follow the dictates of the government religiously, your business will certainly fail. Just imagine after the government banned the use of foreign currency, still, some raw materials will be acquired in foreign currency from the companies owned by politicians; at the same time, it is illegal for you to sell in foreign currency, tell me how do you survive in such a confused economic environment? (P36) [sic]"

A notable example of the confused economic environment alluded to above, is the government's ambivalent position towards the multi-currency monetary system (Helliker & Murisa, 2020). The Government of Zimbabwe reintroduced the Zimbabwean dollar and criminalised the use of the multi-currency system on the local market on the 24th of June 2019 (RBZ, 2019). This was done despite widespread concerns that it would be economically futile to tinker with the currency issue before addressing fundamental economic issues (Helliker & Murisa, 2020; Raftopoulos *et al.*, 2020). This tinkering has so far failed to stabilise the economy, as evidenced by a hyperinflationary rate of two thousand five hundred per cent (2500%) that was recorded in December 2020 (Knoema, 2020). The economy is characterised by high fiscal deficits, limited foreign exchange, high input costs, inadequate infrastructure, and persistent cash shortages that hamper meaningful economic recovery (Helliker & Murisa, 2020). With such an economic outlook, it is apparent that the re-introduction of the Zimbabwean dollar was hurried without appropriate consideration of the effect of removing the multi-currency regime on the viability of key economic sectors as well as SMEs that are the bedrock of the ordinary man's livelihood (Nyanga & Zirima, 2020; Raftopoulos *et al.*, 2020).

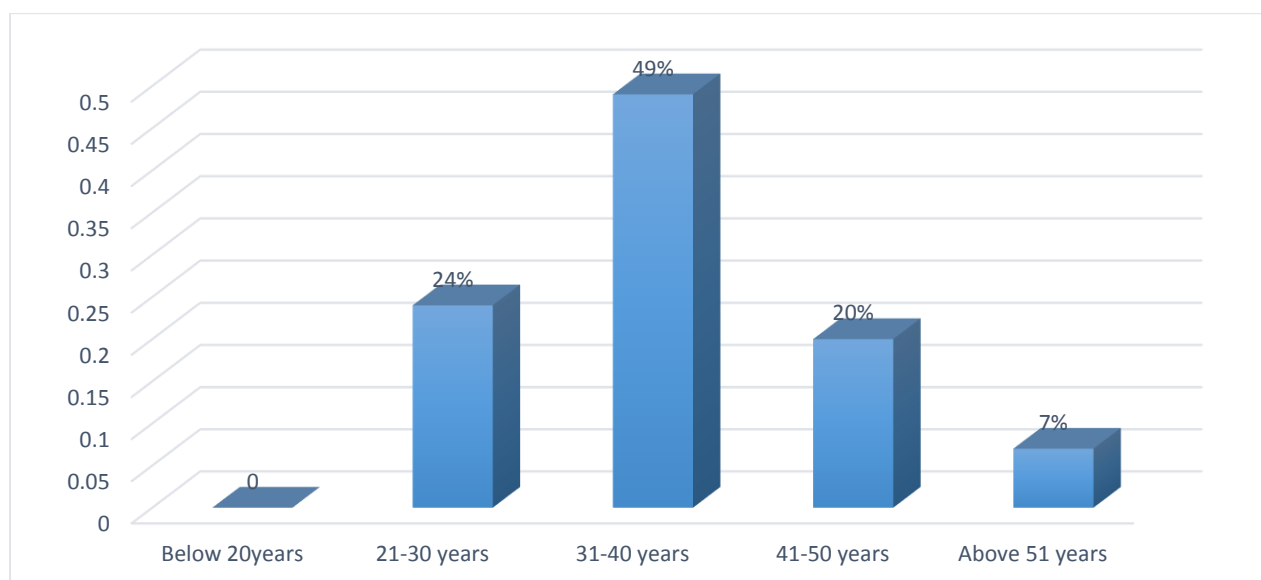
According to the literature, in unstable economies, which are characterised by corruption, hyperinflation, and increases in the exchange rate, organisations usually discard the formal ways of doing business (Sibanda, 2005). Zimbabwean economic realities lend credence to the foregoing assertion (Nyanga & Zirima, 2020). The performance of an economy has a bearing on the success or failure of an entity (Zoubi, 2011; Ali, 2014). For instance, an economic recession hampers the success and growth of businesses, especially small businesses (Finscope, 2012). In the context of the unstable economic environment in Zimbabwe (2017-2020), the study further attempted to discover how SMEs applied MAPs in their businesses in contrast to how they applied the same during the

prosperous economic era (2009-2016). The effect of the socio-economic environment on the usage of management accounting is discussed in detail in section 5.5.1. The ensuing section discusses the profiles of the participants.

5.3 Demographics of the participants

Demographic information about participants is useful for contextualising their views about the phenomena under study (Ahmad, 2012; Muza, 2018). In this study, demographic data of the participants was collected in part A of the interview guide. Eight questions were asked in part A, and they covered the participant's age, their highest education level, as well as the position held in the organisation. Part A further considered the type of manufacturing activities, the number of employees, the total assets, and the annual turnover for the entities (see Appendix IV). Eighty-eight participants and twenty-one key informants were interviewed from the five provinces in Zimbabwe (Matabeleland North, Matabeleland South, Bulawayo metropolitan, Midlands, and Harare metropolitan). Figures 5.2 to 5.6 present demographic data obtained from the eighty-eight participants involved in the study (each individual represented a company) from both the focus groups' meetings and in-depth interviews as discussed in section 4.9. Figure 5.2 shows the age groups of the eighty-eight participants.

Figure 5-2: Age groups

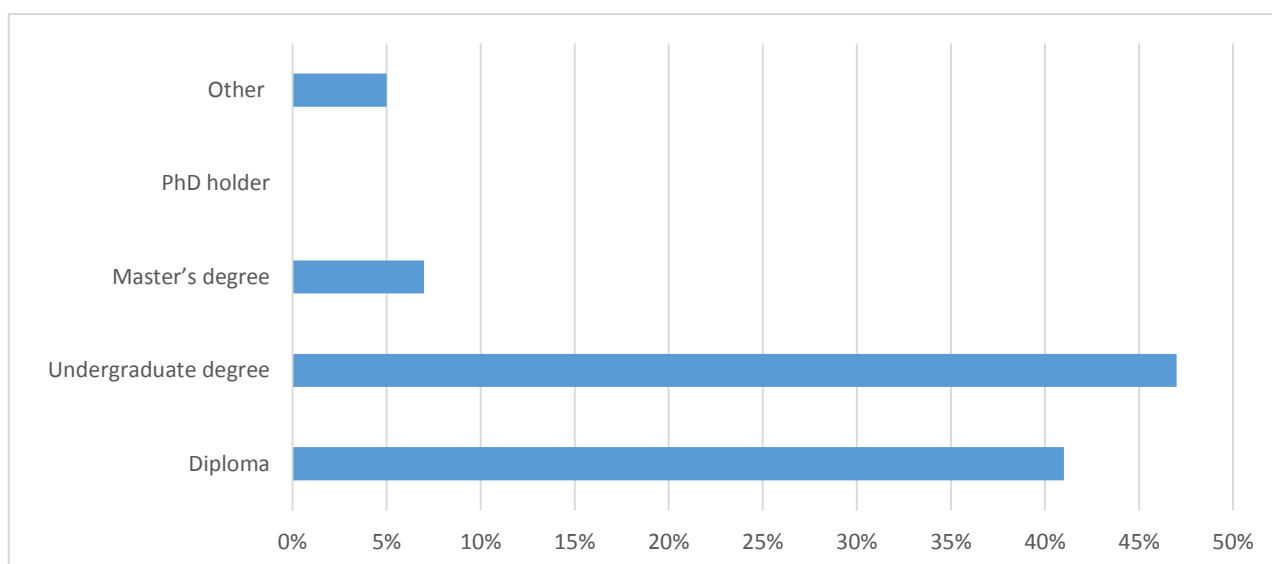


Source: Own formulation

Most of the participants were in the range of 31 to 40 years, forty-nine per cent (49%) (Forty-three participants out of eighty-eight), followed by those in the range of 21 to 30 years, thus, twenty-four

per cent (24%) (Twenty-one participants out of eighty-eight), those within the range of 41 to 50 years were twenty per cent (20%) (Eighteen participants out of eighty-eight), above 51 years had seven per cent (7%) (Six participants out of eighty-eight) and there were no participants below 21 years. Figure 5.3 depicts the highest educational level of the respondents. The figure reveals that forty-seven per cent (47%) of the participants hold undergraduate degrees, forty-one per cent (41%) are diploma holders, seven per cent (7%) hold master's degrees, five per cent (5%) hold other qualifications, such as certificates, and there were no PhD holders. Those that held "other qualifications" possessed certificates from various professional boards, such as ACCA (Association of Chartered Certified Accountants), CIMA (Chartered Institute of Management Accountants), ZAAT (Zimbabwe Association of Accounting Technicians), and CIS (Certified Institute of Secretaries). Seventy-one participants had accounting qualifications, while the other seventeen participants had qualifications in accounting-related areas like banking, finance, or business management, etc.).

Figure 5-3: Highest Education Level

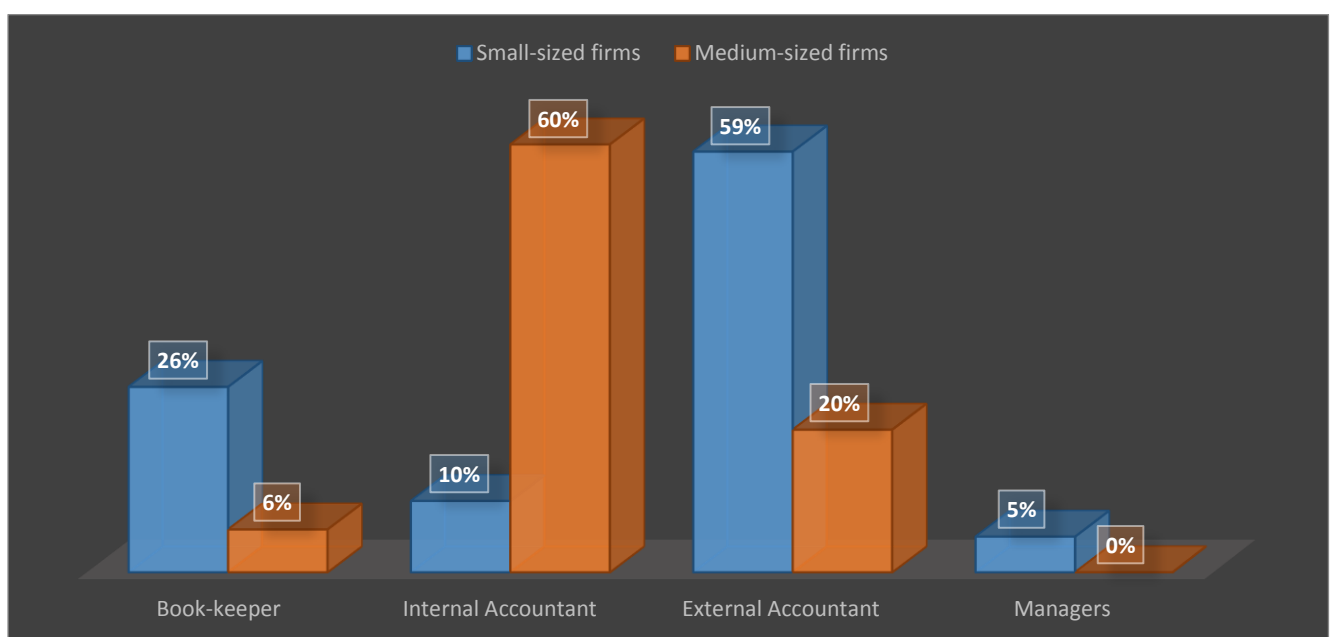


Source: Own formulation

Gray (2010) stated that management accounting is a multifaceted field that needs proper training for it to be well understood. Drury (2012) further asserted that there is a need for accounting personnel to possess the requisite skills and qualifications to cope with changes in management accounting. In light of the above assertions by Gray (2010) and Drury (2012), generally, in this study, most participants had the required qualifications to comprehend management accounting. This is shown by eighty-one per cent (81%) of the participants holding accounting qualifications. Additionally, fifty-four per cent (54%) of the participants have undergraduate and master's degrees.

Figure 5.4 shows the positions held by the respondents in their organisations. Of the participants who represented small-sized firms, fifty-eight per cent (58%) were external accountants, twenty-six per cent (26%) were bookkeepers, ten per cent (10%) were internal accountants, and five per cent (5%) were managers. Among the participants who represented medium-sized firms, sixty per cent (60%) were internal accountants, twenty per cent (20%) were external accountants, and six per cent (6%) were bookkeepers. This translates to the fact that out of the eighty-eight participants, sixty-seven (76%) were accountants. Thus, they would be reasonably expected to be well versed in management accounting and be able to apply MAPs in their organisations (Drury, 2012; Lorenz, 2015).

Figure 5-4: Position in the organisation

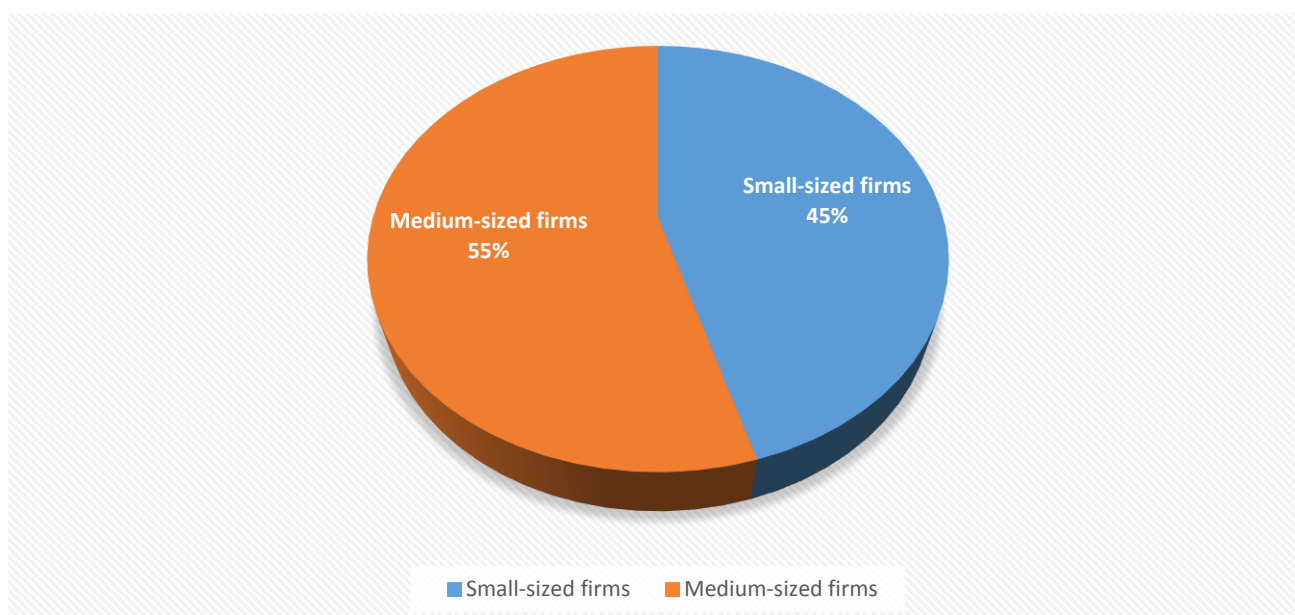


Source: Own formulation

The classification of small and medium-sized firms was based on the number of employees, annual revenue, and asset base. The figures for each category were obtained from the Zimbabwean Small and Medium Enterprise Act (24:12), as discussed in Chapter Two under Section 2.2. The definition that is delineated in the SME Act is generally accepted as well as applied in Zimbabwe and resembles the prevailing state of SMEs in the country (Bomani *et al.*, 2015). Hence, this study also adopted it in the classification of small and medium-sized firms. According to the SMEs Act (24:12), small-sized firms are those that have six to forty employees, with an asset base that is less than US\$100 000 and annual revenue that is less than US\$240 000. Medium-sized firms are those with forty-one to seventy-five employees, with an asset base ranging between US\$100 001 to US\$1M and annual revenue ranging from US\$240 000 to US\$1M (SMEs Act, 2001).

On June 24, 2019, the government introduced the Zimbabwean dollar and outlawed the use of multi-currencies. However, the SME Act (24:12) has not been amended. It still classifies SMEs based on US dollar values. At the time of the study, entities in Zimbabwe were using the Zimbabwean dollar, while the act had US dollar values. In that regard, during data collection, the researcher converted the asset base and annual revenue from the US dollar values to the Zimbabwean dollar values. Then, exchange rates in the informal market were unstable, but the official interbank rate remained static for a long period. Therefore, the researcher converted these values using the official interbank rate of US\$1: ZWL\$25 (19 September 2019), which was obtained from the Reserve Bank of Zimbabwe (RBZ, 2019). Subsequently, the converted values were used in the classification of small and medium-sized firms. Figure 5.5 shows the response rate of the participants representing small-sized and medium-sized firms.

Figure 5-5: Firm size representation

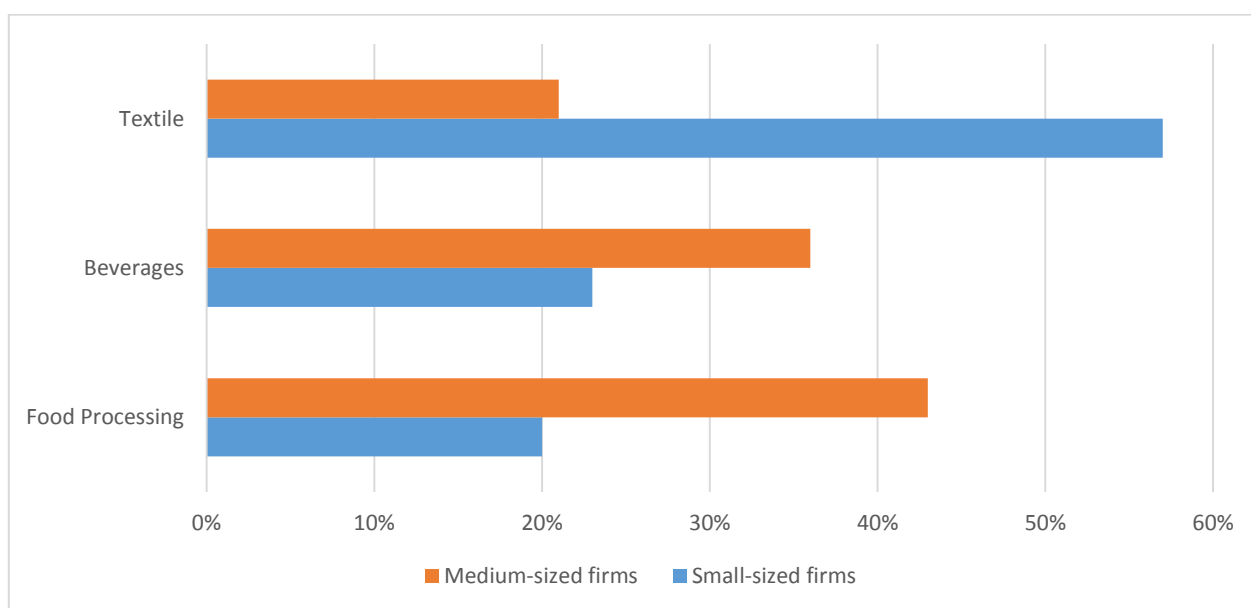


Source: Own formulation

This study was conducted in the manufacturing sector. This sector has a high proportion of medium-sized firms as compared to small-sized firms (MSMECD, 2018). Figure 5.5 reveals that medium-sized firms have a higher representation of fifty-five per cent (55%) than small-sized firms, which has a representation of forty-five per cent (45%). The variations in the representation of these firms were noticed and anticipated in the proposal stage of the study, so they did not distort the dataset. In most of the previous studies, medium-sized firms had a higher representation when compared to small-sized firms (Ahmad, 2012; Ng & Kee, 2018).

Figure 5.6 reveals the types of businesses that were represented in this study. The study sub-divided the manufacturing sector in Zimbabwe into three major industries: textiles, beverages, and food processing. Most of the small-sized firms are in the textile industry, as depicted by fifty-seven per cent (57%), with twenty-three per cent (23%) in the beverage industry and the other twenty per cent (20%) in food processing. Most of the medium-sized firms are in the food processing industry, represented by forty-three per cent (43%), followed by the beverage industry with thirty-six per cent (36%) and the textile industry with twenty-one per cent (21%). These results revealed that the majority of small-sized firms are in the textile industry and the bulk of medium-sized firms are in the food processing industry.

Figure 5-6: Type of Business



Source: Own formulation

Notwithstanding the above, all three industries were evenly represented in the study, thirty out of eighty-eight firms are in the food-processing sector, thirty-one out of eighty-eight are in the textile industry, and twenty-seven out of eighty-eight are in the beverage sector. In that regard, the sample size evenly represented the Zimbabwean manufacturing sector (MSMECD, 2018).

The following section thematically presents the study findings. The main objective of the study was to explore the usage of MAPs with the ultimate goal of developing a management accounting framework for Zimbabwean SMEs. To achieve this objective, the study formulated various research sub-objectives. These included the following: exploring the extent of the use of MAPs by Zimbabwean SMEs; ascertaining factors influencing the adoption of MAPs among SMEs in Zimbabwe; determining the benefits obtained from the use of MAPs among Zimbabwean SMEs and identifying the role played by the Zimbabwean government in the implementation of MAPs among SMEs. To achieve both the

main objective and the sub-objectives, the study acquired the views of individuals who have significant roles in the accounting-related issues within the SME sector. Various opinions were obtained from the participants, and these are presented and discussed below.

5.4 Exploring the use of MAPs by SMEs under study

The first research sub-objective was to ascertain the extent of the use of MAPs among Zimbabwean SMEs. The researcher needed to ascertain the level of adoption of MAPs by SMEs in Zimbabwe as this is useful in the development of a management accounting framework for Zimbabwean SMEs. In that regard, the first line of enquiry sought to ascertain how the participants understood the concept of management accounting. Literature asserts that in a study, the researcher should ascertain whether the respondent understands the subject area under investigation (Peytchev *et al.*, 2010). Hence, the researcher inquired about the participants understanding of management accounting. Additionally, the other underlying notion in this enquiry was that the nature of management accounting understanding by the participants might impact the application of management accounting principles in their organisations.

The research participants gave their views on what they understood as management accounting in line with their activities. Of the eighty-eight participants who were surveyed, seventy-four indicated that they understood management accounting. However, only sixty-seven of the seventy-four participants who indicated that they were familiar with management accounting was able to provide some explanation of what management accounting is. The following interview excerpts are indicative of the respondent's understanding of what management accounting entails:

"Methods used by organizations to calculate production costs while ensuring proper product pricing. These methods assist in decision making as well as aid in the reduction of production costs to ensure value creation" (P34).

"Ngokuzwisisa kwami imanagement accounting ikhangelana ngokwenelisa ukuphawula intengo eqondileyo yemphahla eliyilungisayo njenkampani lokunanzelela amaresources afunekayo njalo liwasebenzise kuhle. Ibuyanjalo incedise ekulungiseni amabudgets libuyeliwalandele lenelisenjalo ukubona ukuthi lilandela yonke inqubo ngendlela, liqhubela phambili injongo yenu njengenkampani" (In my understanding, management accounting relates to determining the production costs you incur as a company and diligently monitoring the use of resources. It also aids in budget preparation, reviewing operational strategy, and attainment of company objectives) (P71).

The participants provided different definitions and explanations of management accounting. They also mentioned the key principles and techniques applied in management accounting. Furthermore, they appropriately described the steps and procedures followed in ascertaining the cost of producing a product and the use of forecasting and performance evaluation using budgets. Moreover, the respondents adequately explained management accounting. Management accounting has been defined by various authors and accounting bodies as a practical science of value creation in an entity that collects, analyses, interprets and reports useful information for decision-making and policy formulation (Horngren *et al.*, 2005; Scapens, 2006; CIMA, 2015).

Some of the participants explained management accounting and further stated that MAPs aid in the determination of the product cost, evaluating performance, and decision-making. One of the respondents said:

"Management accounting is a tool for helping an organisation make the right decisions that improve the image of the entity through proper costing and budgeting. It also assists in the problem-solving, allocation of resources, and ascertaining the cost of a product" (P69).

The diverse explanations from the respondents for describing MAPs and stating their benefits were in line with the existing literature. The literature states that management accounting provides vital information for effective decision-making purposes as well as supports companies to gain and sustain competitive advantages through offering the best quality products and services (Lucas *et al.*, 2013).

Furthermore, the sixty-seven participants who could expound on management accounting were able to identify that there are traditional and modern MAPs. Their explanation of conventional and contemporary MAPs focused more on decision-making analysis and strategic management accounting tools. These participants further indicated that strategic management accounting helps an entity in making sound decisions that will ensure that it remains focused on attaining its strategic goals. Most of them were aware that this was a new phenomenon in management accounting. One of the participants said:

"This field of accounting assists in making good decisions, especially with the use of new practices that focus more on ensuring that the entity achieves its strategic goal by assessing both the environment and its competitors" (P83).

The literature asserts that strategic management accounting is the monitoring of the strategies of the entity and its competitors through the analysis of both financial and non-financial information to develop a sustainable business strategy (Alsoboa *et al.*, 2015). Furthermore, it has the benefit of

giving an enterprise a competitive advantage over its rivals (Agu *et al.*, 2016). However, seven out of seventy-four of the respondents who indicated that they understand management accounting could not explain precisely what management accounting entails, as evidenced by their responses to the inquiry on what they understood about management accounting. Some of their responses were:

"Management accounting is the reports prepared for management by the accounting department, and these reports include monthly tax returns that are sent to ZIMRA. These are the reports that will be given to the tax authorities if they are doing their tax audits" (P10).

"Well, in my organisation we use an external accountant, and the financial statements are prepared either monthly or quarterly for internal use, and these are the management accounts for our organisation, not for external users" (P18).

Some participants understood management accounting as management accounts that are prepared monthly, which includes tax returns and monthly financial statements prepared for managers. These seven participants assumed that they had adequate knowledge of management accounting, but their responses indicated that they lacked adequate knowledge of MAPs. Of the eighty-eight participants, fourteen indicated that they were unfamiliar with the term 'management accounting', though, after some deliberations on the subject, it became apparent that they were not only ignorant of the term "management accounting" but were in practice, applying some of the management accounting principles. Hence, a total of twenty-one participants out of eighty-eight participants displayed a lack of adequate knowledge of management accounting. This is a substantial number as it indicates that twenty-four per cent (24%) of the SMEs under study are either not applying or not fully applying management accounting principles.

However, the literature affirms that management accounting assists in the development of successful business strategies and empowers small firms to face competition and cope with the rapidly changing business environment (Azudin & Mansor, 2018). In addition, Abdel-Kader and Luther (2006) state that entities that underplay the importance of management accounting forfeit the benefits associated with the application of MAPs. However, Lucas *et al.* (2013) asserted that small businesses tend to underplay the importance of management accounting while privileging financial reporting and the computation of tax returns. A similar tendency was observed among the SMEs under study. The reasons for this propensity are discussed in detail in section 5.5.

The study proceeds by further exploring in detail the extent of the usage of MAPs among the SMEs under study by looking at individual components of MAPs. The study identified and discussed five components of MAPs in chapter three. These components are costing systems, budgeting systems,

performance evaluation systems, decision support systems, and strategic management accounting (see section 3.4). In that regard, the study explores the results from the focus group discussions and in-depth interviews concerning each component of MAPs (costing systems, budgeting systems, performance evaluation systems, decision support systems, and strategic management accounting). This gives a broad view of the overall usage of MAPs among SMEs in Zimbabwe and is indispensable to the construction of a viable management accounting framework. The following sub-section discusses the usage of costing systems among the SMEs under study.

5.4.1 The use of costing systems

Costing systems are techniques or steps followed in the determination of the cost of a product (Horngren *et al.*, 2005). These systems include the methods used in gathering the cost of a particular product as well as the techniques applied in summing up the costs (Drury, 2012). The first line of enquiry into costing systems was to ascertain how the participants understood the concept of costing systems. The researcher asked participants how they computed the cost of a product in their organisations. The intention was to gain an in-depth understanding of what the participants understood about the concept of costing systems, ascertaining the level of use of costing systems within their organisations. Respondents' understanding of costing systems is captured below.

"For us to come up with the cost of a product, we determine the material costs, labour costs, and other overheads that we incur in the production of the product" (P28).

"For products that have to pass through different production stages, we sum up all the costs incurred in the first production process stage, and the total cost of the previous process is added with the cost of process two. By so doing, we can determine the cost of production at the end of each production process. The actual cost of a product will be determined at the end of the last process" (P39).

*"We have a computerised costing system as an organisation when we receive materials from the stores, we use a material received voucher to capture the information in the systems if materials issued are not fully used, a material returns voucher will be generated and captured in the system. The systems will determine the cost of materials; it does the same for the other production-related costs. Lanxa bekungela icomputerised system lami ngingakwenza ngedwa lokhu akuhluphi". **(Even if there was no computerised system, I would have done that manually, it's not difficult.)** (P7).*

Of the eighty-eight participants, seventy-nine participants showed that they were cognisant of costing systems and all their aspects. All participants who claimed to understand costing systems were able to articulate how their organizations determine the cost of a product. These results reveal a high level of understanding of costing systems among participants (seventy-nine out of eighty-eight displaying knowledge). Quesado and Silva (2021) state that a high understanding of a concept suggests that there is a high possibility that the concept will be properly applied.

In the study, only nine out of eighty-eight participants indicated that they were ignorant of what costing entailed, even after the researcher explained what costing systems are. Additionally, the aspect of "cost collection method" and "explicit costing technique" within a costing system was explained to the respondents. In explaining the concept to these participants, the understanding was that they might be unaware of the term "costing" whilst in their organisation they are using the system. Despite the explanation by the researcher, the nine participants exhibited ignorance of costing systems. The respondents had this to say:

"Sengizwisisa into okhuluma ngayo kodwa thina njengekampani asilayo isystem yoneyo, vele asikikwenzi" (I now understand what you are talking about, but as a company, we do not have that system in place, we are not applying it) (P26).

"Ok, I hear you, my friend, we are not using those systems. We have not identified the need for all that, as long as I am making a profit it is fine with me. These bookish things won't take us anywhere, we need to make money, period, but I "understand what you are talking about" (P88).

Seventy-two out of eighty-eight participants indicated that their organisations had a properly functioning costing system. This reveals that eighty-two per cent (82%) of the SMEs under study are using costing systems in their operations. The other sixteen participants, who were all from the smaller-sized firms, indicated that they do not have a costing system (computerised or manual) in place. It emanated from the discussions that these sixteen participants would consider a price either charged by their counterparts or would do some estimates based on the cost of their inputs in the determination of the cost of the final product. The respondents had this to say:

"Thina esikwenzayo nxa sesi qedile ukulungisa amaproducts ethu sikhangelela intengo abanye abathengisa ngayo, lathi sibe sesifaka leyo price, ngoba singezake sibe lamaprices angafanani labanye, ikakhulu nxa sinanzelela sisebenzisa izinto ezifananayo ukulungisa amaproducts ethu so leprice izafana". (When production is complete, we survey the market to establish the prevailing price charged by our competitors and that is the price

***we are going to charge. It makes no sense to have a different price that is unique to us when production costs are identical)* (P67).**

"We just produce a product and we do not even need to estimate or calculate the cost, but we charge the price that is charged by other suppliers" (P16).

"We produce our products, and when we are done, we consider the material costs we incurred and other costs. We do an estimate and add these costs together to come up with the total cost" (P40).

The study findings reveal that these sixteen firms were not following any steps or procedures for cost and price determination. For instance, for cost or price determination, they would just use the prevailing market price of their counterparts. It is regrettable that some of the SMEs under study will not even apply any costing system but do calculated guesses (use of estimates without cost computation). According to the literature, it is plausible to assume that the costing strategy in the foregoing excerpts may be detrimental to the viability of these entities (Lucey, 2002; Horngren *et al.*, 2005). The literature suggests that some steps or procedures are supposed to be followed in cost determination (Horngren *et al.*, 2005). When the cost of a product has been determined, the mark-up percentage is factored in, to determine the price of the product (Horngren *et al.*, 2005; Drury, 2012; Ahmad, 2014).

As indicated in the literature, a costing system performs the watchdog function of keeping an entity's expenses in line with its profit margins (Dlamini, 2020). Proper costing ensures success as it leads to correct product pricing, appropriate decision making and profitability (Lucey, 2002). Furthermore, costing systems play a crucial role in the survival and growth of an entity since inaccurate costing affects price determination, planning and decision-making (Lucey, 2002; Horngren *et al.*, 2005; Drury, 2012). For instance, an overcharged product affects the competitive edge of the entity; on the contrary, an undercharged product results in losses and threatens the long-term viability of the enterprise (Lorenz, 2015).

Additionally, the literature suggests that several costing systems can be used by a business entity; these include, but are not limited to, absorption costing, marginal costing, direct costing, job costing, batch costing, process costing, kaizen costing, and Activity-Based Costing (ABC) (Horngren *et al.*, 2005; Drury, 2012). Table 5.1 tabulates the costing systems used by SMEs in this study, as well as those that can be adopted by SMEs as revealed by literature (Drury *et al.*, 1993; Abdel-Kader & Luther, 2006; Ahmad, 2012). The level of adoption will not be shown in Table 5.1 but will be presented in Figure 5.7.

Table 5-1: Costing systems used by SMEs under study

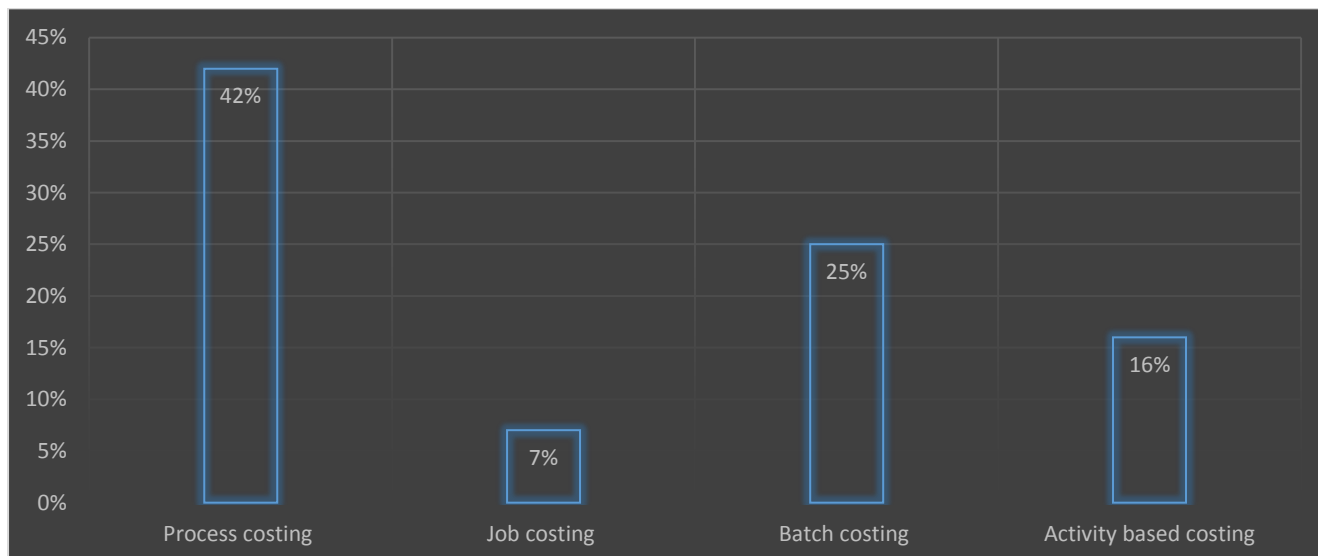
			Costing systems	SMEs under study
Costing systems	Cost collection methods	Traditional methods	Job costing	<input type="checkbox"/>
			Process costing	<input type="checkbox"/>
			Batch costing	<input type="checkbox"/>
	Costing techniques	Contemporary methods	Activity-based costing	<input type="checkbox"/>
			Traditional techniques	Absorption costing
		Marginal costing		<input type="checkbox"/>
		Contemporary techniques	Activity-based costing	<input type="checkbox"/>
			Backflush costing	<input type="checkbox"/>
			Throughput costing	<input type="checkbox"/>

Key: =Applying =Not applying

Source: Own formulation

Table 5.1 reveals that under cost collection, the SMEs under study use process costing, job costing, batch costing, and ABC, whereas the most used costing techniques are marginal costing, absorption costing, and ABC. Furthermore, Figure 5.7 indicates the extent of the adoption of cost collection methods by the businesses under study. The rate of adoption was computed by calculating the percentage of businesses that employ costing methods. For instance, thirty-seven firms indicated that they use process costing, so the usage rate was derived by calculating thirty-seven firms as a percentage of the total eighty-eight firms, resulting in a 42%.

Figure 5-7: Cost collection methods



Source: Own formulation

The study findings revealed that process costing, batch costing, job costing, and ABC are the only cost collection methods used by the SMEs under study. For instance, twenty-two participants indicated that they use batch costing, giving a usage rate of twenty-five per cent (25%). Fourteen entities indicated that they are using ABC and six entities are using job costing. Seven firms are using more than one costing system, as indicated by some participants who said:

"Yebo thina sisebenzisa amacosting systems amabili, ijob costing le batch costing. I job costing isebenza ikakhulu nxa kule special order lanxa thina sivele sisebenzisa I batch costing kakhulu" (Yes, we use two costing systems, job costing and batch costing. Job costing is mostly used when we are working on special orders, and we normally use batch costing) (P35).

"In cost collection, we use both batch costing and job costing. In our normal production process, we use batch costing and job costing for various clients who have different specific requirements" (P46).

As is evident from the above quotations, some entities use both batch costing and job costing for cost collection. However, there were inconsistencies in the application of the cost collection methods among the SMEs under study. Some entities would use either job costing or batch costing for similar products produced in different periods. Extant literature states that the selection of a costing system

by an organisation should be based on the nature of the production process (Lukka & Granlund, 1996; Lucey, 2002). For instance, process costing is more applicable to an entity that is involved in continuous mass production where units go through one or more processes, whereas job costing is more relevant within a job order production system (Horngren *et al.*, 2009). In that regard, the nature of the industry (food processing, beverages, and textiles) in which the firms operate influences the type of costing system applied (Drury, 2006). The current study's sampled SMEs were drawn from the manufacturing sector; hence, the costing systems identified in the study suited the production processes. Consequently, cost collection methods such as contract costing or service costing are considered irrelevant to the manufacturing sector (Lucey, 2002). Participants' responses attest to the prevalence of this pragmatic approach:

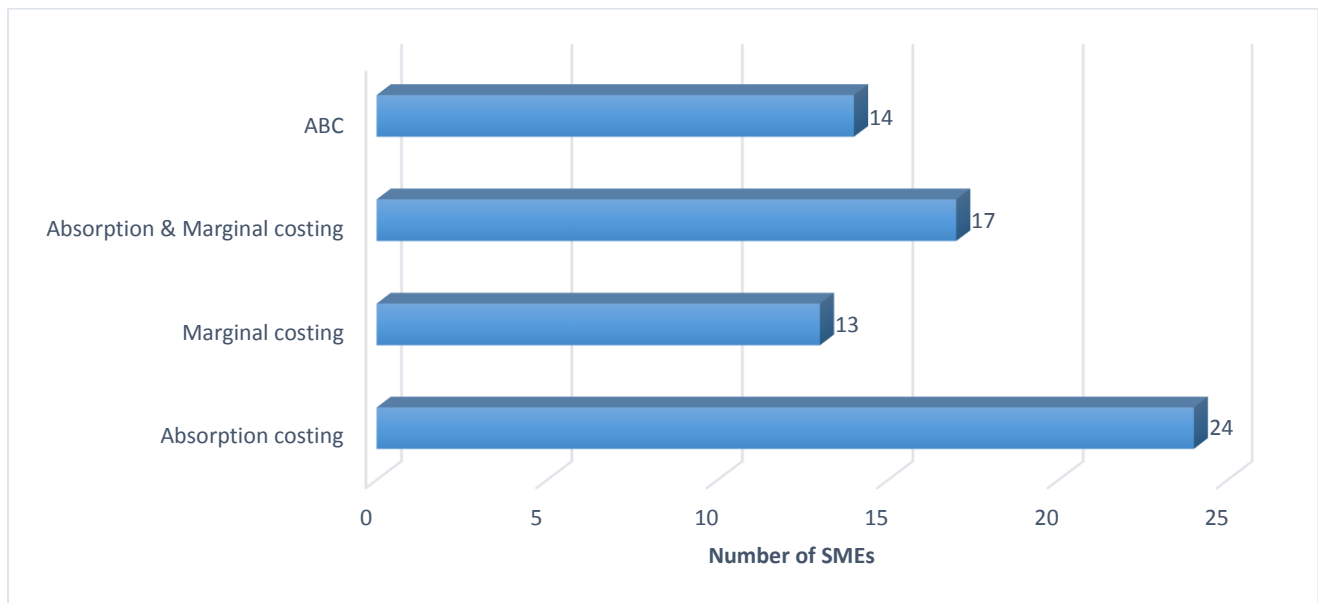
"We produce our products in batches, so it makes sense for us to determine the total batch cost and divide the cost by the number of units in that batch" (P31).

"We are into food processing, in the production processes we have to follow stipulated steps, so there is no way we will use other costing systems like batch costing or contract costing. The nature of our production process just forces you to use process costing and we do not even think of the other costing systems save for the modern activity-based costing, which we are yet to consider when we will start implementing it" (P69).

Furthermore, the current findings reveal that SMEs under study use mainly traditional costing systems (process costing, batch costing and job costing), as shown in Table 5.1. The study reveals a low uptake of ABC in SMEs under study as only sixteen per cent (16%) of sampled SMEs have switched to ABC. The respondents attributed the reluctance to adopt ABC to the fact that ABC is labour intensive, requires too many detailed records and is time-consuming. Further, ABC requires advanced technical competence for successful implementation (Almeida & Cunha, 2017). However, the contemporary view of costing affirms that ABC can be applied in any organisation regardless of the type of production process or the nature of the industry (Narong, 2009; Almeida & Cunha, 2017).

The respondents were also asked about the costing techniques they use. Sixty-eight participants indicated that they use variable costing, absorption costing and ABC. The study findings revealed that of the sixty-eight SMEs, twenty-four are using absorption costing, thirteen are using marginal costing, seventeen are concurrently using variable costing and absorption costing and fourteen are using ABC. Figure 5.8 is a visual representation of the extent of the adoption of each costing technique.

Figure 5-8: Costing techniques



Source: Own Formulation

The study findings revealed that absorption costing is the most commonly used costing technique among the SMEs under study. The participants indicated that absorption costing is preferred because its key principles are also acceptable in financial reporting. For instance, the costing profit or loss statement prepared under the absorption costing technique will be similar to the statement of profit or loss in financial reporting, hence its popularity among SMEs (Ahmad, 2012). The respondents further highlighted that they use marginal or variable costing principles mainly for short-term decision-making. Chenhall and Langfield-Smith (1998) affirm that the marginal costing system is usually used by SMEs for price determination. Literature also states that typical short-term decision-making includes the determination of prices for once-off contracts and for products to be sold during promotional marketing campaigns (Nasieku & Oluyinka, 2016).

Regarding explicit costing techniques, the study results also indicate that SMEs extensively use traditional costing techniques with low uptake of contemporary costing techniques. However, studies have indicated that the usage of both contemporary and traditional costing techniques is crucial for small businesses as these methods are complementary and enhance an entity's competitive advantage (Chenhall & Langfield-Smith, 1998; Abdel-Kader & Luther, 2006; Kaplan & Anderson, 2007). Entities need to adopt contemporary costing systems as these systems help in identifying non-value-adding activities in the entity (Abdel-Kader & Luther, 2006). The following subsection presents study findings on the budgeting systems used by the sampled SMEs.

5.4.2 The use of budgeting systems

This study interrogated budgeting systems as another component of MAPs that this study interrogated as a step towards the construction of a management accounting framework for SMEs in Zimbabwe. The literature indicates that there are different approaches to budgeting and that the type of budgeting system used by an entity depends on its operational circumstances (Ahmad, 2017). Hence, there are different types of budgets that an entity can prepare and utilise. Drury (2012) explains that these include cash budgets, sales budgets, production budgets, material utilisation budgets, and capital budgets, among others (Drury, 2012). Budgeting systems can be further classified as either traditional or contemporary. Traditional budgeting systems use historical information and statistics, while contemporary budgeting systems are future-oriented and aligned with a company's objectives (Lorenz, 2015). Studies indicate that budgeting plays an important role in the growth and survival of an entity (Ahmad, 2012). For instance, budgeting is useful for forecasting, allocating resources, and controlling activities in an institution (Drury *et al.*, 1993). Similarly, Hansen and Van der Stede (2004) also affirm that budgeting plays a vital role in the communication of goals, the formulation of strategies, and performance evaluation.

Understanding the budgeting systems used by SMEs and the value attached to these budgets is important in the design of a robust and relevant framework that will address the needs of the firms. In that respect, the study sought to interrogate the budgeting systems used by the SMEs under study. This was done by exploring the types of budgets they prepare, the timing of budgeting within the firms, and the budgeting methods used. This helped the researcher ascertain the level of adoption of budgeting systems among SMEs under study. The findings indicate that all the respondents know budgeting systems. Participants stated their experiences regarding budgeting as follows:

"As an entity, we quantify our objectives through the use of budgeting. The same budgets are the ones we use to measure our performance" (P15).

"Budgeting is a financial plan we prepare considering our desired outcome; it helps us determine our future financial challenges and solutions to those challenges" (P78).

The responses from the participants revealed that they understood budgeting systems as financial plans used by organisations to achieve their desired objectives. Furthermore, the participants showed that they are cognizant of budgeting systems and all their aspects as they were able to expound in detail on these systems. However, understanding a concept or system does not automatically translate to the utilisation of that concept or system (Mulani *et al.*, 2015). While all participants demonstrated adequate knowledge of a budgeting system and its business value, not all of them

utilised budgets in their businesses. Sixty-nine respondents indicated that budgeting systems are used in their organisations, while seventeen participants stated that budgets are not prepared in their organisations. Table 5.2 tabulates the budgeting systems used by SMEs in this study as well as those that can be adopted by the SMEs. The level of adoption will not be shown in Table 5.2 but will be presented in Figure 5.8.

Table 5-2: Budgets applied by SMEs under study

			Budgets	SMEs under study
Budgeting system	Types of Budgets	Traditional budgets	Cash flow budget	<input type="checkbox"/>
			Production budget	<input type="checkbox"/>
			Material utilisation budget	<input type="checkbox"/>
			Purchase budgets	<input type="checkbox"/>
			Sales budget	<input type="checkbox"/>
		Contemporary budgets	Beyond budgeting	<input type="checkbox"/>
		Activity Based Budgeting	<input type="checkbox"/>	
	Budgeting approach	Traditional approach	Incremental budgeting	<input type="checkbox"/>
			Flexible budgeting	<input type="checkbox"/>
		Contemporary approach	Performance-based budgeting	<input type="checkbox"/>
			Zero-Based Budgeting	<input type="checkbox"/>
			Rolling budgeting	<input type="checkbox"/>

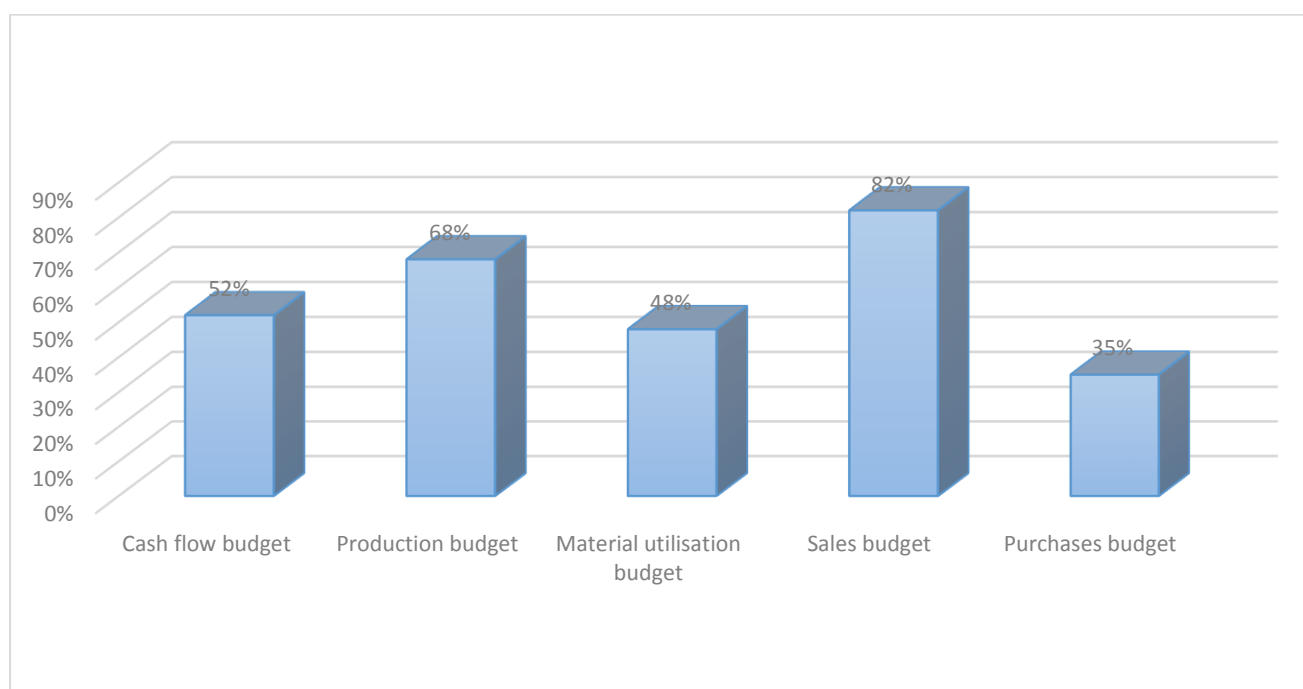
Key: =Applying =Not applying

Source: Own formulation

The study findings show that SMEs under study used cash flow budgets, production budgets, material utilisation budgets, purchase budgets, and sales budgets. These entities are only using traditional types of budgets; none of them are using contemporary budget types. Figure 5.9 further reveals that the sales budget, cash flow budget and production budget are the most dominant and frequently prepared budgets among SMEs under study. The sales budget has an eighty-two per cent (82%) usage rate, the production budget has a sixty-eight per cent (68%) usage rate and cash flow has a usage rate of fifty-two per cent (52%). The material utilisation budget has a usage rate of forty-eight per cent (48%) and the purchase budget has a usage rate of thirty-five per cent (35%).

Overall, there is a high usage of traditional budgets among SMEs under consideration, as depicted by a usage rate of seventy-eight per cent (78%). However, there is a non-adoption of contemporary budgets. However, the study observed that there were noted differences in the application of the traditional budgets. The study results reveal that there is no systematic or consistent use of these budgets among the entities. For instance, entities in the same industry apply different budgets. For example, some entities use both the production budget and the material utilisation budget, whilst others only use one of the two budgets. Nonetheless, the literature indicates that it is best practice to use or prepare two budgets instead of one (Drury *et al.*, 1993; Neely *et al.*, 2003; Jones, 2008).

Figure 5-9: Types of budgets used by SMEs under study



Source: Own formulation

Of the sixty-nine participants who indicated that they are using budgets, twenty-one participants pointed out that, as much as they are using budgets, the inflationary environment has affected the relevance of budgets. Some of the participants had this to say:

"Siyawasebenzisa amabudgets sibili kodwa umumo lowu awutshipanga, ibond note liwa ivalue ukusakwamalanga" (We are using budgets, but this environment is difficult, the bond note is losing value every day) (P37).

"This Zimdollar is losing value every second; even though we are still using budgets, the situation is bad" (P52).

"With this kind of environment, if you prepare a budget, for instance, a cash budget, you have to prepare it every week because price increases are abnormal, so it is better to just forget about it" (P33).

"Mabudgets hawatohinga mulubaka igogu ezwbufumi. Unogala ubayakanya budget ngenta ye-inflation" (Budgets are no longer useful in this inflationary environment. Due to hyperinflation, you will be preparing budgets now and then) (P76).

The responses highlighted that hyperinflation erodes the value of the Zimbabwean dollar and renders it worthless so that it negatively affects the usage of budgets. The study further attempted to find out how SMEs applied the budgeting system in their businesses during the prosperous economic era (2009 to 2016). In that regard, the participants were asked if they were budgeting before the economy went into recession. Of the nineteen participants who indicated that they were not preparing budgets, fourteen of them indicated that they were using budgets before the hyperinflationary environment, whilst five revealed that they had never prepared budgets. One of the five participants had this to say:

"It is very expensive for us as an entity to outsource accounting expertise for the preparation of financial statements, the compilation of tax returns, and budget preparation" (P60)

The participants highlighted the lack of adequate resources and the high cost of outsourcing accounting expertise as the major reasons for not using budgets. Some of the fourteen participants who indicated that they were using budgets before the hyperinflationary environment when probed about whether they used production budgets and material utilisation budgets since these budgets are prepared based on physical units, not on monetary terms, had this to say:

"We used to prepare production budgets, sales budgets, and cash budgets, but our focal budget was the cash budget. Due to the economic environment, our cash budget was no longer useful, so we stopped preparing all the budgets" (P30).

"Hayi, thina besisebenzisa icash budget kuphela lawa manye besingawasebenzizi". (We were using the cash budget only; the other budgets we were not using at all) (P41).

Of the fourteen respondents, eleven participants indicated that they used to prepare both the monetary and non-monetary budgets. When they felt that the cash budget was no longer relevant for their operations, they stopped using both budgeting systems. The other three participants highlighted that they used to prepare the cash budget only, but hyperinflation rendered the cash budget irrelevant. The responses from these fourteen participants indicate that an unfriendly economic environment is a major reason why they abandoned budgeting. This is discussed in section 5.5.1.

Another reason given by participants for not preparing budgets was the shrinking of the funding pool due to the harsh economic environment experienced in Zimbabwe. The results revealed that some entities do not use budgets for management accounting purposes but compile them because they are a prerequisite for securing government funding and loans from financial institutions. One interviewee said:

"We used to prepare the cash flow projection budgets, especially when we wanted to apply for funding because you cannot secure funds from financial institutions if you do not include your cash flow projections as part of your documents " (P70).

Regarding how they approach the budgeting process, participants responded thus:

"We use the previous accounting period's actuals as the base year and make a few adjustments in various line items in budget preparation" (P58).

"When we prepare budgets, almost everyone who is affected by the budget is part of the preparation. Budget preparation is a very tiresome exercise" (P82).

On the budgeting approach, the study results indicate that the SMEs under study use incremental budgeting, participative budgeting, and flexible budgeting. Furthermore, the responses reveal that the traditional budgeting systems are the only ones that are used by the SMEs under study. The respondents claimed that the wide use of the traditional budgeting systems was due to their simplicity in use. The argument by Lorenz (2015), who stated that traditional budgeting systems consume less time, buttresses this finding.

The participants further highlighted that traditional budgeting systems aid in planning, controlling, allocation of resources, and performance evaluation within their organisations. The literature states that budgeting in small businesses is essential as planning, controlling, and performance assessment mechanism (Drury *et al.*, 1993; Hansen & Van der Stede, 2004; Lorenz, 2015). However, the study findings reveal that the SMEs under study are not using contemporary budgeting techniques in their operations. Contemporary budgeting approaches, such as zero-based budgeting, rolling budgeting, and beyond budgeting, were not evident in the SMEs under study. The researcher inquired about the non-adoption of contemporary budgeting techniques. The respondents had this to say:

"Lawa amabudgets akulezinsuku afuna izinto ezinengi njalo kumele ube lamaresources ayeneleyo nxa ufuna ukuwasebenzisa kuhle" (These modern budgets are too sophisticated; you need to have adequate resources to use them properly) (P72).

"Nxa ungafuna ukusebenzisa iZBB kumele ubelamaresources aweneleyo kulomsebenzi omnengi ofuna yonke into ikhona" (When you are using ZBB, you need to have enough resources. There is a lot of paperwork, and many resources are required) (P6).

"I do not think it is ideal for us to use modern techniques because the cost of using them will outweigh the benefits to be derived" (P78).

"Respondent (P15): When you talk of modern budgets, are you referring to the likes of rolling budgets and zero-based budgets?"

Researcher: Yes.

Respondent (P15): Just imagine the time you will take when you are using a rolling budget? Every month you are expected to prepare a budget. The only way you can do that is when you have an individual employed just for budget preparation, and we do not have that capacity at the moment".

Almost two-thirds of the participants (sixty-eight per cent) said contemporary budgeting systems are too expensive, as they need adequate resources. These respondents further pointed out that these budgeting systems are time-consuming and sophisticated. According to the literature, contemporary budgeting techniques enhance efficiency, cost management, and eliminate redundancy as they link function with their expenditure as well as identify non-value-adding activities in the organisation (Jones, 2008; Oyerogba, 2015; Sulamain, 2016). These approaches play an essential role in contributing to the success of the organisation as they provide more accurate and realistic figures even during a hyperinflationary environment (Zeller & Metzger, 2013; Rashid *et al.*, 2021). Neely *et al.* (2003) highlighted that the use of both traditional and modern budgeting systems is paramount for small businesses, as contemporary budgeting techniques aid the entity in aligning operational and tactical objectives with strategic goals. However, the literature recommends the use of both traditional and contemporary budgeting techniques at the same time, though contemporary systems can be occasionally applied rather than frequently used as they consume more time compared to traditional budgets (Jones, 2008). The following section discusses the respondents' views regarding the use of performance evaluation systems.

5.4.3 The use of performance evaluation systems

A performance evaluation system is a set of measurement tools used to quantify the efficiency and effectiveness of processes and actions (Neely, 2005). Performance evaluation systems assist an entity in identifying discrepancies in plans against actuals and, subsequently, corrective action that

fosters sound decision-making (Ismail, 2007). In addition, the usage of performance evaluation systems involves the process of identifying methods for measuring financial and non-financial activities within an organisation (Drury, 2012). Given that performance evaluation systems are a component of MAPs, participants were asked to articulate what they understand about performance evaluation measures. Some of the respondents had this to say:

"These are measures used to assess whether your results are in line with the target that was set in the planning stage" (P11).

"Tools used to measure the performance of individuals within the organisation and the products produced by the entity. They enable an entity to evaluate its performance against its targets or other players in the industry" (P2).

"These are financial or non-financial measures used by an entity to assess its performance" (P64).

Sixty-four participants indicated that they were cognisant of performance evaluation systems. These participants demonstrated their knowledge of performance evaluation systems by articulating what the system is all about. They were able to expound on the two elements of the performance evaluation measures (financial and non-financial). Notably, twenty-four participants were able to distinguish between traditional performance evaluation systems and contemporary performance evaluation systems. One of them said:

"There are conventional and modern performance evaluation tools. Most of the financial measures are classified as conventional, whilst the non-financial ones are more under modern measures, for example, the use of a balanced scorecard" (P27).

Overall, the responses from the majority of the participants indicated that they understood performance evaluation systems as a tool that assists in evaluating the various aspects of the organisation, as well as an evaluation tool that compares desired performance with actual performance.

The researcher inquired about the performance evaluation measures used by the respondents in their respective organisations. According to the study findings, knowledge does not always equate to practice (Breen, 1997; Wohldmann, 2013), as only fifty-four participants reported using performance evaluation systems in their operations. Under the theme "performance measures", Table 5.3 tabulates the performance evaluation measures used by SMEs in this study, as well as those that can be adopted by the SMEs.

Table 5-3: Performance evaluation system used by SMEs under study

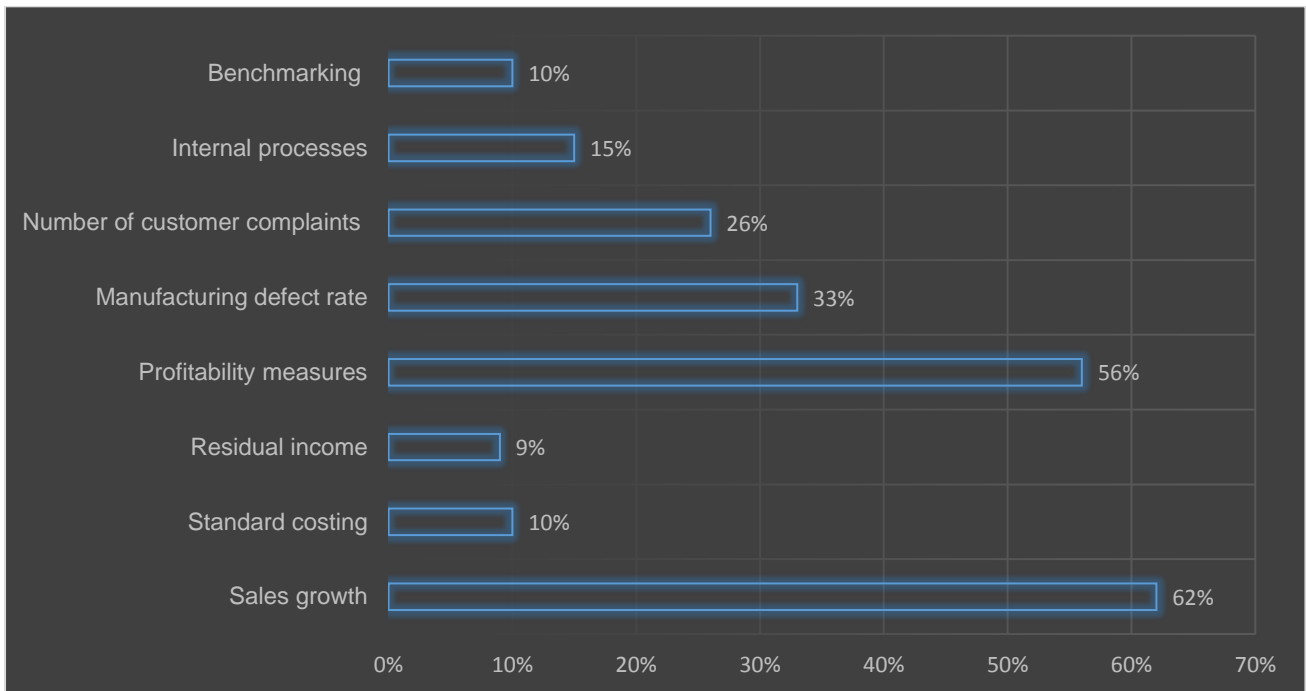
		Performance measures	evaluation	SMEs under study
Performance evaluation system	Traditional system (Financial measures)	Sales growth		<input type="checkbox"/>
		Liquidity measures		<input type="checkbox"/>
		Leverage measures		<input type="checkbox"/>
		Market measures		<input type="checkbox"/>
		Efficiency measures		<input type="checkbox"/>
		Activity measures		<input type="checkbox"/>
		Standard costing		<input type="checkbox"/>
		Residual income		<input type="checkbox"/>
		Profitability measures		<input type="checkbox"/>
	Contemporary systems (Non-financial measures)	Manufacturing defect rate		<input type="checkbox"/>
		Number of customer complaints		<input type="checkbox"/>
		Employee productivity rate		<input type="checkbox"/>
		Learning and growth		<input type="checkbox"/>
		Customer satisfaction index		<input type="checkbox"/>
		Customer retention rate		<input type="checkbox"/>
	Internal processes		<input type="checkbox"/>	
	Benchmarking		<input type="checkbox"/>	

Key: =Applying =Not applying

Source: Own formulation

The study results revealed that SMEs under study use using sales growth, profitability related measures, number of customer complaints, manufacturing defect rate, internal processes, benchmarking, standard costing and residual income. These entities use both financial and financial measures. However, the level of use of performance evaluation measures is depicted in Figure 5.10.

Figure 5-10: Performance evaluation measures



Source: Own formulation

The study results indicate that financial measures are the most widely used measures among SMEs under study. Out of the eighty-eight participants, fifty-four (62%) are using sales growth, forty-nine (56%) are using profitability-related measures, twenty-three (26%) are using the number of customer complaints, twenty-nine (33%) are using manufacturing defect rate, thirteen (15%) are using internal processes, nine (10%) are using benchmarking, nine (10%) are using standard costing, and eight (9%) are using residual income. In terms of financial measures, sales growth and profitability-related ratios are the most used by the SMEs under study. Studies indicate that most SME owners are interested in growing their revenue and ensuring growth in profitability, hence preference is placed on financial measures, especially sales growth and profitability-related measures (Ahmad & Zabri, 2015; Zorek, 2020). The following responses capture the views of most participants.

"It is critical for us as an entity to measure how our sales are growing because sales growth reveals our growth" (P22).

"My duty as a manager is to ensure that the business is growing and I am most interested in those measures that reveal the level of growth" (P61).

"For measuring our performance, we use sales growth, net profit ratio, and gross profit ratio for performance evaluation. The main reason we use these is due to easy access to the information. The information we obtained from our previous financial reports" (P52).

The respondents revealed that financial measures are widely used for performance evaluation as they can repurpose information contained in financial reports. The findings show that the majority of small businesses are outsourcing accounting expertise for the preparation of financial statements and the computation of tax returns. Small businesses use these financial statements in the computation of ratio analysis for performance evaluation (Ahmad & Zabri, 2015). Most financial performance evaluators use ratio analysis to interpret financial statements as well as to measure financial performance (Banker *et al.*, 2000). The literature suggests that a series of ratios should be computed to ascertain a true reflection of the financial status of an entity (Ismail, 2007; Zorek, 2020). Ahmad (2012) stated that small businesses are heavy users of financial measures. However, the responses also indicated that there are inconsistent applications of these financial ratios for various reasons, which are discussed in section 5.5.

Furthermore, the study reveals that the SMEs under study use few non-financial performance measures, as shown in Table 5.3 and Figure 5.10. The study observed that benchmarking is the only contemporary non-financial measure applied by the SMEs under study. The few respondents who use benchmarking highlighted that this technique aids in the improvement of organisations' performance. One of the participants had this to say:

"Our point of reference in our production process is Delta beverages. We learn a lot from their processes, and this helps us as an organisation to realise areas that need improvement and where we are doing well" (P72).

Benchmarking improves organisational efficiency through scrutinising both external and internal environments to establish an attainable standard that enhances continuous improvement and a competitive edge (Lorenz, 2015). Studies have indicated that the use of both financial and non-financial measures aids the entity in being backwards-looking as well as forward-looking, thus providing good signals and motivating improvements in crucial activities (Hall, 2008; Ahmad & Zabri, 2015).

However, overall, the SMEs under study are high users of financial measures, as compared to non-financial measures. Financial measures help an entity to identify trends, areas of opportunity, weaknesses, and strengths (Yang, 2010; Ahmad, 2014). Although financial measures have their benefits, on their own, they are not a good measure of firm performance (Yang, 2010). A holistic

approach to performance evaluation (use of both financial and non-financial measures) paints a clearer picture of the entity, whereas a targeted focus may produce a distorted picture of overall performance (Dlamini *et al.*, 2020). Non-financial measures are non-monetary business performance measures that can be quantifiable (Ittner & Larcker, 1998; Leftesi, 2008). These measures are essential in performance evaluation as they ease the linking of the organisation's activities with the mission statement and objectives of the entity and articulate them in monetary terms (Rey-Marston & Neely, 2010; Zorek, 2020). SMEs should be encouraged to balance the application of both financial and non-financial measures as these measures complement each other (Mamorena & Olumide, 2014; Malagueño *et al.*, 2018). The ensuing subsection discusses the use of decision support systems by the SMEs under study.

5.4.4 The use of decision support systems

A decision support system is a computerised information system that supports business decision-making activities (Khuntia *et al.*, 2020). Decision support systems have two categories, short-term and long-term decision support systems. Short-term decision support systems are tools that involve selecting the best alternative with an immediate end view (Drury, 2012). The goal of short-term decision-making is to maximise and tactically use resources (Gachet, 2004). Long-term decision support systems are strategic, and they involve large sums of funds (Lindholm, 2018). These decisions have a long-lasting impact, and they influence the shape and direction of the entire business (Khuntia *et al.*, 2020). Decision-making is a critical aspect of management since decisions made by managers significantly influence the development of business strategies and have implications for a firm's competitive advantage (Abdel-Kader & Luther, 2006). The decision-making support system enables an organisation to make quality decisions that strengthen the entity (Dlamini, 2020). It is prudent for entities to have a decision support system that will enhance effective decision-making (Lindholm, 2018).

The researcher inquired about the use of decision support systems in the respective organisations that were represented by the respondents. Participants were asked to share their understanding of decision support systems. Of the eighty-eight participants, seventy-one indicated that they understood decision support systems. They were able to articulate what decision systems are all about. Respondents had this to say:

"These are tools or methods that can be used in making decisions within an entity, aiding the decision-making process" (P11).

"Tools used by management in making decisions for the short-run and long-run in an entity" (P81).

Inspired by Wu *et al.* (2007), as well as Ahmad and Zabri (2015), who argued that decision support systems are better appreciated if they are examined separately, the participants were asked which decision support system they used for both short-term and long-term decision-making. Under the theme "decision-making tools", all the decision support tools used by the SMEs under study were tabulated in table 5.4.

Table 5-4: Decision support systems used by SMEs under study

			Decision support tools	SMEs under study
Decision support systems	Short-term systems	Traditional techniques	Cost volume profit analysis	<input type="checkbox"/>
			Relevant cash flows	<input type="checkbox"/>
			Inventory control models	<input type="checkbox"/>
		Contemporary techniques	Product profitability analysis	<input type="checkbox"/>
			Customer profitability analysis.	<input type="checkbox"/>
	Long-term systems	Traditional techniques	Payback period	<input type="checkbox"/>
			Net Present Value	<input type="checkbox"/>
			Accounting rate of return	<input type="checkbox"/>
		Contemporary techniques	Customer lifetime value analysis	<input type="checkbox"/>

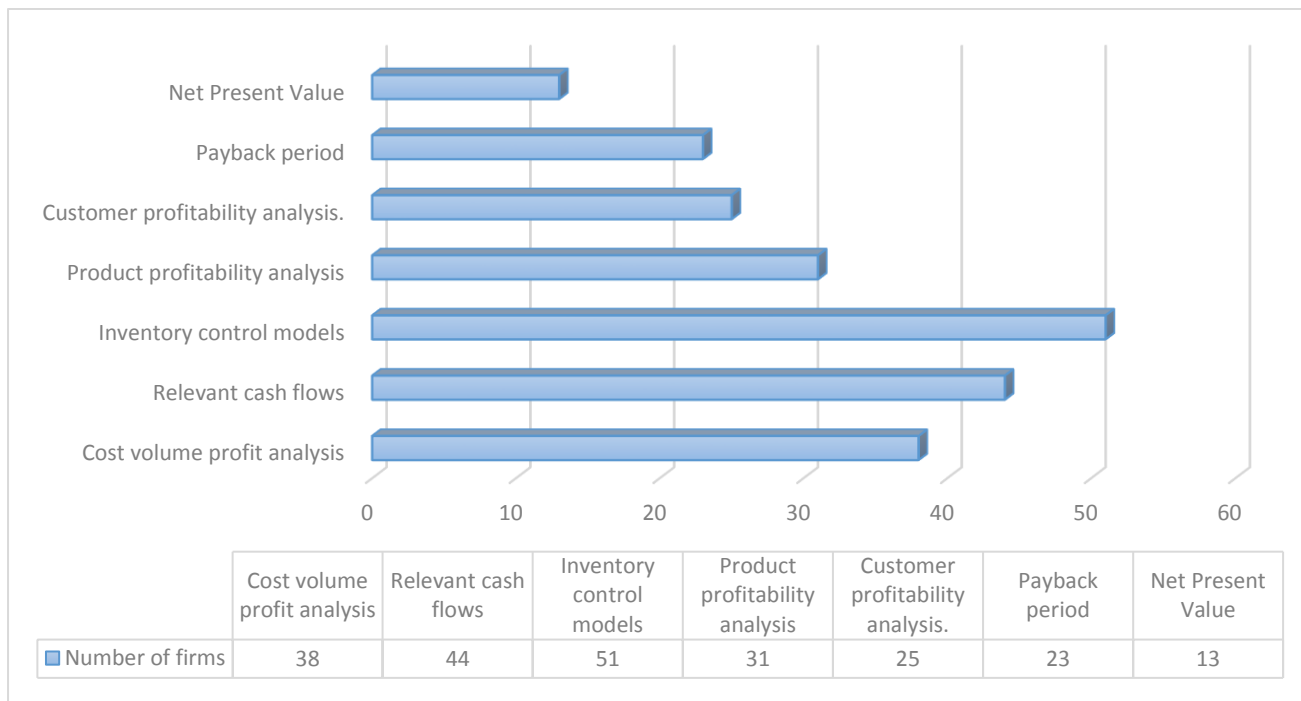
Key: =Applying =Not applying
 formulation

Source: Own

Fifty-two participants (59%) indicated that their organisations use short-term decision support systems. According to the participants, the most commonly used techniques are Cost Volume Profit Analysis (CVP), relevant cash flows, inventory control models, Customer Profitability Analysis (CPA), and Product Profitability Analysis (PPA), as depicted in figure 5.11. From all the entities under study, fifty-one firms are using inventory control models, forty-four firms are using relevant cash flow, thirty-eight firms are using CVP, twenty-five firms are using CPA, and thirty-one firms are using PPA for

short-term decision-making. The study findings on the usage of short-term decision support systems revealed that the SMEs under study are moderate users of short-term decision support systems.

Figure 5-11: Decision support tools



Source: Own formulation

The study results also indicate that traditional short-term decision support systems have a high usage rate as compared to modern short-term decision support systems. Though contemporary short-term decision-making support systems have a low usage rate among the SMEs under study, more preference was given to PPA. The participants indicated that they preferred PPA because the method is easy to apply. One of the participants had this to say:

"We analyse our products from the production stage up to the point when the product is sold, and we compare their returns; this enables us to give priority to the products that are most profitable" (P28).

The respondents who use PPA stated that they use the technique to identify the most profitable products and the product mix that enhances the attainment of optimum profitability. The literature affirms that PPA is a useful pricing decision tool that further reveals other hidden costs associated with specific products (Gulch & Baumann, 2004).

Furthermore, the respondents were asked about the long-term decision support systems they use in their organisation. Twenty-five participants indicated that their organisations use long-term decision support systems. The study also noted that these twenty-five participants are part of the fifty-four participants who are using short-term decision support systems. These results show that only twenty-eight per cent (28%) of the SMEs under study have adopted long-term decision support systems.

The study findings indicate that payback period and Net Present Value (NPV) are the only long-term decision support techniques applied by the SMEs under study, and some entities apply both methods. Twenty-three firms are using the payback period and thirteen are using NPV. The respondents further pointed out that the payback period is a simple and easy tool to evaluate investment decisions. Literature also asserts that the payback period is the most common long-term decision support technique owing to its simplicity (Abdel-Kader & Luther, 2006). Despite its popularity, the major drawback of the method is that it does not cater for the time value of money and funds received after the payback period (Yoshikawa, 1994). The study revealed that there is low adoption of contemporary short-term decision support systems and non-adoption of contemporary long-term decision support systems among the SMEs under study.

From the above discussion, it can be established that the SMEs under study use mostly short-term decision support systems. The study findings reveal that there is little attention given to long-term decision support systems. These results on capital investment techniques do not augur well for the growth and success of entities, since the success and survival of an entity rely on the ability of the management to make sound long-term financial investment decisions (Hermes *et al.*, 2007; Drury, 2012). The following subsection discusses the use of strategic management accounting among the SMEs under study.

5.4.5 The use of strategic management accounting

Strategic management accounting (SMA) is an accounting method or tool used to monitor the strategy of an entity and its rivals to develop a sustainable business strategy (Bromwich 1990; Agu *et al.*, 2016). SMA supports strategy formulation through the provision and analysis of financial and non-financial information, and it enables an entity to gain a competitive advantage (Agu *et al.*, 2016). The researcher asked participants what they understood about SMA, and they responded as follows:

"Strategic management accounting is a tool meant to ensure that the organisation remains aligned to its strategic goals, it assists in the formulation of strategic policies" (P3).

"Methods used by top management in monitoring the achievement of strategic objectives, these involve the analysis of customers and competitors at a strategic level" (P52).

"As an entity, we manage our strategy by using the relevant costing system, maintaining a proper budgetary system, also using cost volume profit analysis, and measuring our performance with both qualitative and quantitative measures" (P44).

Of the eighty-eight respondents, only forty-nine were able to explain the key principles of SMA and identify SMA tools. The responses from the other thirty-nine participants indicated that they were unfamiliar with the term "strategic management accounting". Informed by the fact that respondents' failure to theoretically define SMA does not necessarily mean they are not using it, the researcher explained strategic management accounting to the participants. In explaining the concept to these participants, the understanding was that they might be unaware of the term "strategic management accounting" whilst in their organisation they are using the system. Despite the explanation by the researcher, the thirteen participants (out of thirty-nine) who indicated that they do not understand SMA mistook it for Strategic Performance Management (SPM).

SPM is a business management tool that involves the communication of the business strategy to all the people in an entity (Mhizha, 2014). Even though there is a thin line separating "strategic management accounting" and "strategic performance management", their focus is different (Akhtar & Sushil, 2018). For instance, SMA involves the usage of accounting information in the formulation, implementation and monitoring of the business strategy (Smith, 2007), whereas SPM is a tool that communicates the business strategy to all the people in an entity (Layland & Redding, 2019). SMA is a relatively new phenomenon in management accounting, which has received emphasis in a rapidly changing global business environment due to the benefits associated with its use (Egbunike *et al.*, 2014). Table 5.5 tabulates the SMA tools used by the SMEs in this study, as well as those that can be adopted by SMEs.

Table 5-5: Strategic management accounting tools applied by SMEs under study

	Strategic management accounting tools	SMEs under study
Strategic management accounting	Strategic pricing	<input type="checkbox"/>
	Life cycle costing	<input type="checkbox"/>
	Benchmarking	<input type="checkbox"/>
	Target costing	<input type="checkbox"/>
	Value chain analysis	<input type="checkbox"/>
	Competitor position monitoring	<input type="checkbox"/>
	Attribute costing	<input type="checkbox"/>
	Strategic costing	<input type="checkbox"/>
	Quality costing	<input type="checkbox"/>
	Customer profitability analysis	<input type="checkbox"/>

Key: =Applying =Not applying

Source: Own formulation

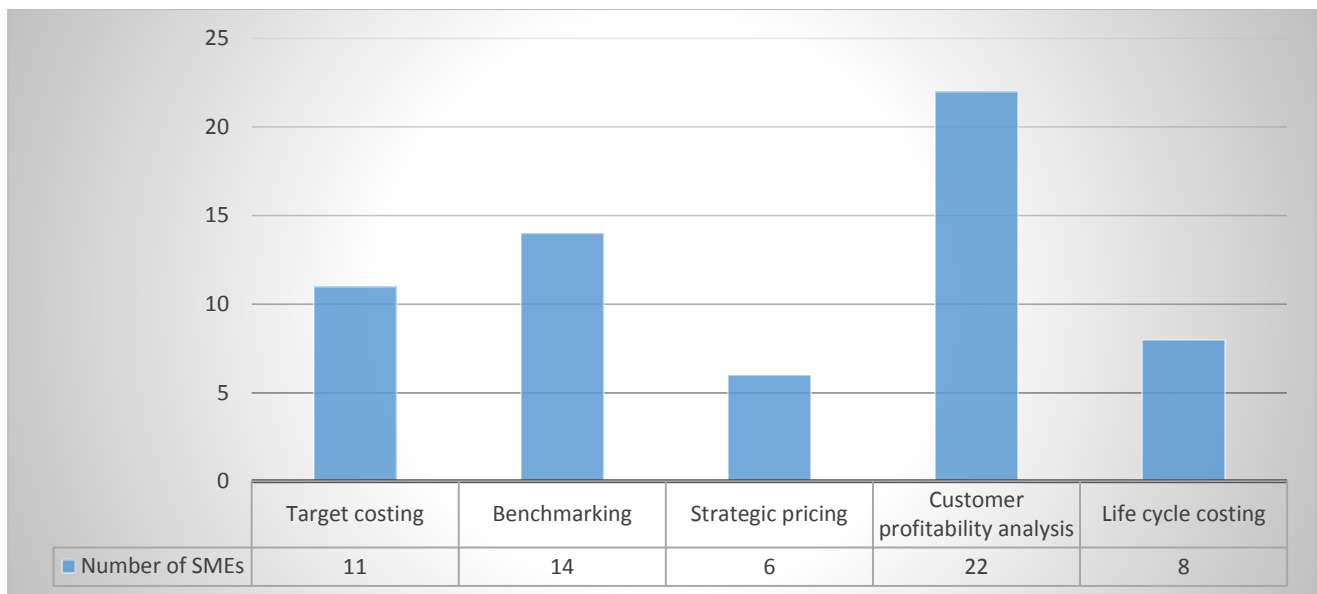
Under the theme "strategic management accounting", SMA tools that are used by the SMEs under study are strategic pricing, life cycle costing, benchmarking, target costing and customer profitability analysis, as tabulated in Table 5.5. In SMA, various components can be used concurrently by entities for strategic planning, strategic formulation, and strategic implementation (Rashid *et al.*, 2020). Unlike costing systems, where an entity may choose one or two costing systems, SMA allows an entity to use all of these tools at the same time because they complement each other (Bouckova & Siska, 2017; Petr & Libuše, 2020). For instance, target costing and CPA can be used at the same time to complement each other, as target costing will anticipate the price the customer is willing to pay, and CPA prioritises the customers, according to their profitability and the prices they are willing to pay for a particular product (Kato, 1993; Rashid *et al.*, 2020). The following focus group excerpts reveal what the participants had to say on the usage of SMA tools.

"We analyse our customers to estimate the cost and profit per customer. This assists in prioritising customers according to their profitability. We produce products according to the specifications of our major customers" (P27).

"Our marketing team provides the prices our customers are willing to pay for a particular product. We then consider the cost which we are supposed to incur in producing that particular product for us to achieve our desired profits" (P14).

Out of the eighty-eight participants, only twenty-five use SMA in their organisations. The responses from the participants indicate that target costing, benchmarking, life cycle costing, customer profitability analysis and strategic pricing are the only SMA tools used by the SMEs under study. Figure 5.12 indicates the level of usage of SMA tools among SMEs under consideration.

Figure 5-12: Strategic management accounting tools



Source: Own formulation

Figure 5.12 depicts that out of the eighty-eight firms, only eleven firms (13%) are using target costing, twenty-two firms (25%) are using CPA, fourteen firms (16%) are using benchmarking, eight firms (9%) are using life cycle product costing, and six firms (7%) are using strategic pricing. This reveals that there is a low adoption rate for SMA among the SMEs sampled for this study.

In light of the above discussions, it was of interest and relevance to the researcher to inquire about the reasons for the low usage of contemporary systems. The ensuing responses capture the reasons that explain why SMEs are poor users of contemporary tools.

"Hatina masimba aka kwana kuti titangise hingisa zila iyeyi ngoba zila I yeyi inohaka muna ma-computer bebanhu banaluzibo gwakapelela" (We do not have adequate resources to implement the modern systems since they require computers and manpower) (P59).

"We do not have a computerised system and we have never used one. I am not sure whether there is anyone in the organisation who can do it for us" (P12).

*"Mamirire ekunze haana kuna so takaona zvakakodzera kuti tigumure vamwe vanhu kuti kambani ikwanise kuenderera mberi saka kuwedzera mamwe ma costs ekushandisa ma systems matsa" **(The economic environment is very harsh, we had to retrench other people to lower our wage bill, we cannot increase costs by implementing new systems)** (P11).*

"We know that there are vast benefits associated with the use of strategic management accounting tools and other modern systems, especially strategic costing, value chain analysis and strategic pricing. Yet, it is hard to apply these techniques manually, you need a computer package. As an entity, we can only manage to have and maintain an accounting package for financial reporting only. If we are to fund their usage, we rest assured that we will go out of business" (P52).

"These systems are very expensive to apply. You need to have management accounting software to fully apply the system and that is beyond our reach at the moment" (P83).

"As much as modern decision support tools are good, their usage requires a lot of resources, including manpower" (P8).

The following table captures the reasons that account for the low adoption of contemporary systems by the sampled SMEs.

Table 5-6: Reasons for low adoption of modern systems

Inhibiting factors	Number of SMEs
Lack of adequate resources	76%
Lack of expertise on how to utilise the modern systems	53%
Harsh economic environment (led to understaffing, retrenchments, lack of funds)	83%
Lack of top management support	46%
Lack of qualified accounting personnel	41%

Source: Own formulation

Most of the participants (seventy-nine per cent) highlighted the harsh economic environment and lack of expertise on how to use these modern systems as the major reasons for their low usage. Seventy-one per cent indicated that costs associated with the application of contemporary systems are too high, as these tools cannot be done manually without a computerised system. Additionally, the issue of inadequate funding militates against the adoption of contemporary systems. It is cited as a hindrance in securing resources like computers and accounting software with management accounting packages. However, modern systems are necessary because they can potentially equip an entity to remain competitive in a difficult economic environment (Lorenz, 2015). Alsoboa *et al.* (2015) asserted that modern systems, such as SMA tools, help an entity to align its activities with its strategic plans. In addition, however, Dlamini (2020) also noted that the use of modern systems needs top management buy-in.

It is noteworthy to highlight that some participants (nine) were of the view that the contemporary systems are meant for large entities, which have complex production processes and are of limited value to small enterprises. One participant had this to say:

"Lokhu ngokwama company amakhulu alezinto ezinengi ezifuna ukukhangelwa nxa belungisa ama products abo, njalo akuqakathekanga kangako. Sicabanga ukuthi imali okuyifunayo inengi kulenzuzo yokukusebenzisa" (This is for large entities that have many things that need attention and have complex production processes, besides this is not important. We

think the funds required for these systems are more than the benefits obtained from their use) (P63).

Such perceptions may rob an entity of the benefits of using contemporary systems as the usage of contemporary systems has significant benefits, such as aiding an entity in analysing the products' performance, customer behaviour, competitors, company's strategic goals and creating value for the entity (Ahmad, 2014). Besides, this serves to enhance the entities' competitive edge, regardless of its size. According to Lucas *et al.* (2013), small businesses should be encouraged to use modern MAPs as they will align all the activities of the entity towards achieving the strategic goals. As suggested by Karanja *et al.* (2012) and Armitage *et al.* (2016), this may serve to reduce the failure rate of SMEs and improve economic growth for their country. However, some SMEs generally conjecture that MAPs are most important and appropriate for large business entities, hence there is low usage of modern MAPs especially in developing countries (Lucas *et al.*, 2013; Ahmad, 2017).

5.4.6 Summary of the usage of MAPs

The use of MAPs among the SMEs under study was explored under five broad categories, namely, costing systems, budgeting systems, performance evaluation systems, decision support systems, and strategic management accounting. The findings revealed that costing systems have a high adoption rate as compared to other management accounting components, even though there were participants who indicated that they do not have a costing system in their organisations. The study further noted intra-sector variation in the use of costing systems in the SMEs under study. Furthermore, the results revealed that the SMEs under consideration are high users of traditional costing systems as compared to modern costing systems. Additionally, the study identified costing methods applied by the entities under study. These methods are process costing, batch costing, job costing, ABC, marginal costing, and absorption costing.

Previous studies conducted by Zoubi (2011), Ahmad (2012), and Ahmad (2014) supported the current study findings. Zoubi (2011) conducted a study on the processes of management accounting changes in Libyan privatised companies. He revealed that process costing, and batch costing are the most used tools in manufacturing firms. Similarly, Ahmad (2012) surveyed the usage of MAPs by Malaysian SMEs and the study revealed that sixty per cent (60%) of SMEs use batch costing, while seventy-three per cent (73%) use process costing. However, these findings on ABC follow numerous prior studies in developing countries and are contrary to the results obtained in developed countries (Lamminmaki & Drury, 2001; Yalcin, 2012; Ahmad, 2014; Özyürek & Yılmaz, 2015; Akmeşe & Bayrakçı, 2016). For instance, Yalcin (2012) conducted an inter-country comparison study on the

usage of MAPs and their benefits on firm performance in Turkey, Greece, Finland, India, Japan, and Australia. Yalcin's study revealed that in all countries, ABC and life cycle costing are the most applied contemporary costing systems. This affirms the assertion that SMEs in developed countries are high users of contemporary costing systems as compared to those in emerging economies. The variation in the application of costing systems between developing and developed economies is largely due to the differences in the classification of SMEs (Ahmad, 2012). It was discussed in chapter two, under section 2.2, that SMEs in developed countries are as large as large entities in developing countries. Specifically, SMEs in Africa are very small compared to those in other parts of the world, for instance, an SME in Canada might be classified as a large entity in Africa (Beyene, 2002; Dlamini & Schutte, 2020).

As discussed in section 5.4.2, the study findings reveal that the SMEs under consideration exclusively use traditional budgeting systems and they do not apply modern budgeting systems. On the extensive use of traditional budgeting systems vis-à-vis non-adoption of contemporary budgeting systems, the participants point out that traditional budgeting systems are economical to use as compared to contemporary budgeting systems. They highlighted that modern budgeting systems are too expensive as they need adequate resources. However, the non-adoption of contemporary budgeting systems among the SMEs in the current study is inconsistent with Szychta (2002), Mulani *et al.* (2015) and Ahmad (2012), who reported that SMEs from both developed and developing countries use both traditional and contemporary budgeting systems. Although the studies conducted by Ahmad (2012) and Mulani *et al.* (2015) were carried out in developing countries, their results are at variance with the current study. For instance, Ahmad (2012) discovered that SMEs in Malaysia use modern budgeting systems, such as zero-based budgeting and activity-based budgeting.

In evaluating firm performance, the study revealed that the SMEs under study use financial measures more widely, compared to non-financial measures. The financial measures that are most used by the SMEs under consideration are sales growth, profitability related measures, standard costing, and residual income. The respondents indicated that the high usage of financial measures is due to the easy access to information in financial reporting. However, the literature asserts that financial measures, on their own, provide little to no assistance to an SME that is seeking quality improvement (Hall, 2008). It is imperative to use both financial and non-financial measures since non-financial measures assess both the internal and external context of the business (Yang, 2010; Myšková & Hájek, 2017).

The study findings on the high usage of financial measures are consistent with the results obtained by Mamorena and Olumide (2016), who conducted a study on the use of financial performance

measures among South African manufacturing SMEs. Mamorena and Olumide's study revealed that South African SMEs are high users of financial measures, and these entities unsystematically apply these measures. They also revealed that SMEs lack the skills to properly use financial performance measures (Mamorena & Olumide, 2016). However, the current results on the low usage of non-financial measures vary with the findings of Joshi (2001), Abdel-Kader and Luther (2006) and Ahmad (2017), who reported that SMEs are high users of non-financial measures.

The findings on short-term decision support systems reveal that CVP analysis, relevant cash flows, inventory control models, CPA, and PPA are the most commonly used techniques, whereas the most commonly used long-term decision support techniques are the payback period and NPV. The study results also revealed that the SMEs under study are high adopters of short-term decision support systems, compared to long-term decision support systems. These results are in harmony with extant literature that asserts that SMEs use short-term decision support systems widely, compared to long-term decision support systems (Drury *et al.*, 1993; Caro & Gallien, 2010). Furthermore, the study observed that decision support systems and strategic management accounting are the least used components of management accounting, yet Karanja *et al.* (2012) and Armitage *et al.* (2016) point out that these two systems are the most critical components. The participants indicated that the low adoption of decision support systems, strategic management accounting, as well as other contemporary techniques was due to various reasons. These various reasons include lack of expertise on how to utilise these modern systems, costs associated with the application of contemporary systems and lack of adequate funds in securing resources, such as accounting software with management accounting packages.

Overall, the study revealed that generally there is low utilisation of management accounting though there is a relatively high usage of traditional MAPs, compared to contemporary MAPs among the SMEs under study. The findings further revealed that among the five categories of MAPs, decision support systems and strategic management accounting are the least used, while budgeting systems and performance evaluation systems are moderately used with costing systems being the most used of the five components of MAPs. Furthermore, the study observed that there are inconsistent practices on MAPs' application by the SMEs under study and they are not fully applying all the components of management accounting. However, several studies have indicated that the systematic usage of management accounting is essential for the success of small businesses (Lucas *et al.*, 2013; Ahmad & Zabri, 2015; Ahmad, 2017). Moreover, SMEs need to fully adopt MAPs as a whole package, not only to pick certain components of MAPs (Lucas *et al.*, 2013; Ahmad, 2012; Ahmad & Zabri, 2015). The literature asserts that the uptake of MAPs is not only essential for promoting the success and survival of SMEs, but it also creates value for the entity (Armitage *et al.*, 2016). Additionally, value

creation is paramount for SMEs, particularly, if they are to graduate to larger entities (Horngren *et al.*, 2005; Ahmad, 2017). The Zimbabwean government aspires to see small businesses developing into large entities (MSMECD, 2018). If SMEs become large entities that fully implement management accounting, they stand a chance of being competitive, even at a global level (Rashid *et al.*, 2020).

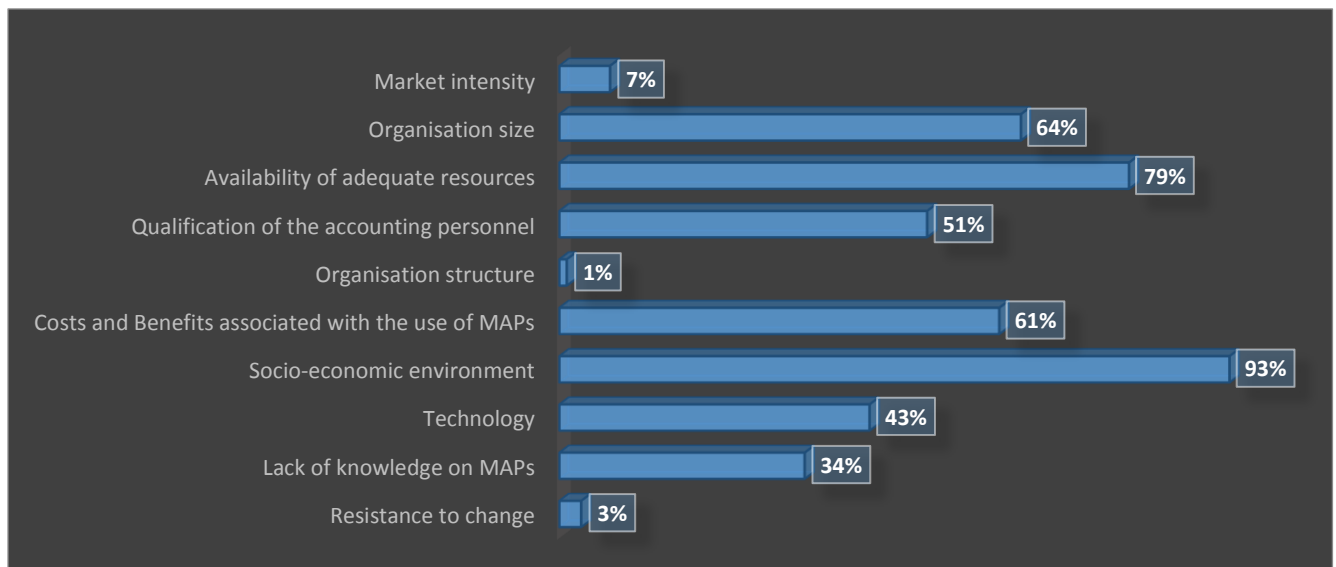
This study observed that several studies that deal with the usage of MAPs among SMEs are exploratory and descriptive (Bruggeman *et al.*, 1996; Szychta, 2002; Abdel-Kader & Luther, 2006; Hall, 2008; Lucas *et al.*, 2013; Ahmad, 2014; Ahmad, 2017). They describe the adoption level of management accounting among SMEs and identify the problem without proffering a solution. However, this study does not only observe the uptake of management accounting and how SMEs apply MAPs but also intends to go beyond describing the usage of MAPs by providing a solution to the SMEs. This study offers a solution by suggesting a model management accounting framework for Zimbabwean SMEs and other emerging economies. This study develops a model management accounting framework for SMEs in Zimbabwe in the following chapter, based on the empirical evidence obtained through direct interaction with sampled participants who use MAPs in an SME context. In addition, the development of the framework will be based on management accounting literature closely related to developing countries. The following section discusses the factors that affect the usage of MAPs by SMEs in Zimbabwe.

5.5 Factors influencing the use of MAPs among SMEs under study

The second research sub-objective was to determine the factors influencing the use of MAPs among SMEs in Zimbabwe. The researcher needed to ascertain the factors affecting the application of MAPs among the SMEs under study, as this was important in the development of a management accounting framework for Zimbabwean SMEs. The literature affirms that there are internal contingency variables and external environmental factors that affect the applicability of MAPs (Shahzadi *et al.*, 2018; Msomi *et al.*, 2019). In that respect, the researcher inquired about the factors influencing the application of MAPs in the respondents' respective organisations. It became apparent from study data that SMEs face a profusion of factors in the implementation of management accounting. The factors range from the socio-economic environment to the complex nature of the concept of management accounting itself. These factors are shown in figure 5.13 and include but are not limited to organisation size, availability of adequate resources, knowledge of MAPs, technology, costs, and benefits associated with their use, business environment, and qualification of the accounting personnel. However, there were other less important factors, such as market intensity, resistance to change, and organisation structure. For instance, the market intensity was mentioned by six participants out of

eighty-eight (7%), resistance to change was cited by three out of eighty-eight (3%) and organisation structure was pointed out by one participant out of eighty-eight (1%).

Figure 5.13: Factors influencing MAPs application



Source: Own formulation

The ensuing sub-sections discuss the findings on the factors influencing the implementation of MAPs among the SMEs under study.

5.5.1 Socio-economic environment

The literature suggests that some of the key factors in the implementation of MAPs are resistance to change, availability of resources, and huge capital investments (Tuanmat & Smith, 2011; Nian & Nair, 2017). The availability of resources and huge capital investments are a necessity for the proper implementation of a management accounting system (Nassar *et al.*, 2011; Phan *et al.*, 2017). However, the findings in this study reveal a different landscape, somewhat contrary to that espoused by existing literature, as it reveals that the socio-economic environment is the most influential factor in the usage of MAPs among the SMEs under study. The study observed that for the past two decades, the Zimbabwean economy has undergone three different phases, as discussed in section 5.2. For instance, in the first nine years (2000-2008) of the past two decades, there was economic paralysis that was characterised by extensive commodity shortages, political instability, corruption, high exchange rates, and hyperinflation (Bomani & Derera, 2015; Kanyenze *et al.*, 2017). This period was followed by eight years (2009-2016) of relative prosperity in which the economy flourished, accompanied by remarkable economic growth (Sibanda & Makwata, 2017). The economy then

experienced a four-year downturn marked by hyperinflation, high unemployment, extreme poverty, GDP contracting by 8.1% in 2019 and rapid exchange rate depreciation (World Bank, 2020; Helliker & Murisa, 2020).

According to the current study findings, SMEs under consideration used more MAPs from 2009 to 2016 than they did from 2000 to 2008 and from 2017 to 2020. As discussed in section 5.4.1, a significant number of participants abandoned the use of budgets due to hyperinflation. Ipinnaiye *et al.* (2017) revealed that inflation affects the levels of growth, pricing of products, and application of accounting among small businesses. Some of the respondents indicated that the hyperinflationary environment makes it difficult to apply some MAPs, especially for those firms that outsource accounting expertise. One of the participants, who was a bookkeeper, had this to say:

"During the stable economic environment, our accounting consultant used to do almost all the budgets and other management accounting reports for us. With this harsh economy, which has an abnormal inflationary environment, we could not afford to continue preparing budgets that would need to be revised now and again, that was very costly, and the consultancy fees were also heavy for us" (P41).

The participants indicated that the harsh economic environment has affected not only their operations but also the accounting systems. The findings further revealed that during episodes of economic recession, small businesses tend to desert the formal ways of doing business and adopt informal ways as long as there is an assurance of making more money.

The study also found that in the period from 2017 to 2020, the Zimbabwean government initiated many policies and statutory instruments that were highlighted by participants as impediments to business growth and development. The key informants and respondents revealed that the never-ending stream of statutory instruments makes it difficult for entities to conduct business in the prevailing environment. As a result, this affected the business environment, causing small businesses to informalise the bulk of their business dealings. The majority of participants (seventy-three out of eighty-eight), as well as seven key informants from the accounting firms, highlighted that the performance of the economy is a major contributor to the application of management accounting tools. The respondents had this to say:

"As an entity, we are mostly affected by the business environment, increase in prices is abnormal. Last year, we retrenched some of our staff members to reduce our wage bill, and this affected our manpower, even in the accounting department. We are now understaffed in the department, and we sometimes fail to meet some deadlines" (P11).

"Many of these statutory instruments that were issued in 2019 affected our business activities and only favoured the government, they were not balanced at all, on the other hand, the economic environment is harsh, and doing business is difficult in this country. The escalation in prices makes it difficult even to determine the cost of a product and you cannot even provide a quotation for a customer. You quote a customer today, tomorrow the cost of raw materials will have tripled in price. Honestly, how do you cost a product? It is very difficult even to follow proper accounting principles" (P13) (sic).

*"Mamiriro enyika avakurema kunevambhizinisi, nekudaro takamisa vamwe basa kuti tikwanise kuderedza Mari yatinobhadhara vasevenzi" (The economic environment is acerbic for business hence, **we had to cut down our wage bill by retrenching other employees**) (P57).*

Three key informants (Chartered Accountants) who are also consultants for SMEs had this to say:

"The economic environment is very harsh, especially for small businesses; most of them are no longer following the formal ways of doing business. They have even abandoned some of the management accounting tools and are only concerned about financial reporting and taxation. Most small business owners will always find ways of survival, especially from the lessons learnt in the period from 2000 to 2008. For example, the government issued a statutory instrument to ban the use of foreign currency, and all businesses were now supposed to wait for the central bank to allocate forex for their imports (K11)

"Due to the unavailability of foreign currency with the central bank, entities will wait for their allocation for more than three to six months, and this threatens the survival of small businesses. Then, informally, these small businesses will sell forex to each other using the black market (informal market) rates. For instance, an exporting entity will sell forex to an importing entity and then import the merchandise, invoicing it in Zimbabwean dollars at an interbank rate that is very low to avoid paying high taxes" (K5).

"The economy is very harsh. SMEs are failing to operate like they used to do when the economy was stable, I lost three clients from SMEs, I used to provide management accounting services. They cited the unavailability of adequate resources as the main reason" (K2).

The views from respondents reveal that socio-economic factors such as hyperinflation, employee retrenchment, and high operating costs influenced the application of MAPs. The respondents indicated that during an economic recession, entities tend to reduce their wage bills and other

overheads by cutting the number of employees. In addition, the respondents also indicated that retrenchments compromise the application of MAPs due to understaffed accounting departments.

Regardless of the above challenges that have led to the drastic reduction in the use of MAPs among SMEs under study, scholars argue that entities should continue to use them, even in harsh economic conditions, to survive (Hall, 2008; Olarewaju *et al.*, 2020). The literature states that the use of management accounting aids an entity in developing plans, controlling operations, and formulating strategies that create and sustain a competitive edge (Mitchell & Reid, 2000; Horngren *et al.*, 2009). The following sub-section discusses the availability of adequate resources as a factor that influences the application of management accounting among SMEs.

5.5.2 Availability of adequate resources

The majority of the participants (sixty-seven out of eighty-eight) indicated that the unavailability of adequate resources is one of the top hindrances in the application of MAPs among the SMEs under study. Interview discussions revealed that the lack of financial capacity is a major factor among SMEs, though the challenge is onerous in small-sized firms. Small businesses lack adequate resources to train their accounting personnel and acquire essential resources to necessitate the application of MAPs, especially the modern MAPs (Ismail & King, 2007; Karanja *et al.*, 2012). Training of accounting personnel enables capacity building for the workforce, and this will increase not only the uptake of MAPs but will further enhance product innovation (Abdel-Kader & Luther, 2008). The respondents indicated that the majority of SMEs do not have the requisite capital needed for the smooth application of MAPs. Some of the participants had this to say:

"Our major challenge in the implementation of management accounting is the lack of adequate resources. These systems need a computer package; even if you can acquire the software, you will have challenges maintaining the system because these software licenses do expire" (P59).

"Lack of resources is also a contributing factor to our low usage of these cost accounting methods. We tend to use our few resources for taxation and the preparation of final accounts" (P47).

"Some of the management accounting tools are too complex. They need management accounting software packages, which are very expensive, and we cannot afford to buy them as an entity" (P13).

The acquisition of accounting software that has management accounting packages is beyond the reach of most entities in developing countries (Dlamini, 2020). A management accounting package is essential for the wide application of MAPs, especially the decision-support systems and SMA techniques (Karanja *et al.*, 2012). In a study conducted by Dlamini (2020) on the use of MAPs among large manufacturing entities in Zimbabwe, it was revealed that most entities did not have accounting software that had management accounting packages. Commenting on the lack of resources and its impact, one of the key informants had this to say:

"Funds availability is a major hindrance to the implementation of MAPs by SMEs. There is little assistance they are getting from the government as we speak, so with the little income they get, some of them cannot afford to acquire a computerised system, and they are struggling to cater for their overheads. The economy is very harsh. SME's are failing to operate like they used to when the economy was stable, and I lost three clients from SMEs. I used to provide management accounting services; they cited the unavailability of adequate resources as the main reason" (K2).

The current study found that the lack of adequate resources was one of the major contributors to the low adoption of MAPs among the SMEs under study. These findings resonate with studies that have been conducted by other scholars (Mhizha, 2014; Nian & Nair, 2017). For instance, Mhizha (2014), who analysed the challenges faced by Zimbabwean SMEs in adopting strategic management practices, obtained similar results. The present study results are consistent with the findings obtained by Mitchell and Reid (2000), who indicated that a lack of adequate resources affects management accounting innovations in small businesses. Furthermore, the participants also highlighted that government grants are no longer forthcoming due to the uncertain economic situation currently prevailing in the country, while lending institutions are wary of SMEs' lack of collateral security. Hence, Gangata and Matavire (2013), as well as Manyani (2014), assert that banks are wary of supporting SMEs due to collateral insecurity. The literature states that lack of adequate resources influences the application of MAPs negatively, especially in small businesses (Ahmad, 2017).

5.5.3 Costs and benefits associated with the use of MAPs

The study revealed that the costs and benefits associated with the use of MAPs influenced their application among the SMEs under study. Fifty-four respondents indicated that the costs associated with the use of management accounting in small businesses are perceived to be high compared to the benefits derived from its application. The respondents had this to say:

"The cost of using these management accounting techniques is too high for small businesses like ours maybe for large entities, they can benefit from them. I know the benefits associated with their use, but I think at the end of the day we might not even benefit because of the costs that are associated with investing in their use as well as maintaining them, our business is still small, so we just pick a few tools" (P33).

"Mina ngibona sengathi singa faka imali kumasystems lawa sibuye sehluleke ubenefitha kuwo ngoba leli ilizwe lifuna into ezakunika amaresults khonapho khonapho, so nxasingaqhathanisa amacost akhona longakuzuza kusangangahambelani (In my view, you might fund these systems and further fail to benefit from them, because this country needs things that will give you the desired results immediately, so if you compare the costs against the benefits, it might be cost-inefficient)" (P77).

"As an entity, we outsource accounting expertise for tax computation and financial statement preparation, if we further outsource for management accounting, the perceived benefits will not match the costs associated with that exercise. We will be spending a lot on the accounting side as an entity" (P56).

The participants assume that the perceived benefits of the use of management accounting are lower than the costs associated with its use. As discussed in section 5.4.5, seventy-one per cent (71%) indicated that costs associated with the application of contemporary systems are too high, as these tools cannot be done manually without a computerised system. Ali Qalati *et al.* (2021) state that the cost-effectiveness of modern tools seems to be a factor that also leads to their low adoption among SMEs as their application is relatively costly. One of the respondents had this to say:

"We know that there are vast benefits associated with the use of strategic management accounting tools and other modern systems, especially strategic costing, value chain analysis, and strategic pricing. Yet, it is hard to apply these techniques manually, you need a computer package. As an entity, we can only manage to have and maintain an accounting package for financial reporting only. If we are to fund their usage, we rest assured that we will go out of business" (P52).

These findings indicate that the costs and benefits associated with the use of MAPs are a factor that influences the application of MAPs among the SMEs under study. The study findings resonate with results obtained by Bäuml (2014), who conducted a study in Malaysia; he discovered that the cost associated with the use of SMA was a major challenge in the implementation of SMA practices. However, the literature suggests that the application of management accounting is essential for the

success and growth of small business entities as it promotes efficiency and improves the competitive edge (Abdel-Kader & Luther, 2006; Karanja *et al.*, 2012; Armitage *et al.*, 2016).

5.5.4 Size of the organisation

The study findings revealed that the size of the entity determines the level of application of MAPs. A large number of respondents expressed this sentiment. Fifty-six respondents were of the view that the size of the organisation influences the application of MAPs within an entity.

"When we increased our production processes, that is when we had to apply ABC because we were now producing a wide range of products, so ABC makes it easier for us to share the overhead costs" (P49).

"Six years back when I was the only one in the accounts department, we would use a consultant mainly for tax issues and few things on the management accounting side due to the fees they used to charge us, as for now we internally do all accounting related activities. We have even increased the usage of cost and management accounting tools because we now have a well-established accounting department. I agree with my brother that size has a bearing on the usage of these MAPs" (P28).

"The management accounting techniques we used to apply were fewer than the ones we are now using I am also of the view that the size of the firm does affect the usage of MAPs" (P8).

This was buttressed by the four key informants who stated that the larger the organisation, the wider the usage of MAPs would be. The key informants further asserted that small-sized firms are low users of management accounting tools due to their size, as they have fewer volumes of information to handle as compared to medium-sized or large-scale entities. Furthermore, some of the respondents who were external accountants highlighted that, due to their size, small-sized firms mostly use traditional MAPs because of their simplicity and convenience in use. On the contrary, the respondents indicated that medium-sized firms are high adopters of contemporary MAPs, compared to small firms, due to their complexity in production. These findings are consistent with the empirical literature that asserts that the variations in the use of management accounting techniques between small firms and large firms are due to the volumes of datasets or information they handle (Haldma & Laats, 2002; Mitchell & Reid, 2000; Albu & Albu, 2012; Ahmad, 2014; Nair & Nian, 2017).

5.5.5 Qualifications of accounting staff

The role of accountants in management accounting is the subject of diverse debates in the extant literature (Ng & Kee, 2018). Management accounting personnel should possess the requisite skills and qualifications to cope with changes in management accounting (Drury, 2012). Literature asserts that management accounting is a multifaceted field that needs proper training for it to be correctly applied in an organisation (Gray, 2010). As previously alluded to above, the study sought to ascertain participants' understanding of management accounting principles. The underlying assumption in this enquiry was that participants' understanding might have an impact on the application and use of management accounting principles in their organisation. Seventy-four participants indicated that they understood the concept of management accounting as discussed in section 5.3. However, only sixty-seven knew about contemporary management accounting systems, and all entities that used modern MAPs were among the sixty-seven participants. Respondents noted that:

"We know that there are vast benefits associated with the use of strategic management accounting tools, especially strategic costing, value chain analysis, and strategic pricing. Yet, it is hard to apply these techniques manually; you need a computer package. As an entity, we can only manage to have and maintain an accounting package for financial reporting only" (P52).

"At the moment, as an entity, we cannot afford to apply some of the management accounting techniques even if we know that they can benefit us. We still lack the resources to fund these systems" (P43).

These participants indicated that the non-adoption of contemporary MAPs was due to other issues such as lack of resources, like computers and management accounting software, rather than a lack of knowledge of these modern MAPs. Twenty-one participants indicated a lack of knowledge as a contributing factor to the non-adoption of modern MAPs. These participants were using traditional MAPs while believing they were using contemporary MAPs. For instance, when asked about the usage of SMA, seven participants assumed that they were using SMA tools whilst they were applying traditional MAPs. Some of the participants had this to say:

"We manage our strategy as an entity by using the relevant costing system. This helps us with costing our products and ensure that we achieve our strategic goals" (P47).

"In strategic management accounting, we use various techniques which include the payback period, especially in deciding on long term projects" (P19).

The study observed that all the sixty-seven respondents had accounting qualifications, while the other twenty-one participants had other accounting-related qualifications in areas like banking, finance, or business management, etc.

Furthermore, forty-five participants indicated that the qualification of the accounting personnel is a factor that influences the adoption of MAPs among SMEs. The external accountants, who serve as accounting consultants among the SMEs under study, highlighted that the accounting personnel in some firms are underqualified. They do other bookkeeping duties, but they cannot prepare financial statements, compile tax returns, or do other management accounting-related roles. This was buttressed by several studies which indicated that small businesses lack qualified accountants, so they tend to outsource for accounting expertise (Albu & Albu, 2012; Ng & Kee, 2018). The findings of this study confirm the view that accounting personnel in small businesses are underqualified and that this contributes to the non-adoption of management accounting techniques (Ismail & King, 2007; Ahmad, 2012).

5.5.6 Lack of knowledge by the SME owner

Figure 5.12 reveals that thirty participants (34%) indicated that a lack of knowledge of management accounting by the SME owners or managers influences the application of MAPs. These respondents indicated that if the owner does not attach any importance to the use of MAPs, the entity would not implement MAPs. The techniques that the owner or managers deem imperative for their success are the ones that would be implemented (Ipinnaiye *et al.*, 2017; Nair & Nian, 2017). Hence, the importance placed on MAPs by the managers or SME owners determines the adoption level (Albu & Albu, 2012). It came out from the discussions that most of the time, SME owners and managers are mainly interested in the preparation of financial statements and the computation of tax returns. Some of the participants had this to say:

"Most SME owners and managers do not comprehend the need for management accounting. To them, accounting is the preparation of financial statements, generation of few budgets and compilation of tax returns" (P21).

*"Mina ngibona ingathi lokho kubaluleke kakhulu kumakampani amakhulu ngobathina sivele sisebenzisa uconsaltant manje singengeza izinto esizifunakuya kuzasidule and we can do without these management accounting systems ngoba okwamanje kasikaboni hlupho ngesikwenzayo" (As for me, I am of the view that these are important for large entities considering that we are using accounting consultants. **If we use more of their services, it***

will be expensive and we can do without these management accounting systems, and we have not seen any problems with what we are doing) (P50).

"At first my boss did not want us to spend money on the usage of these management accounting systems, but we had to explain to him, and it took us time to convince him" (P71).

This reveals that the level of appreciation of management accounting by SME managers and owners has a bearing on the usage of MAPs. It further indicates that even though the accounting personnel have adequate qualifications, at times the adoption of MAPs is also influenced by the knowledge of the owner. The responses from the managers of small businesses revealed that there is little awareness or appreciation of management accounting issues. One of the participants (SME manager) had this to say:

"Ngokwazi kwami imanagement accounting imayelana ngokufaka intengo yezinto elizenzayo lokwenzamabudgets njengekampani". (What I know is management accounting is all about determining the price of the products you produce as well as preparing budgets as a company) (P67).

"Thina esikwenzayo nxa sesi qedile ukulungisa amaproducts athu sikhangelela intengo abanye abathengisa ngayo, lathi sibe sesifakaleyo price, ngoba singezake sibe lamaprices angafanani labanye, ikakhulu nxa sinanzelela sisebenzisa izinto ezifananayo ukulungisa amaproducts ethu so leprice izafana, ungadulisa uyalahlekelwa ngamacustomers". (As for us what we do after producing our products we consider the prices that are charged by other companies, thus the price we are going to charge, because we cannot have our own that are different from others, especially, noting that we are using the same materials in producing our products so the price will be the same if your products are expensive, you lose customers) (P67).

The participants highlighted that there is a need for SME owners to be trained in management accounting systems to enhance their appreciation of MAPs. The lack of knowledge within the accounting discipline forces small businesses to outsource accounting expertise (Ng & Kee, 2018). Phan *et al.* (2017), who examined the application of environmental management accounting in Australian entities, also revealed the above assertion. They reported that small businesses are low adopters of environmental management accounting due to the lack of awareness and understanding of management accounting by SME owners. Argyris and Kaplan (1994), as well as Ahmad (2012), also reported that owners' knowledge of management accounting innovation is a critical step in the successful implementation of the management accounting system. Hence, the performance of small

businesses is also highly affected by the level of education of the owners (Neneh, 2018). SME owners are the major decision-makers in these entities (Albu & Albu, 2012; Ahmad, 2014). As such, if they place little importance on MAPs, that may influence the application of MAPs in the organisation (Ahmad, 2017). The perception of owners and managers towards management accounting is critical to the successful application of MAPs within an entity (Ahmad, 2012).

5.5.7 Technology

Technology has been mentioned as one of the facets that enhance an organisation's ability to achieve a sustainable competitive edge, as it enables the entity to be more proficient and improve production performance (Jamil *et al.*, 2015). Figure 5.12 above reveals that forty-three per cent (43%) of the respondents highlighted that the usage of innovative technology influences the application of MAPs. The respondents highlighted that a lack of management accounting software contributed to the low adoption of modern MAPs. The respondents had this to say:

"These systems are very expensive to apply, you need to have management accounting software to fully apply the system and that is beyond our reach at the moment" (P83).

"You talk of modern management accounting tools such as decision support tools; you cannot apply such systems properly if you are still lagging on technology, those tools need an advance system" (P39) (sic).

The study revealed that low utilisation of technology influences the usage of contemporary MAPs among SMEs under consideration. Furthermore, the study observed that advanced production technology has a notable impact on the costing system. One of the participants from those firms which do not have a computerised system for cost determination had this to say:

"We do not have a computerised system. We determine the production cost manually and, as of now, we do not have a problem with that, I think as we grow, we will reach a point in time where we will need a computerised system" (P32).

Related, to cost determination, one of the participants also had this to say:

"It will be very difficult to determine the price of a particular product from a wide range of products without a proper costing system in place. For instance, in the production of a product with various versions, there is more information that needs to be processed before determining the actual cost or the price of that particular product. Imagine how you can go about coming

up with an accurate cost from large volumes of data without a system to process the data. The volume of the dataset we handle just forces you to have a system in place" (P53).

From the discussions, it emerged that those firms that had advanced production processes utilised technology even in the application of MAPs. The findings further revealed that those entities that had complex production processes were high users of technology, compared to those who were manually determining the cost of a product. These results are consistent with the literature that posits that capital intensive firms are high users of technology and are high adopters of MAPs compared to labour-intensive firms (Haldma & Laats, 2002; Ahmad, 2012; Nair & Nian, 2017). Nair and Nian (2017) further affirm that there is a correlation between technology-intensive companies and the use of sophisticated MAPs. Those entities that utilise technology tend to use more MAPs, compared to their counterparts. The following section discusses the benefits derived from the application of management accounting by the SMEs under study.

5.6 Benefits of using MAPs in the SMEs under study

Existing literature consistently indicates that MAPs tend to benefit entities that implement them to the extent of creating and sustaining competitive advantage (Folk *et al.*, 2002; Horngren *et al.*, 2009; Lucas *et al.*, 2013). The researcher asked the participants about the benefits of using management accounting in their operations. A significant number of respondents highlighted various benefits of MAPs, which are captured in the quotes below:

"Well, after introducing the activity-based costing system to the costing of our products, we have benefited a lot. The system helped us to identify non-value-adding activities and we have managed to eliminate such activities. This has reduced our production costs and increased our profitability as an entity" (P3).

"These management accounting tools have assisted us in the determination of the production cost and pricing of our products. We have benefited, especially in aiding the reduction of production costs" (P34).

"We use budgets at most as they give us numerous benefits; they help us in planning, allocation of resources, performance evaluation. We do not use any tools, but we are really happy with what budgets are doing for us" (58).

"Management accounting systems have helped us to identify the most profitable products and customers are given importance according to the ranks. I can confirm that this has helped us to increase our profitability. There was a time when we evaluated the significance of these

systems; remember, some of these methods have a high usage cost, so in our analysis, we discovered that there was a significant increase in our profits and the defect rate went down significantly. As we speak, our management is supporting the usage of management accounting tools" (P53).

"I can pick benchmarking as one of the most useful tools for us as an organisation. We have benefited a lot, we benchmarked ourselves with Delta beverages and we have identified some of our weaknesses and are still working on them. We learn a lot from their processes, am sure one day we will be one of the best entities, not only in Zimbabwe but even abroad" (P25).

Participants' responses indicate that MAPs enhance planning, allocation of resources, decision-making as well as improving coordination and communication within organisations. The study revealed that MAPs were shown to be highly valuable in most of the entities under consideration, especially for costing, controlling, and pricing of products. Furthermore, participants also mentioned that they have benefited from the use of the ABC system as it enhanced the identification and elimination of non-value-adding activities. Narong (2009) stated that ABC aids in the identification of loss-making and non-essential activities. Literature also asserts that ABC systems enhance the allocation of resources, eliminate non-value-adding activities, and avoid price distortions (Turney, 2008; Nasieku & Oluyinka, 2016). Kocakulah *et al.* (2017) affirm the above assertion by stating that though ABC has low uptake in US SMEs, their survey revealed that it improves profitability through the elimination of non-value-adding costs.

Most of the participants (seventy-one out of eighty-eight) highlighted that the wide use of traditional budgeting systems enhanced planning, controlling, and performance evaluation. Furthermore, the respondents indicated that budgeting plays a vital part in communication and strategy formulation. This is in harmony with literature that suggests that budgeting is vital planning, controlling, coordinating, performance evaluation, and strategy formulation tool (Chenhall & Langfield-Smith, 1998; Joshi *et al.*, 2003; Drury, 2012; Nasieku & Oluyinka, 2016). These findings concur with the results from previous studies (Abdel-Kader & Luther, 2006; Mulani *et al.*, 2015; Maduekwe & Kamala, 2016). For instance, Maduekwe and Kamala (2016) revealed that SMEs from South Africa indicated that they used budgets for planning, coordination, performance evaluation, and resource allocation. Similarly, Ahmad (2012) reported that Malaysian SMEs extensively use the budgeting system to control activities in their manufacturing operations. He further highlighted that SMEs largely benefit from the budgeting system for planning, controlling, and performance evaluation as they use more financial measures.

According to Ahmad and Zabri (2015), MAPs have a comprehensive role in the evaluation of firm performance, and this is also a reality in the SMEs under study. Forty-three respondents highlighted that they have benefited from the usage of financial performance measures in evaluating their operations. The participants further indicated that these measures guided management in planning and benchmarking for future periods. They also highlighted that performance evaluation measures enhance the evaluation of various activities in the organisation. Zorek (2020) stated that performance evaluation measures integrate the desired and actual performance, and this aids in decision-making (Ahmad & Zabri, 2015). Literature also suggests that a performance evaluation system motivates managers, improves efficiency, and enhances the decision-making process in the organisation (Chenhall & Langfield-Smith, 1998; Lorenz, 2015). Findings by Abdel-Kader and Luther (2006), as well as Ahmad (2017), reveal that SMEs benefit from the use of performance evaluation measures as they positively influence performance. Generally, MAPs benefit organisations through the enhancement of performance and the creation of value for an entity (Ahmad & Zabri, 2015). The ensuing section discusses the role played by the Zimbabwean government in promoting the implementation of management accounting in the SME sector.

5.7 The role of the Zimbabwean government in MAPs' implementation

The researcher asked the participants about the role played by the Zimbabwean government in promoting the implementation of MAPs among SMEs in the country. The responses from the participants reveal that there is little involvement of the government in MAPs implementation. The respondents had this to say:

"In terms of training, our government is concerned with the issue of tax returns. I hardly remember when we had a training organised by the government that was meant to enhance our success and improve our efficiency in our operations. It is our policy as an entity to make sure a delegate is sent to attend any pieces of training from the government because there are high chances to get financial assistance if you attend this training. To be precise, we have never had training in management accounting. I wonder whether they appreciate its importance" (P86).

"I do not know how many years we last received training from the government and the training was on record keeping and bookkeeping" (P12).

"Government initiated pieces of training last year, we received training on taxation-related issues and business management issues, and we have never been trained on management accounting" (P30).

"The government has never talked about management accounting. The only issue we have been offered are refresher courses done by ZIMRA on the computation of taxes" (P63).

"I am not sure about the small firms, as for us in medium-sized firms, there is absolutely nothing we are getting from the government, except for the statutory instruments which hamper our operations most of the time" (P45).

"We always hear it in the media that the government is supporting and promoting the success of SMEs, maybe we are yet to witness this support shortly" (P6).

Over half of those surveyed reported that the support they used to get from the government was in the form of training on entrepreneurship and management practice skills and very limited financial support. The government, through various institutions (local empowerment financial institutions), provided some training to SMEs on entrepreneurship and management-related issues and bookkeeping. The majority of the workshops were organised by the Zimbabwe Revenue Authority and focused on bookkeeping skills needed for the proper remittance of taxes. The study noted that the foregoing is part of the government's strategy to widen the tax base through providing tax education and awareness. This was affirmed by key informants from the accounting firms, who also highlighted that much is said by the government about the importance and role SMEs play in economic development, as well as the support the government is offering to this sector.

"The government is not giving this sector the importance it deserves, in my own opinion. Why am I saying this? Zimbabwe is one of the countries which does not have an SME database. It has been more than six years since we heard that the Ministry of SMEs was compiling an SME database, but even up to today there is nothing" (K13).

"Zimbabwean government is good at coming up with excellent policy documents for supporting SMEs, which will never be implemented. The government is mostly interested in taxes" (K4).

The findings reveal that the support offered by the government to SMEs is stipulated in the policy frameworks, which are just blueprints without implementation. Furthermore, they indicated that the government is mainly interested in expanding tax revenues. The respondents emphasised that whatever the government does for SMEs is usually aimed at tax base widening. The key informants from the Ministry of SMEs and the Association of SMEs in Zimbabwe indicated that the only training that is offered by the government to SMEs is on proper book-keeping, tax knowledge, and entrepreneurial skills, and there is nothing as yet on management accounting. This buttresses the view that the government is interested mainly in expanding the tax base rather than enhancing the

use of MAPs in the SME sector (Bomani & Derera, 2015). Furthermore, the key informants from accounting firms stated that the lack of an SME database is an indicator that the government lacks a serious commitment to support the sector. Nonetheless, key informants from the Ministry of SMEs and ZIMRA stated that, indirectly, the Zimbabwean government assists small businesses with access to funds that might be used to advance the usage of MAPs by SMEs. One of the interviewed government officials stated the following:

"So what I can say is, the government assists micro, small and medium-scale enterprises with funding, and the government does not dictate how you spend the funding in your operation. If you decide to train your accounting team on management accounting or marketing, it's up to you. So, what I can say is, the government indirectly promotes the use of these accounting practices" (K13).

The preceding sentiments find corroboration in the Minister of Finance's 2021 budget speech (November 2020), which reported that in the current financial year (2020), the government disbursed ZWL\$77 million to 6 763 micro, small, and medium enterprises (GOZ, 2020). The Minister (Honourable Professor Mthuli Ncube) further mentioned that the 2021 national budget has further allocated ZWL\$1 billion for the capitalisation of local empowerment financial institutions to support SMEs in their operations (GOZ, 2020). Given that sixty-seven out of eighty-eight participants highlighted the unavailability of adequate funds as one of the major challenges in the implementation of MAPs, the financial support from the government may probably address the cited financial challenges. However, the researcher could not obtain the actual amounts that were offered to individual SMEs, and the eighty-eight participants revealed that their entities were not beneficiaries of government funding.

The current study findings are in harmony with the results obtained by Sibanda (2005), who assessed the contribution of SMEs in the manufacturing sector in Zimbabwe. He reported that the Zimbabwean government was doing little, or nothing, to assist SMEs. Participants in his study's focus group discussions highlighted that the financial assistance they received from the government were political statements circulating in newspapers, but they had yet to meet anyone who had received the assistance. However, the variation in the present study findings with those obtained by Sibanda (2005) is that some of the participants highlighted that in the past they did get a little financial assistance from the government, though in the past three years, none had benefited. The current study results are consistent with the findings by Mhizha (2014), who also carried out a study on the challenges faced by Zimbabwean SMEs in implementing strategic management practices. Mhizha's

study revealed that there is little assistance that SMEs get from the government on the implementation of strategic management practices.

5.8 Chapter summary

This chapter discussed the perspectives of Zimbabwean SMEs on management accounting based on the views of the study participants. Most of these participants turned out to be accountants, with a few bookkeepers and SME managers among them. The findings were presented and discussed in conformity with the research objectives. The study findings presented in this chapter captured the key components relevant to the development of a management accounting practice framework for Zimbabwean SMEs.

The chapter revealed that for the past two decades, the country has experienced three extreme stages. From 2000 to 2008, there was an era of serious economic recession. The period from 2009 to 2016 was an era of economic boom, and from 2017 to 2020, at the time of the study, there was an economic recession again. The study findings reveal that the health of the Zimbabwean economy significantly affects SMEs and their usage of MAPs. The chapter also analysed the use of MAPs by SMEs under study in terms of costing systems, budgeting systems, performance evaluation systems, decision support systems, and strategic management accounting. Overall, SMEs are low adopters of management accounting and there are inconsistencies in the application of MAPs among SMEs. Furthermore, within the five categories of MAPs, decision support systems and strategic management accounting are the least used, while budgeting systems and performance evaluation systems are moderately used, and costing systems are the most-used components of MAPs.

The chapter also revealed that SMEs under study are high adopters of traditional MAPs as compared to contemporary MAPs. From the analysis of the results, the chapter suggested that there is a need to develop a management accounting framework for Zimbabwean SMEs that will provide a systematic MAP implementation approach. It then further interrogated factors influencing the application of MAPs among SMEs under study. Major factors include the socio-economic environment, availability of funds, costs and benefits associated with the use of management accounting, size of the organisation, qualifications of accounting personnel, financial literacy of SME owners and technology. The study further considered the benefits obtained by SMEs using MAPs. The findings revealed that management accounting creates value for the entity and ensures growth, as well as survival, during an economic recession. Additionally, MAPs play a crucial role in enhancing SMEs in planning, controlling, and allocating resources, assisting in decision-making, as well as improving coordination and communication.

The role of the Zimbabwean government in promoting the use of MAPs among SMEs was also given attention. According to the participants, to date, there has been no direct involvement of the government in promoting the use of MAPs in the SME sector. Furthermore, the policy frameworks that are meant to support SME development remain blueprints without implementation, and the government lacks a serious commitment to support the sector. The investigation and comprehension of the aforementioned issues are critical because they aid in the development of a useful management accounting practice framework for Zimbabwean SMEs. The following chapter develops a management accounting framework for SMEs in Zimbabwe and other emerging economies that have a similar business operational environment.

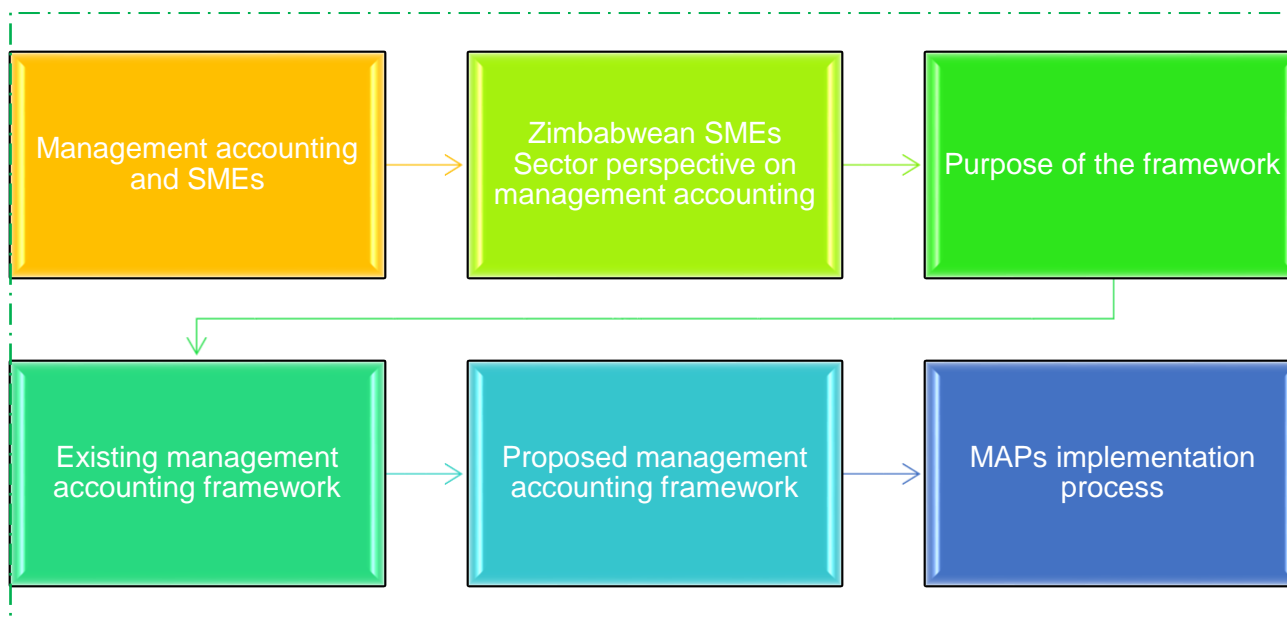
CHAPTER 6: MODEL MANAGEMENT ACCOUNTING FRAMEWORK FOR ZIMBABWEAN SMALL AND MEDIUM- ENTERPRISES

6.1 Introduction

The study set out to explore the usage of MAPs with the ultimate goal of developing a management accounting framework for Zimbabwean SMEs. To achieve this objective, the study formulated various research sub-objectives. These included the following: exploring the extent of the use of MAPs by Zimbabwean SMEs; ascertaining factors influencing the adoption of MAPs among SMEs in Zimbabwe; determining the benefits obtained from the use of MAPs among Zimbabwean SMEs; and identifying the role played by the Zimbabwean government in the implementation of MAPs among SMEs. Using data that relates to the research sub-objectives, the study sought to develop a management accounting framework for the Zimbabwean SME sector. The previous chapter presented findings based on the research sub-objectives. This chapter synthesises perspectives discussed in the literature review, methodology and insights from empirical data obtained from the field research to develop a management accounting framework for SMEs in Zimbabwe.

The current study findings reveal that there is low utilisation of management accounting by SMEs under study. The analysis of results in the previous chapter suggested that there is a need to systematise the application of MAPs, as empirical findings pointed to the inconsistent use of MAPs by the SMEs under study. Additionally, the development of the framework was motivated by the recognition that, in financial reporting, there are relevant International Financial Reporting Standards (IFRS) for large corporates and others for SMEs. The rationale for having different IFRSs is due to the different needs and levels of capitalisation of large corporates and SMEs (Chenhall, 2003; IASPLUS, 2020). While significant advances have been made in developing financial reporting frameworks that standardise the application of financial accounting principles by small businesses, the same cannot be said regarding management accounting frameworks and MAPs (PWC, 2009). Several frameworks that have been developed in management accounting attend to the needs of large entities (Cokins, 2001; IMA, 2014; Greenberg & Wilner, 2015; IMA, 2016; Samuel, 2018), but there is a dearth of frameworks that systematise the application of MAPs among SMEs. It is against this backdrop that this chapter proposes a management accounting framework for Zimbabwean SMEs. The proposed management accounting framework seeks to harmonise the management accounting reports within the SME sector to further enhance the competitiveness of SMEs. Figure 6.1 is a graphical visualisation of the organisation of the chapter.

Figure 6.1: Structure of the chapter



Source: Own formulation

The chapter begins by reflecting on the use of management accounting for SMEs, after which it reviews the perspective of the Zimbabwean SMEs sector on management accounting. It then discusses the purpose of the management accounting framework for SMEs in Zimbabwe and further identifies the gaps that exist in other existing management accounting frameworks. The chapter proceeds to present a proposed model management accounting framework for Zimbabwean SMEs. The last part of the chapter discusses the management accounting framework implementation process.

6.2 Management accounting and SMEs

SMEs are globally recognised for their contribution to economic growth and development (Kithae *et al.*, 2013; Afolayan *et al.*, 2015). The critical role played by SMEs in economic development is also a reality in Zimbabwe (RBZ, 2016). However, Zimbabwean SMEs are beset by a myriad of challenges that include limited access to finance, lack of entrepreneurial and business management skills, poor accounting practices, low productivity, and failure to adapt to rapidly changing market conditions (Maseko & Manyani, 2011; RBZ, 2016). Hopper *et al.* (1999) suggested that the implementation of MAPs by SMEs might remedy the foregoing challenges. Specifically, management accounting has the benefit of enhancing the viability of SMEs by fostering value creation (Ahmad, 2012).

Management accounting is a practical science that processes financial and non-financial information for decision-making, policy formulation, and value creation (Kaplan & Atkinson, 1998; Horngren *et al.*, 2005). The application of management accounting is essential for the success and growth of any business entity (Armitage *et al.*, 2016). Management accounting is particularly relevant for SMEs operating in a dynamic economy as it promotes efficiency and improves the competitive edge (Abdel-Kader & Luther, 2006). Additionally, MAPs are vital tools in promoting development plans, controlling operations, formulating strategies, and change management as they act as the key information system in the decision-making process (Mitchell & Reid, 2000; Lucas *et al.*, 2013).

Empirical findings, discussed in the previous chapter, reveal that MAPs play a facilitative role in planning, controlling, allocating resources, decision-making, coordination, and communication of the day-to-day activities of SMEs. Additionally, respondents underscored the strategic value of MAPs within the context of a harsh economic environment. The participants attributed the sustainability of their enterprises to MAPs-informed planning and decision-making (see section 5.6). Furthermore, the current study findings reveal that there is generally low utilisation of management accounting among SMEs under study. These findings are consistent with previous studies that testify to the low uptake of MAPs by SMEs in developing countries (Ahmad *et al.*, 2003; Mulani *et al.*, 2015; Maduekwe & Kamala, 2016; Ahmad, 2017). Several scholars advocate the use of MAPs by SMEs to enjoy the benefits that accompany their adoption (Abdel-Kader & Luther, 2006; Lucas *et al.*, 2013; Armitage *et al.*, 2016).

The application of MAPs is a meticulous exercise that requires a concerted effort by different stakeholders and experts from various fields (Greenberg & Wilner, 2015). While taxation and financial reporting procedures are compulsory, the use of management accounting is voluntary and discretionary (Cokins, 2001). This study revealed that the voluntary and discretionary nature of MAPs accounts for their haphazard adoption by SMEs. Moreover, the study discovered that no legislation or policy document addresses or promotes the use of management accounting in Zimbabwe (see section 5.7). Current legislative and policy efforts focus on regulating tax compliance and financial reporting (see section 5.7). In this study, the respondents and key informants also bemoaned the lack of guidance and government support vis-à-vis the implementation of MAPs. The study revealed that the lack of government support partly accounts for the low diffusion of MAPs within the SME sector.

Prior studies that deal with the application of MAPs among SMEs are exploratory and descriptive (Szychta, 2002; Abdel-Kader & Luther, 2006; Hall, 2008; Lucas *et al.*, 2013; Ahmad, 2014; Ahmad, 2017). They described and identified the problems associated with the use of MAPs among SMEs without proposing a solution. Nonetheless, this study goes beyond describing the usage of MAPs by

providing a solution through the development of a model management accounting framework for Zimbabwean SMEs and other emerging economies. The following section reviews the perspectives of the SMEs under study on the use of management accounting.

6.3 Zimbabwean SMEs' perspective of Management Accounting

SMEs in Zimbabwe constitute over 70% of economic activity, contributing more than 50% of the country's GDP and employing more than 60% (more than 5.8 million) of the country's workforce (RBZ, 2016). SMEs, according to RBZ (2016), are the backbone of the Zimbabwean economy. It is envisaged that if this sector performs well, the probability of transforming Zimbabwe from an emerging economy to a middle-income economy will be enhanced (GOZ, 2020). However, evidence indicates that they have a high failure rate (Manyani, 2014; Tinarwo, 2016; Mazikana, 2019). The use of management accounting among SMEs is important for their success and survival as it promotes efficiency and improves the competitive edge of the entity (Ahmad, 2012; Ahmad, 2017).

Management accounting has five pillars, which are costing systems, budgeting systems, performance evaluation systems, decision support systems, and strategic management accounting (Ahmad, 2012; Dlamini, 2020). The current study focused on the five pillars of management accounting, and they were discussed in detail in chapter three under section 3.4. The study further explored the level of usage of these five pillars among SMEs in Zimbabwe. The empirical findings of the study indicate that the SMEs under study use all five of the pillars, though to varying degrees. The findings reveal that costing systems have a high adoption rate, compared to other management accounting components, even though there are SMEs that indicated that they do not have a costing system in their organisations. Further, the study found notable instances of intra-sector variation in the use of costing systems by SMEs under study (see section 5.4.1). The study found that process costing, batch costing, job costing, and ABC are the only cost collection methods used by the SMEs under study. Traditional costing systems are more prevalent compared to contemporary costing systems (see section 5.4.1). Literature states that a mix of contemporary and traditional costing techniques is crucial for enhancing the competitive edge of an entity (Chenhall & Langfield-Smith, 1998; Abdel-Kader & Luther, 2006). The usage of contemporary costing systems is important as these systems help in identifying non-value-adding activities in the entity and creating value for the entity (Narong, 2009; Nasieku & Oluyinka, 2016).

The study also found that the SMEs under study exclusively use traditional budgeting systems, though they are aware of contemporary budgeting systems. The respondents indicated that due to the extensive use of traditional budgeting systems vis-à-vis non-adoption of modern budgeting systems,

traditional budgeting systems are more economical to use compared to contemporary budgeting systems, which are too expensive as they need adequate resources. These respondents further pointed out that modern budgeting systems are time-consuming and sophisticated. However, literature claims that modern budgeting systems improve an entity's image by allowing it to align its activities with its strategic goals (Libby & Lindsey, 2010; Goode & Malik, 2011). Neely *et al.* (2003) highlighted that the use of both traditional and modern budgeting systems is paramount for small businesses, as they complement each other and contribute to value creation.

The findings further revealed that the SMEs under study are moderate users of performance evaluation systems. Results indicate that financial measures are widely used by the SMEs under study as they can repurpose information contained in financial reports. Although the results indicated low usage of non-financial measures, the respondents who applied them highlighted that these measures, like benchmarking, enhance a corporate's efficiency by illuminating areas that require improvement. Literature also affirms that non-financial measures link the entity's activities with its strategic objectives (Lorenz, 2015). Additionally, the results also indicated that there are inconsistencies in the usage of financial measures among the SMEs under study. Yang (2010) asserted that financial measures have their benefits, but they need to be used systematically with non-financial measures. Furthermore, a holistic approach to performance evaluation (use of both financial and non-financial measures) paints a clearer picture of the entity, whereas a targeted focus may produce a distorted picture of overall performance (Dlamini *et al.*, 2020).

The study findings further revealed that there is minimal adoption of decision support systems by the SMEs under study. There is a preference for short-term decision support systems over long-term decision support systems within the sector. Moreover, the study observed that there is a low uptake of short-term contemporary decision support systems and a non-adoption of long-term contemporary decision support systems among the SMEs under study. These results paint a grim picture of the growth and success of SMEs, given that their viability is dependent on the ability to make sound long-term financial investment decisions (Drury, 2012). Furthermore, the findings of the study revealed that strategic management accounting is the least used of all the components. Overall, the study observed that there are inconsistencies in the application of MAPs among the SMEs under study. The study further found that there is generally low utilisation of management accounting among the SMEs under study, with some pillars being used more than others. Among the pillars used, decision support systems and strategic management accounting are not as prevalent as the other three pillars of management accounting.

The study also identified numerous factors that account for the varied applications of MAPs among the SMEs under study. Major factors include the size of the organisation, qualifications of the management accounting personnel, lack of knowledge by the SME owner, costs and benefits associated with the use of management accounting, lack of adequate resources, and the socio-economic environment. The participants and key informants revealed that the harsh socio-economic environment, which includes hyperinflation, a high unemployment rate, extreme poverty, and a GDP that contracted by 8.1% in 2019 (World Bank, 2020), is detrimental to the successful implementation of MAPs. The findings further revealed that inadequate capitalisation of SMEs compromises their ability to purchase accounting software with management accounting modules.

The respondents indicated that it is difficult to retain qualified management accountants because they do not have the resources to pay them a salary that is commensurate with their qualifications. Consequently, most of the sampled small-sized firms do not have in-house accountants but rely on accounting consultants who provide services for statutory compliance and tax-related issues. The study results also revealed that unfamiliarity with MAPs on the part of SME owners and managers may explain their reluctance to adopt them.

Given the evidence on the benefits associated with the use of management accounting among the SMEs under study (see section 5.6), the development of a management accounting framework for SMEs that systematises the application of MAPs could address the above. It is against this background that this study develops a management accounting framework for SMEs in Zimbabwe. The ensuing section articulates the purpose of the proposed framework.

6.4 Purpose of the framework

The preceding section provides the backdrop and context that rationalises the need for a management accounting framework that systematises the adoption and use of MAPs in the Zimbabwean SME sector. This study observed a trend of low utilisation of management accounting among the SMEs under study, with traditional MAPs being widely used, compared to contemporary MAPs. Furthermore, the study revealed that SMEs that used MAPs did not fully implement management accounting, but only used a portion of the MAPs components. For instance, an entity would adopt costing systems, budgeting systems, and part of the performance evaluation systems, leaving behind decision support systems and strategic management accounting. The study also observed diverse practices in the application of management accounting among SMEs. For example, differences in the application of MAPs within the same sector or the same industry were observed.

This section builds on the previous section by outlining the purpose of the framework. Kittredge (2009) points to the need for management accounting frameworks by arguing that management accounting is distinct from financial accounting. Specifically, management accounting transcends the traditional acquiescence with financial reporting guidelines and procedures (Cokins, 2001). Management accounting derives its essence from the strategic function it plays in corporate planning and decision-making (Rashid *et al.*, 2021). However, Greenberg and Wilner (2015) highlight that the lack of management accounting frameworks has hampered the uptake of management accounting. Literature reveals that the existing management accounting frameworks largely meet the needs of large entities, and they are too complex for small businesses as they were developed based on the needs of large entities (Greenberg & Wilner, 2015; IMA, 2016). In this study, the respondents indicated that the implementation of contemporary MAPs requires knowledge as well as skills, and that these modern techniques are complicated. Furthermore, some SMEs lack knowledge and guidance on the selection of the management tools that are pertinent to their entities. Overall, the study revealed that there is low usage of MAPs and there are inconsistencies in the application of MAPs by SMEs. In that regard, there is a need for a framework for SMEs that systematises the application of MAPs among SMEs.

It is worth noting that prior studies that dealt with the application of management accounting among SMEs were exploratory (Abdel-Kader & Luther, 2006; Hall, 2008; Lucas *et al.*, 2013; Ahmad, 2017). They focused on the adoption level of management accounting among SMEs, identifying factors influencing its application and how it affects a firm's financial performance without proffering a solution. There is a lack of evidence from studies that have developed management accounting frameworks for use in the SME sector. This study goes beyond just describing the usage of MAPs to provide a solution to SMEs. The foremost significance of the present study lies in its development of a proposed management accounting framework for SMEs. The proposed framework is intended to achieve the following:

- i) To systematise the application of MAPs within the SME sector.
- ii) To increase the uptake of MAPs by providing a model that will make their application less cumbersome.
- iii) To provide a foundation for those who develop management software for both SMEs and large entities.
- iv) To increase users' confidence in and perception of management accounting among SMEs.
- v) It is also envisioned that the framework will simplify management accounting for SMEs and accounting students.

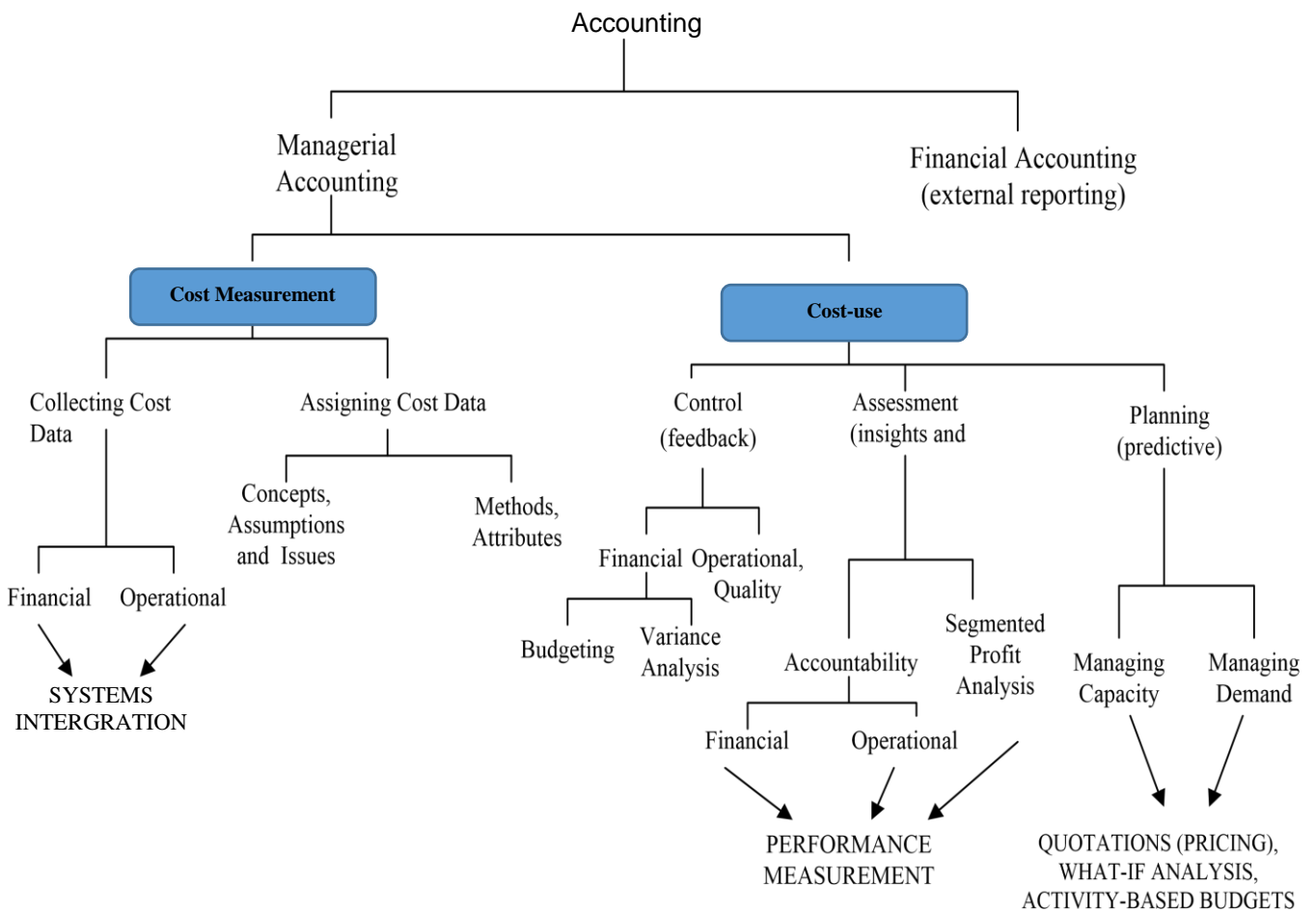
- vi) To function as a reference for national and global policymakers concerned with management accounting in the SME sector.

Given the benefits that are associated with the use of management accounting, the framework aims to enhance the usage of MAPs since management accounting creates and sustains the value of the entity (Lucas *et al.*, 2013). Besides, prior studies revealed that there is a correlation between the application of MAPs and the availability of resources within an entity (Demirbag *et al.*, 2006; Kober *et al.*, 2007; Ahmad, 2017). An increase in the usage of MAPs correlates with an increase in the availability of resources (Ahmad, 2017). In that respect, a positive uptake of MAPs is likely to increase the availability of resources within an entity, which, in turn, will create value for the entity and further enhance the ease of application of all MAP categories. In light of the above, and the discussions in sections 6.2 and 6.3, it is paramount to develop a management accounting framework for SMEs in Zimbabwe. The following section selectively reviews the scholarly and professional literature on the existing management accounting frameworks to make a case for the contribution of the proposed management accounting framework for SMEs in Zimbabwe.

6.5 Survey of existing management accounting frameworks

Management accounting practitioners have developed various costing model frameworks for use (Cokins, 2001; IMA, 2014; Greenberg & Wilner, 2015; IMA, 2016). For instance, Greenberg and Wilner (2015) suggested a product costing model framework for teaching cost or managerial accounting courses. Their framework was limited to the issue of product costing. Greenberg and Wilner (2015) suggested the use of concept maps as a tool to generate integrative frameworks for teaching managerial accounting. However, it was on the narrow topic of product costing and left out other subject areas in the field of management accounting. Greenberg and Wilner (2015)'s integrative framework is identical to the conceptual framework on managerial costing proposed by the Institute of Management Accountants (IMA), which emphasises the costing models needed for managerial decisions (IMA, 2016). IMA (2016) proposed a managerial costing framework that addresses the needs of managerial decision-making in costing models. Further, the framework provided a beneficial, comprehensive, and logical baseline for comparing, selecting, implementing, or designing costing approaches (IMA, 2016). Cokins (2001) developed a management accounting framework with a "tree, branch, and leaf" structure, as depicted in Figure 6.2.

Figure 6.2: Cokin's management accounting framework



Source: Cokins (2001)

Cokins based the framework on the costing pillar, by suggesting that cost measurement and cost-use were cardinal components of management accounting (Cokins, 2001). The cost measurement branch of the framework contained the cost collection methods as well as the cost assignment methods. Conversely, the cost-use branch encompassed the decision-making support function that included operational control, performance measurement, and predictive planning (Cokins, 2001). As is evident from the above, Cokin's framework pays minimal attention to performance evaluation and planning and is silent on the other pillars of management accounting. The framework was also designed for large corporations operating in developed economies and is thus not suited to the context of SMEs in developing countries (Samuel, 2018). In that regard, the management accounting framework proposed in this study accommodates the other pillars of management accounting (budgeting, decision support systems, and strategic management accounting) that were not included in Cokins' framework. Furthermore, these existing management accounting frameworks were developed for

large entities in developed countries, which have different contingent factors, compared to small businesses in emerging economies (Cokins, 2001; Greenberg & Wilner, 2015). Hence, the proposed framework in this study is developed based on the contingent factors that specifically affect the usage of MAPs among SMEs operating in developing economies. The ensuing section presents the proposed management accounting framework that has been tailored to the needs of SMEs in Zimbabwe.

6.6 Proposed framework for management accounting for SMEs

As discussed in section 5.4.6, the study revealed that there is generally low utilisation of MAPs with diverse practices on the application of MAPs within the SME sector. However, the systematic use of MAPs is vital in promoting the development of plans, controlling operations, and formulating strategy (Mitchell & Reid, 2000; Lucas *et al.*, 2013). Several scholars have suggested that it is imperative to have a management accounting framework for guidance in the application of MAPs as it enhances the implementation of management accounting (Cokins, 2001; Kittredge, 2009; Greenberg & Wilner, 2015). The literature further revealed that the existing management accounting frameworks targeted large entities after considering contingent factors that affected these entities (Kittredge, 2009; IMA, 2016). Hence, the dearth of a management accounting framework for SMEs influenced the development of the proposed framework.

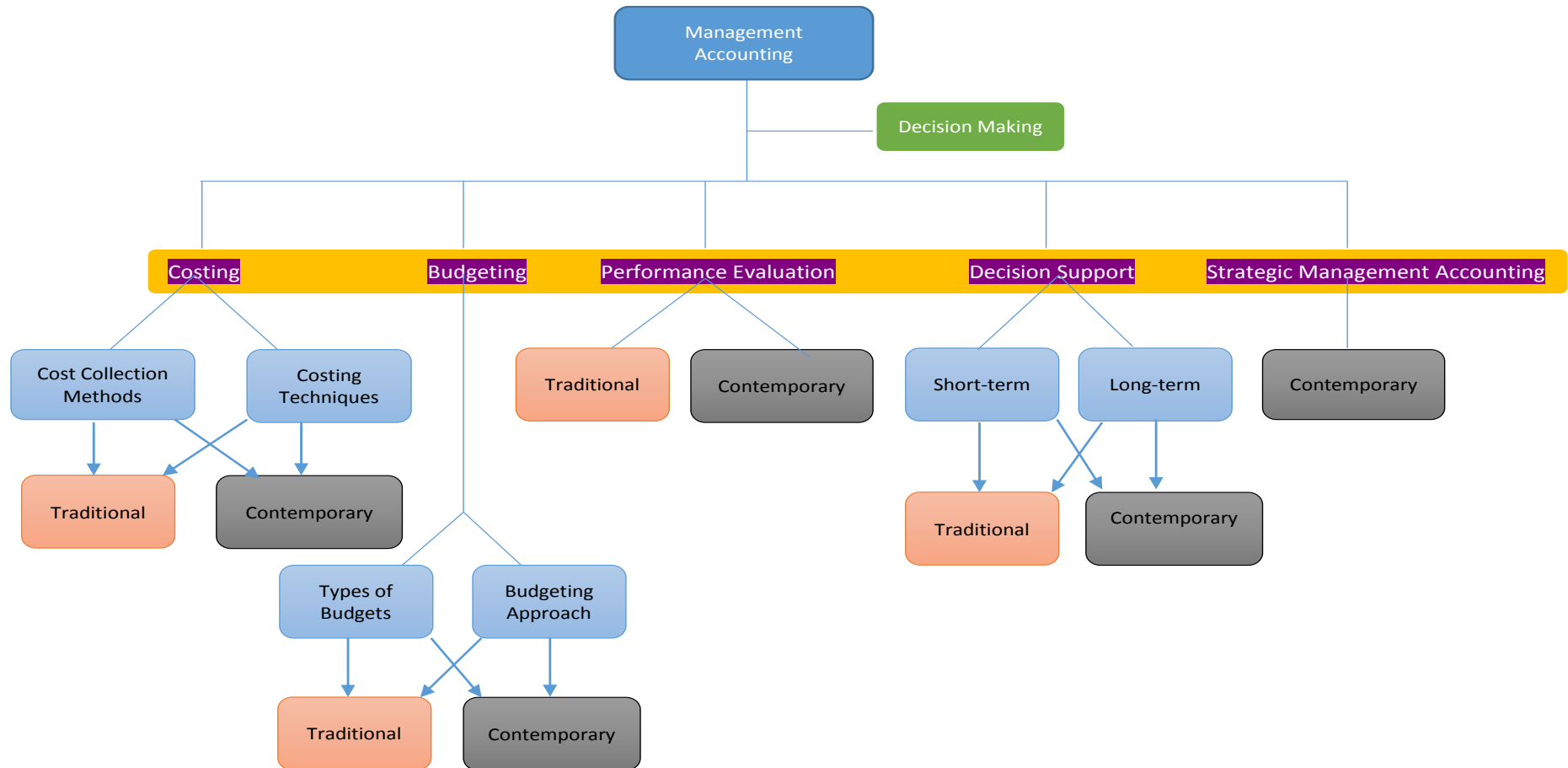
As discussed in section 3.6, management accounting has five pillars, which are costing systems, budgeting systems, performance evaluation systems, decision support systems, and strategic management accounting. Several scholars have identified these five pillars as the major components of management accounting, and they have analysed management accounting under these components (Horngren *et al.*, 2005; Abdel-Kader & Luther, 2006; Drury, 2012; Ahmad, 2017; Dlamini, 2020). Dlamini (2020) also stated that the separation of the five components of MAPs enables an easy understanding and application of the landscape of managerial accounting.

After identifying the five pillars of management accounting in the literature review, this study further developed research instruments that had questions about each pillar. The research instruments included questions like, "What management accounting tools (costing systems, budgeting systems, performance evaluation systems, decision support systems, and strategic management accounting) does your organisation use?" "What are the factors that influence your organisation in the application of MAPs?" In these questions, the researcher sought to understand how each of the five pillars of management accounting is being implemented and further inquired into the factors that influence their use in the Zimbabwean SME sector. The respondents indicated that the SMEs under study use all

five pillars even though there are varying applications within the SME sector (see section 5.4). The study further found that there is generally low utilisation of management accounting among the SMEs under study. The participants revealed the MAPs they are using in their organisations, and they expounded on the reasons for the non-adoption of various management accounting tools. Although the responses revealed diverse practices, the study further identified the most used and relevant MAPs for SMEs operating in Zimbabwe. The proposed management accounting framework for SMEs has been developed based on empirical evidence obtained through direct interaction with sampled participants who use MAPs in an SME context. In addition, the development of the framework is built on management accounting literature closely related to developing countries.

The study proposed a comprehensive framework that has five pillars that constitute management accounting, as revealed by the literature and the respondents. The framework is presented in Figure 6.3. In the framework, the pillars in the yellow bar are at the same level. These five pillars of management accounting are interdependent but can be implemented separately. For instance, the budgeting system depends on the costing system, but budgets can be used without a functioning costing system. However, a budget that takes into account costing dynamics is more desirable than one that does not (Ahmad, 2012). As shown in Figure 6.3, with orange and grey, the four pillars, namely costing systems, budgeting systems, performance evaluation systems, and decision support systems, have both traditional and contemporary tools. The strategic management accounting pillar has contemporary tools only, as there is a lack of evidence of traditional strategic management accounting practices (Abdel-Kader & Luther, 2006; Smith, 2007; Alsoboa *et al.*, 2015). These pillars are discussed in detail in section 6.7. The following Figure 6.3 presents the proposed comprehensive management accounting framework for SMEs.

Figure 6.3: Comprehensive Management Accounting Framework for SMEs



Source: Adapted from Abdel-Kader and Luther (2006), Ahmad (2012), Dlamini (2020)

The researcher inquired about the techniques applied by the SMEs under study, and the participants identified the relevant MAPs for the Zimbabwean environment, which are discussed in detail in the MAPs' implementation process. This framework also suggests management accounting techniques that can be used by Zimbabwean SMEs. The following section discusses the MAPs implementation process in Zimbabwe's SME sector.

6.7 MAPs implementation process

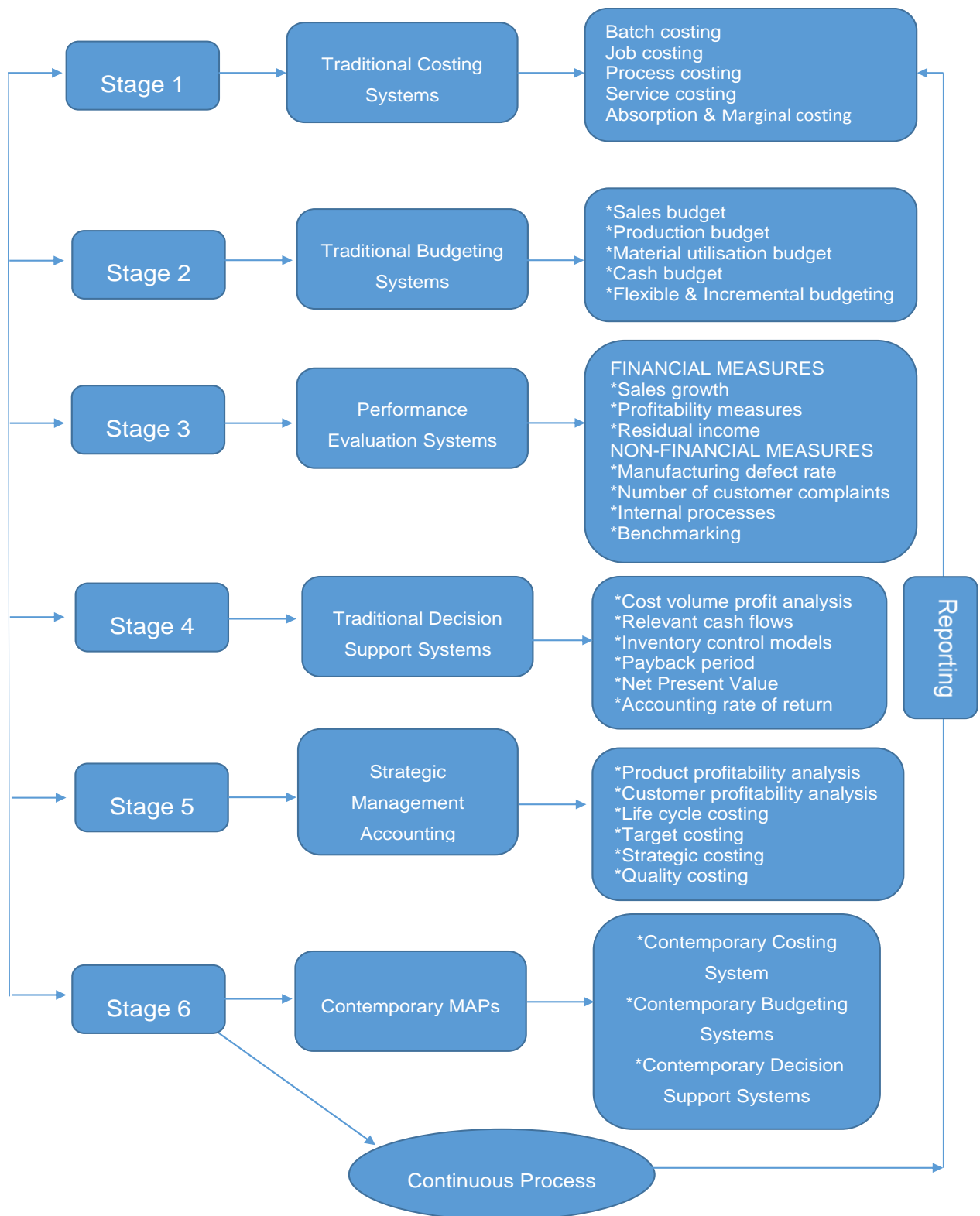
The departure point in the development of the proposed model management accounting framework for SMEs is the approach by Bebbington and Gray (2001), who suggested that a comprehensive framework must be implemented in stages for easy adoption, especially in developing countries that are in the inception stages of management accounting development (Ahmad, 2017). This approach has been applied by various scholars as they developed their frameworks (Farouk & Saleh, 2011; Metz *et al.*, 2015; Muza, 2018; Moullin *et al.*, 2020). For instance, Farouk and Saleh (2011) developed a descriptive framework for the growth of SMEs. In their framework, they indicated that the growth of SMEs is a complex phenomenon that can be simplified using a staged model approach (Farouk & Saleh, 2011). Muza (2018) also adopted a staged approach in his environmental management accounting framework. He developed an environmental management accounting framework for companies operating in the mining sector in Zimbabwe. Muza (2018) stated that the implementation of environmental management accounting is complex and needs skill as well as expertise. In that respect, his framework advocated a staged implementation for easy adoption (Muza, 2018).

In this study, the respondents highlighted various reasons that resulted in the low utilisation of MAPs (see section 5.5). The study revealed that the bulk of the SMEs under study face numerous challenges in the usage of MAPs as their application is cumbersome and not easy for them (see section 5.5). Furthermore, the participants highlighted that management accounting is complex, especially with the contemporary MAPs that are difficult to comprehend and implement (see section 5.4). The study further found that the majority of SMEs do not have in-house qualified management accountants but depend on external consultants who charge exorbitant fees (see section 5.5.4). Additionally, the study observed that SMEs have limited access to resources as the participants cited the inadequacy of resources as one of the major factors influencing the low adoption of MAPs (see section 5.5.2). Moreover, the SMEs under study are operating in a harsh economic environment that is characterised by

numerous bedevilling factors, such as exchange rate instability, hyperinflation, and the high cost of production. This negatively affects the application of MAPs (see section 5.5.1).

In light of the above, the study proposes that the framework be implemented in stages to promote the ease of adoption of MAPs by SMEs. This study proposes a management accounting framework with five pillars, and these pillars will be implemented in stages. In stage one, the framework proposes the implementation of traditional costing systems. Then traditional budgeting systems are to be implemented in stage two of the framework. Stage three of the framework implements traditional decision support systems. In stage four, the framework implements both traditional and contemporary performance evaluation systems. In stage five, the framework implements strategic management accounting. The final stage implements contemporary tools for costing systems, budgeting systems, and decision support systems. These six stages are discussed in detail in the following sub-sections. In that regard, this study proposes a six-stage systematic implementation method. The staged, systematic implementation approach facilitates the easy and simple adoption of management accounting among SMEs. Figure 6.4 presents a model management accounting framework for SMEs in Zimbabwe with six stages.

Figure 6.4: Proposed Model Management Accounting Framework for SMEs



Source: Own formulation

Given that the respondents highlighted the inadequacy of resources as one of the major factors affecting the usage of MAPs, for instance, the respondents highlighted that lack of resources influenced the low adoption of management accounting within their organisations. Hence, the phased approach also allows SMEs to generate resources that will be used in implementing other pillars of management accounting, especially at the final stage of the implementation process. Literature suggests that the use of management accounting enhances an organisation's ability to accumulate resources and gain a competitive edge (Lucas *et al.*, 2013; Ahmad & Zabri, 2015). Furthermore, the staged systematic implementation method gives SMEs in the developing world flexibility and simplicity in developing their particular management accounting systems and avoids redundant systems that might not work (Bebbington & Gray, 2001; Ahmad, 2012).

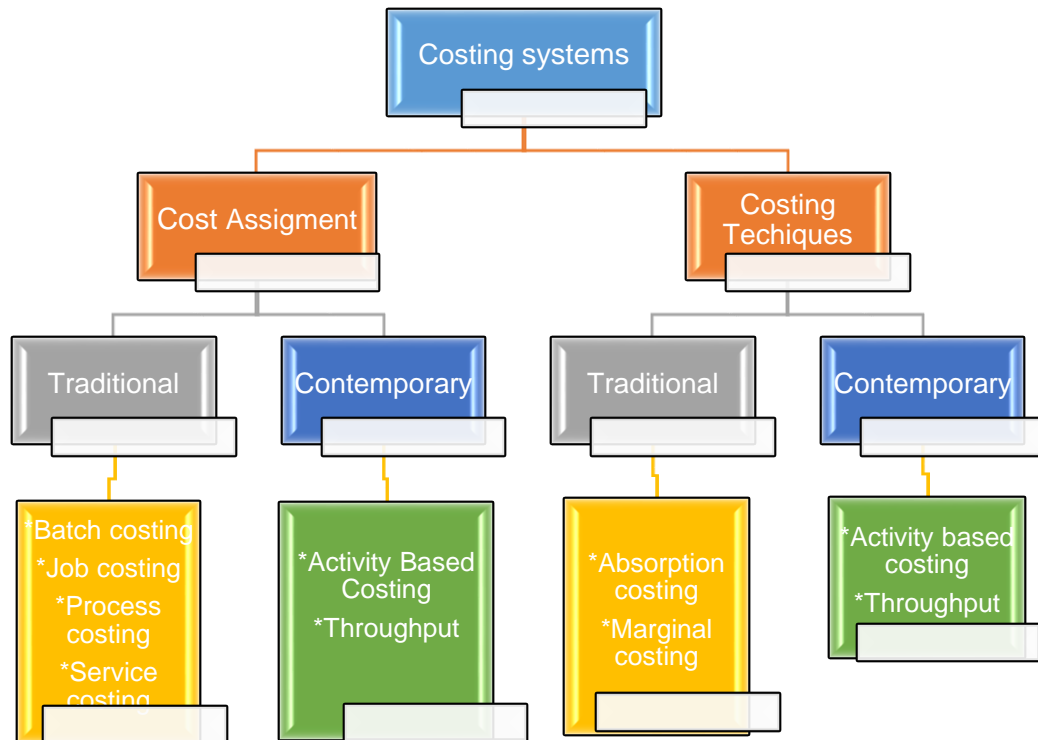
Literature acknowledges that management accounting techniques were developed from the perspective of large entities (Boyns & Edwards, 1997; Kaplan & Atkinson, 1998; Boer, 2000; Gliubica, 2012). However, there is a lack of evidence of management accounting techniques that have been developed from the perspective of small entities (Ahmad, 2012), even though this study could not prescribe MAPs that could not be applied by small businesses due to their context. The study analysed the tools that are used by the SMEs under study in relation to the reasons for their adoption within their organisations. For instance, the few participants who are using strategic management accounting pointed out that they use product profitability analysis and customer profitability analysis as these tools can be applied using Microsoft Excel and they do not need to have management accounting software when using these tools (see section 5.4.5). Also, those participants who use budgeting systems stated that they use flexible budgeting due to its simplicity, and literature supports that this budgeting approach is easy to use; at the same time, it produces desirable results (Lorenz, 2015). Furthermore, during the analysis of the results, other similar studies conducted on management accounting among SMEs in other countries were consulted. There were a few MAPs that were identified in those studies as simple tools for SMEs in developing economies, and these were considered in this study. Hence, after considering the responses of the study participants and empirical evidence from previous studies, this study identified MAPs that could be applied by SMEs in the Zimbabwean context. Subsequently, this study presents MAPs that are being used by the study participants and further includes similar MAPs identified from the literature. The ensuing sub-sections discuss the six stages of the framework.

6.7.1 Stage 1: Costing pillar

Several scholars have stated that other management accounting pillars cannot be properly implemented if the costing pillar is not applied precisely (Yoshikawa, 1994; Lukka & Granlund, 1996; Lorenz, 2015). In that regard, the initial stage of the proposed management accounting framework for Zimbabwean SMEs is the costing pillar, which determines the cost of a product or a service, considering that the costing systems play a watchdog function and keep an entity's expenses in line with its profit margins (Dlamini, 2020). The literature further indicates that improper product costing is one of the factors that leads to the failure of SMEs (Turney, 2008). In that respect, proper costing ensures success as it leads to correct product pricing, appropriate decision-making, and profitability (Nasieku & Oluyinka, 2016). This implies that it is important for small businesses to properly cost their products or services in order to remain competitive (Hopper *et al.*, 1999). Some SMEs need to understand the procedures that are taken when determining the cost of a product or a service (Ahmad, 2012).

Costing systems have two branches, and these are cost assignment and costing technique (Ahmad, 2012). Cost assignment enables the assigning of costs to a product or service to determine the unit cost for that particular product or service (Nasieku & Oluyinka, 2016; Dlamini, 2020). Under cost assignment and costing techniques, there are traditional and contemporary methods as depicted in figure 6.5

Figure 6.5: Costing pillar



Source: Own formulation

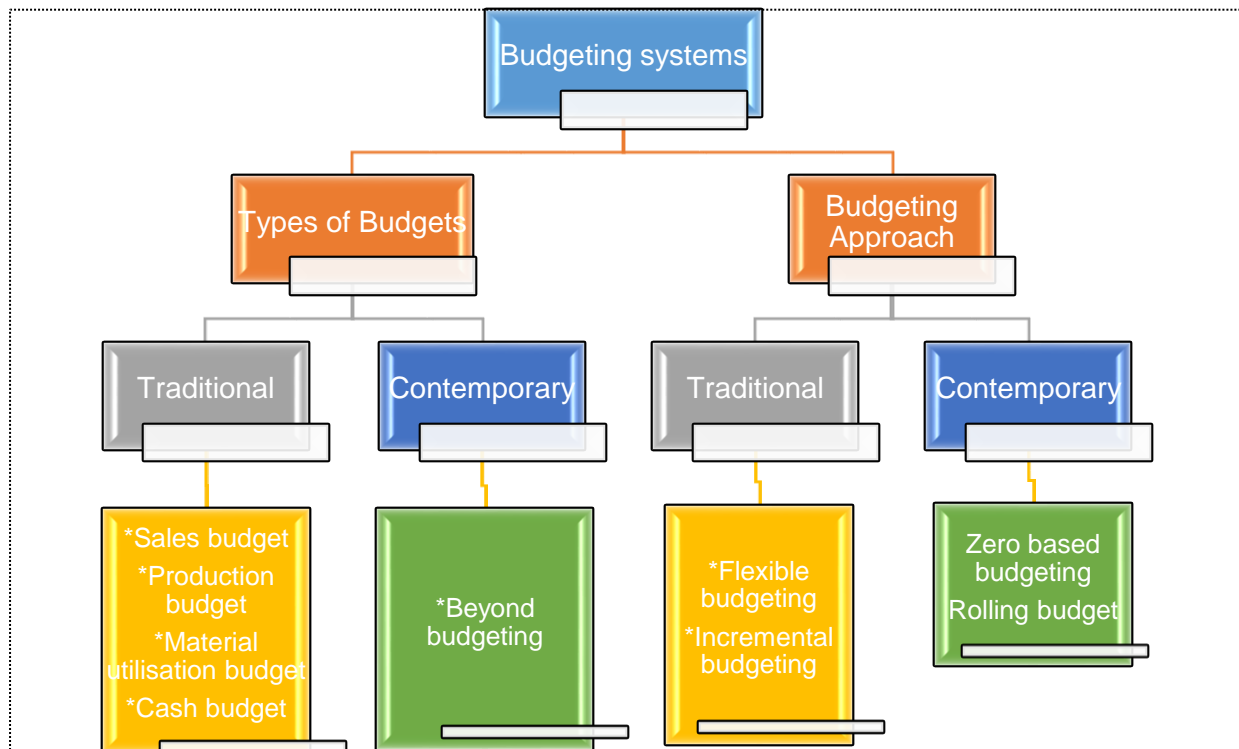
As discussed in section 5.4.1, the study revealed that most of the SMEs under study are heavy users of traditional costing systems, and there are inconsistencies in the application of these tools. The participants further revealed that the traditional costing methods, which include process costing, batch costing, job costing, absorption costing, and marginal costing, are more appropriate for SMEs. However, there are some SMEs that do not use costing systems but uncritically copy and paste their competitors' prices or just use random estimation to determine the cost of their products (see section 5.4.1). To assist those SMEs that are not properly applying costing systems, the framework suggests that the SME needs to consider the nature of the industry in which the entity operates and the production flowchart (Drury, 2012). For instance, if the entity is operating in the service industry, the entity should apply service costing; if an entity manufactures products in batches, it should use batch costing; and if it is in continuous production, it should apply process costing. Subsequently, after selecting the costing system, all the production costs should be summed up following the procedures of that costing system to determine the total cost of a product (Lucey, 2002; Drury, 2012). Materials, labour, and manufacturing overheads should all be included in the product costs (Lucey, 2002).

Furthermore, as discussed in section 5.4.1, the respondents stated that modern costing systems are too complex and expensive to use. In that regard, this framework then suggests the use of traditional costing systems at stage one as they are not expensive and are simple to use, compared to contemporary systems that require advanced accounting expertise (Lucas *et al.*, 2013; Sulamain, 2016). Literature states that contemporary systems like ABC and kaizen costing are complex and require skill and advanced accounting systems for them to be properly implemented (Oyerogba, 2015; Sulamain, 2016; Nian & Nair, 2017). Hence, the framework proposes the use of contemporary costing systems in stage six (see section 6.7.6). After determining the cost of a product or a service, the next step is to plan for the resources that are required to produce a product or provide a service.

6.7.2 Stage 2: Budgeting pillar

Stage two of the proposed management accounting framework advances the implementation of the budgeting pillar. Budgeting is an essential tool for forecasting, allocating resources, and controlling activities in an institution (Drury *et al.*, 1993). The budgeting system has two branches: the "types of budgets" and the "budgeting approach," and these have both traditional and contemporary components (Ahmad, 2012), as illustrated in Figure 6.6.

Figure 6.6: Budgeting pillar



Source: Own formulation

Under the budgeting pillar, the framework proposes that the initial step is to decide on the budgeting approach to be used. As discussed in section 5.4.2, the study revealed that the SMEs under study use traditional budgeting systems only. The study findings further revealed that the entities that have a budgeting system in place use the flexible budgeting approach (see section 5.4.2). The respondents also indicated that the application of this approach requires few resources, and is simple to use. This is consistent with the empirical literature that shows that the flexible approach is highly used by SMEs, both in developed and developing economies (Abdel-Kader & Luther, 2006; Lorenz, 2015; Ahmad, 2017). It is against this backdrop that the proposed framework suggests that the flexible budgeting approach should be the default budgeting system used by SMEs at stage two of the framework implementation. This approach is supported by the framework as it is simple to use, and it also produces the desired results (Ahmad, 2014).

After selecting the budgeting approach, the framework suggests that the entity should decide on the types of budgets to be prepared. Ahmad (2012) asserts that SMEs should prepare a set of functional budgets. In the preparation of these budgets, an entity should identify its major

functions and prepare budgets for those functions (Drury, 2006). Horngren *et al.* (2005) stipulated the procedures that should be considered when preparing functional budgets. They suggested that the entity should identify the constrained resource or the bottleneck resource, which is the "principal budget factor". Subsequently, the function that has the limiting factor should be the one for which the first functional budget is prepared and the necessary resources mobilised accordingly (Horngren *et al.*, 2005). Furthermore, the preparation of budgets according to function necessitates the systematisation of MAPs as entities in the same sector can use similar budgets (Lorenz, 2015). As discussed in section 5.4.2, the study revealed that a significant number of SMEs are using traditional budgets, although there are some that are not preparing budgets at all. The study further revealed that the most commonly used functional budgets by SMEs under study are the sales budget, production budget, and material utilisation budget (see section 5.4.2). However, the study results further revealed that there is an unsystematic application of these budgets among the SMEs under study (see sections 5.4.2 and 5.4.6).

In addressing the unsystematic application of budgets, the framework suggests that SMEs prepare the following budgets: sales budget, production budget, material usage budget, labour cost budget, administrative expense budget, cash budget, and the master budget. Subsequently, the framework proposes that SMEs compute the master budget using the information obtained from the functional budgets. This compels these entities to prepare all functional budgets. In that respect, small businesses have to first prepare functional budgets that will be consolidated to develop a master budget for the entity (Lucas *et al.*, 2013; Lorenz, 2015). A master budget consolidates all functional budgets of the entity (CIMA, 2018). This approach promotes a systematic application of budgeting within the SME sector.

Furthermore, as discussed in section 5.4.2, the study observed that a significant number of the participants (over thirty per cent) bemoaned hyperinflation as the major reason why budget preparation has lost relevance within their organisations. Literature asserts that inflation affects the levels of growth, pricing of products, and application of accounting among small businesses (Ipinnaiye *et al.*, 2017). Moreover, Rapu *et al.* (2016) stated that hyperinflation is detrimental to an economy as it distorts prices, depletes savings, discourages investment, and leads to informal business practices. For instance, during hyperinflation, small businesses tend to disregard the use of accounting techniques (Olawajaju *et al.*, 2020). As discussed in section 5.4.2, this study revealed that some entities abandoned the use of budgeting systems during the period of hyperinflation (2007 to 2008 and 2017 to 2020). Those participants who indicated that they had abandoned the use of budgets, revealed that hyperinflation eroded the

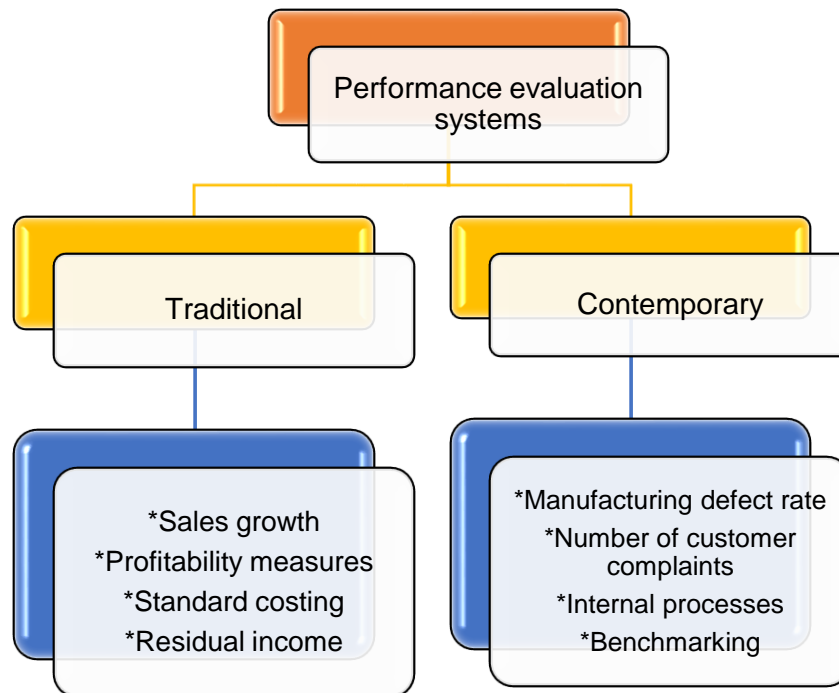
value of the Zimbabwean dollar and rendered it worthless, such that budgets lost relevancy (see section 5.4.2). In a hyperinflationary environment, the framework proposes the use of predictive models in the budget preparation process. Accordingly, SMEs should analyse the trend of inflation over time using inflation indices, such as the Producer Price Index (PPI), Consumer Price Index (CPI), or Wholesale Price Index (WPI). They can then prepare their budgets by indexing them using the inflation predictive index, which can be obtained from the central statistics office (Zimbabwe National Statistics Agency).

In addition, in a hyperinflation environment, SMEs need to consider revising their budget periods. Instead of preparing annual budgets, they may consider the use of predictive indices on quarterly budgets. Moreover, this framework proposes that, for planning and operational purposes in a hyperinflationary environment, SMEs should consider using comparative currencies (presentation currency and functional currency) for budget preparation and implementation (Brewer, 2008). For instance, a budget will be prepared in both the local currency (the Zimbabwean dollar, which is the functional currency) and a stable currency like the US dollar or British Pound (presentation currency). This preserves the importance and relevance of budgets even in a hyperinflationary environment. The following sub-section discusses the third stage of the management accounting framework for SMEs in Zimbabwe.

6.7.3 Stage 3: Performance evaluation pillar

The third stage is to evaluate the performance of various aspects of the entity against the initial plan. Performance evaluation also serves as a guide for managers in terms of planning and benchmarking for future periods (Neely, 2005). Performance measurement should not only be retrospective but also be prospective (Bhimani & Bromwich, 2010). Experience must inform future business plans if success is to be guaranteed (Lorenz, 2015). Literature asserts that it is essential for SMEs to use performance evaluation measures as they help an entity identify trends, areas of opportunity, weaknesses, and strengths (Yang, 2010; Ahmad, 2017; Msomi *et al.*, 2019). As illustrated by figure 6.7, the performance evaluation pillar has two components: financial measures (traditional) and non-financial measures (contemporary), as illustrated by figure 6.7.

Figure 6.7: Performance evaluation pillar



Source: Own formulation

As indicated in section 5.4.3, the study results showed that the SMEs under study use financial measures widely, compared to non-financial measures. The study also revealed that the most commonly used financial measures are profitability ratios, sales growth, and residual income. The respondents further highlighted that the high usage of financial measures is because they repurpose information contained in financial reports (see section 5.4.3). However, the literature indicates that high dependency on financial accounting information in performance evaluation is criticised because of its vulnerability to manipulation (Ittner & Larcker, 1998; Yadav & Sagar, 2013; Mashovic, 2018). These financial measures provide statistical indicators of the performance of an entity, whereas the non-financial measures assess both the internal and external context of the business (Mamorena & Olumide, 2016; Dobrovic *et al.*, 2018). In that regard, non-financial measures are essential in performance evaluation as they ease the linking of the organisation's activities with the mission statement and objectives of the entity and articulate them in monetary terms (Rey-Marston & Neely, 2010; Zorek, 2020). Dlamini *et al.* (2020) asserted that the use of both financial and non-financial measures paints a clearer picture of the performance of the entity. In addition, these measures are

complementary and, when used in conjunction, give a holistic picture of business performance (Mamorena & Olumide, 2014). Therefore, SMEs should ensure that financial and non-financial measures are used concurrently in their organisations as these tools complement each other (Malagueño *et al.*, 2018). Additionally, literature suggests that the use of non-financial measures is based on the nature of the industry and an entity's product portfolio (Bhimani & Bromwich, 2010; Mamorena & Olumide, 2014). For instance, this suggests that an entity involved in manufacturing can apply the manufacturing defect rate, which cannot be applied by a retail shop. On the other hand, a retail shop can apply the number of complaints per till operator rule as a measure of the quality of rendered services, but a manufacturing plant cannot use the same.

As discussed in section 5.4.3, the SMEs under study fail to strike a balance between the use of financial and non-financial measures. As the study revealed, the most commonly used tools are financial measures. However, Asefeso (2013) stated that there is a need to balance financial and non-financial measures in performance evaluation. Literature asserts that the balanced scorecard is one of the models that can be used for balancing financial and non-financial measures (Mashovic, 2018). A balanced scorecard is a performance evaluation tool that measures both the financial and non-financial perspectives to aid the entity in transforming the vision and strategy of the entity into specific activities (Muhammad *et al.*, 2020; Tuan, 2020). Furthermore, a balanced scorecard influences firm performance and the level of exploitative innovation (Zorek, 2020). Besides, the use of a balanced scorecard is essential for small businesses as it integrates and links financial and non-financial measures to customer satisfaction and the organisational strategy (Bhimani & Bromwich, 2010; Dlamini *et al.*, 2020). Therefore, the framework proposes that SMEs should use a balanced scorecard for performance evaluation as this yields informed decision making and aids SMEs to balance the usage of both financial and non-financial measures (Mashovic, 2018; Zorek, 2020).

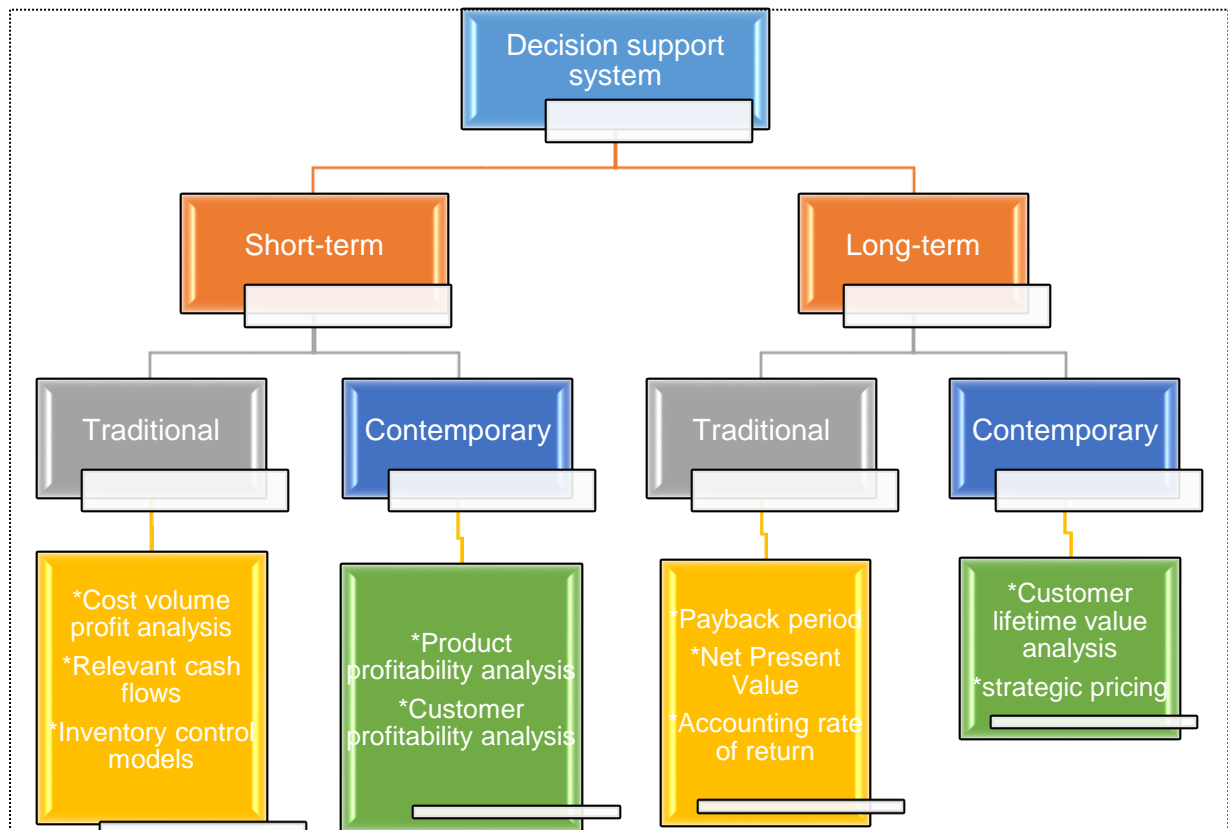
The current study results further indicated that there are inconsistencies in the usage of financial measures among the SMEs under study (see section 5.4.3). Moreover, the study revealed that some SMEs merely viewed and compared the results obtained in the financial statements; they did not compute any financial ratios or measures (see section 5.4.3 and section 5.4.6). As discussed in section 5.4.3, some participants revealed a knowledge gap in the usage of performance evaluation systems among SMEs. The lack of a standard that guides entities in the application of financial measures has resulted in the inconsistent application of financial ratios (Myšková & Hájek, 2017). In this regard, some small businesses require guidance on the ratios they must compute, as textbooks differ on the formulae for

various ratios and their naming (Kasmir, 2016; Myková & Hájek, 2017). Literature states that financial measures can be grouped under five major groups, namely, liquidity ratio, leverage ratio, efficiency ratio, profitability ratio, and valuation ratio (Kasmir, 2016). Mamorena and Olumide (2016) stated that entities should compute three or more ratios in each group of ratios in order to obtain a true reflection of the entity's performance. However, in the current study, the participants applied ratio analysis in a haphazard manner; at times, one ratio was computed in liquidity ratios, three ratios in profitability ratios, four in efficiency ratios, and none in valuation ratios or leverage ratios (see section 5.4.3). In that respect, the framework suggests that SMEs should compute at least three ratios under each group of ratios (liquidity ratio, leverage ratio, activity ratio, profitability ratio, and valuation ratio). For example, under profitability ratios, an entity can compute gross profit ratio, net profit ratio, return on equity, or return on assets, whereas on liquidity ratio, an entity can compute current ratio, quick ratio, and acid test ratio. The subsequent sub-section discusses the decision support pillar of the management accounting framework for SMEs in Zimbabwe.

6.7.4 Stage 4: Decision support pillar

After the evaluation of performance, managers need to make informed decisions that contribute to the viability and competitiveness of a business (Ahmad & Zabri, 2015). Decision-making is a critical aspect of management as managers at various levels have a certain degree of autonomy and are faced with planned and unplanned circumstances (Wu *et al.*, 2007). Consequently, the fourth stage advances the implementation of the decision support pillar. The decision support system has two components, the short-term and the long-term, and these components have both traditional and contemporary methods (Ahmad, 2012). Short-term methods are used to support decision-making for issues that fall within twelve months, and the activities are not funded by capital investment but use working capital (Drury, 2012), whereas long-term methods are used to support decision-making for issues that go beyond twelve months (Gowthorpe, 2008). Figure 6.8 illustrates the decision support pillar.

Figure 6.8: Decision support system



Source: Own formulation

As discussed in section 5.4.4, the study revealed that the SMEs under study are low users of decision support systems, although the usage of short-term decision support systems is relatively high compared to long-term decision support systems. The respondents also highlighted that in their entities, decisions are usually made on an *ad hoc* basis. Moreover, the study results further indicated that the respondents point out that the decision support systems are meant for large entities, which have complex production processes and are of limited value to small enterprises (see section 5.4.4). However, it is prudent for entities, regardless of size, to have a decision support system that will enhance effective decision-making (Ahmad & Zabri, 2015). Hermes *et al.* (2007) state that effective decision-making is critical in an organisation as it influences the development of business strategies that create and sustain a competitive edge for the entity.

Furthermore, the low utilisation of long-term decision support systems by the SMEs under study does not augur well for the growth and success of entities, since the success and

survival of an entity rely on the ability of the management team to make sound long-term financial investment decisions (Hermes *et al.*, 2007; Drury, 2012). Ahmad (2012) highlighted that the low adoption of long-term decision support systems by SMEs in developing countries is due to the lack of resources and the complexity of these systems. He suggested that small businesses in developing countries should consider adopting conventional long-term decision support systems before they consider contemporary long-term decision support systems, which are more complex (Ahmad, 2012). Abdel-Kader and Luther (2006) also affirmed that small businesses use traditional decision support techniques more than modern techniques because of their simplicity. Ahmad (2012) further suggested that traditional methods can be used without the use of advanced technology. He contended that traditional methods could be used without complications. The organisation just needs to conduct training for its accounting personnel.

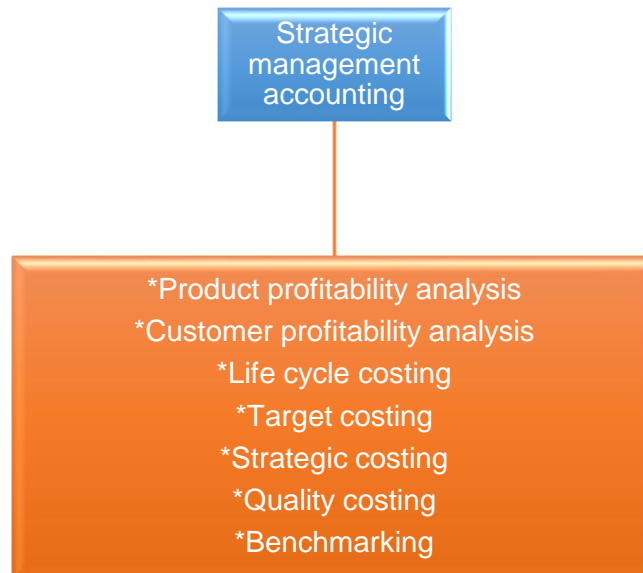
Furthermore, the study observed that the few entities that are using decision support systems use cost-profit volume analysis, relevant costs, inventory controls, product profitability analysis, customer profitability analysis, payback period, and net present value (see section 5.4.4). As discussed in section 5.4.6, the study further revealed that the participants pointed out that these methods are simple and easy, while at the same time producing the desired results. Literature also suggests the use of these traditional tools among SMEs (Abdel-Kader & Luther, 2006; Ahmad & Zabri, 2015; Mollah *et al.*, 2021). These methods are simple and require few resources (Wu *et al.*, 2007). It is against this backdrop that the proposed framework suggests that conventional decision support systems are implemented at stage four as they enhance effective investment decisions (Mollah *et al.*, 2021). These methods include cost-profit volume analysis, relevant costs, inventory controls, product profitability analysis, customer profitability analysis, and capital budgeting techniques, such as discounted payback period, net present value, internal rate of return, and accounting rate of return. The following sub-section discusses the strategic management accounting pillar of the management accounting framework for SMEs in Zimbabwe.

6.7.5 Stage 5: Strategic management accounting pillar

The fifth stage advances the implementation of the strategic management accounting pillar. Strategic Management Accounting (SMA) is the monitoring of the strategies of an entity and its rivals through the anatomisation of pecuniary and non-pecuniary information to develop a sustainable business strategy (Bromwich, 1990; Agu *et al.*, 2016). Unlike the other four pillars

of management accounting, SMA is a contemporary accounting practice with no traditional precedent (Rashid *et al.*, 2021). Figure 6.9 depicts the SMA pillar.

Figure 6.9: Strategic management accounting pillar



Source: Own formulation

As discussed in section 5.4.5, the study results revealed that SMA has a low usage rate among the SMEs under study. The participants also revealed that the low utilisation of SMA was a result of the high costs associated with its use and that it is technologically intensive (see section 5.4.5). It was further discussed in section 5.5.3 that the cost of applying SMA is prohibitive. The issue of inadequate financial resources is a hindrance to securing resources like computers and accounting software with management accounting packages (Ahmad, 2012; Dlamini, 2020).

Literature asserts that the use of management accounting promotes the success and growth of any business entity and improves the image of the entity as it enables the entity to accumulate resources (Lucas *et al.*, 2013; Armitage *et al.*, 2016). In that respect, this framework anticipates that the successful implementation of the first four stages of the framework will enhance the financial resources of the entity. Subsequently, the feasibility of implementing pillar number five (strategic management accounting) depends on the successful implementation of stages one to four (traditional costing systems, traditional budgeting systems, performance evaluation systems, and traditional decision support systems). The prediction is that the successful implementation of these stages will improve

the capital outlook of an SME and make possible the purchase of the requisite software and human resources needed for SMA (Smith, 2007).

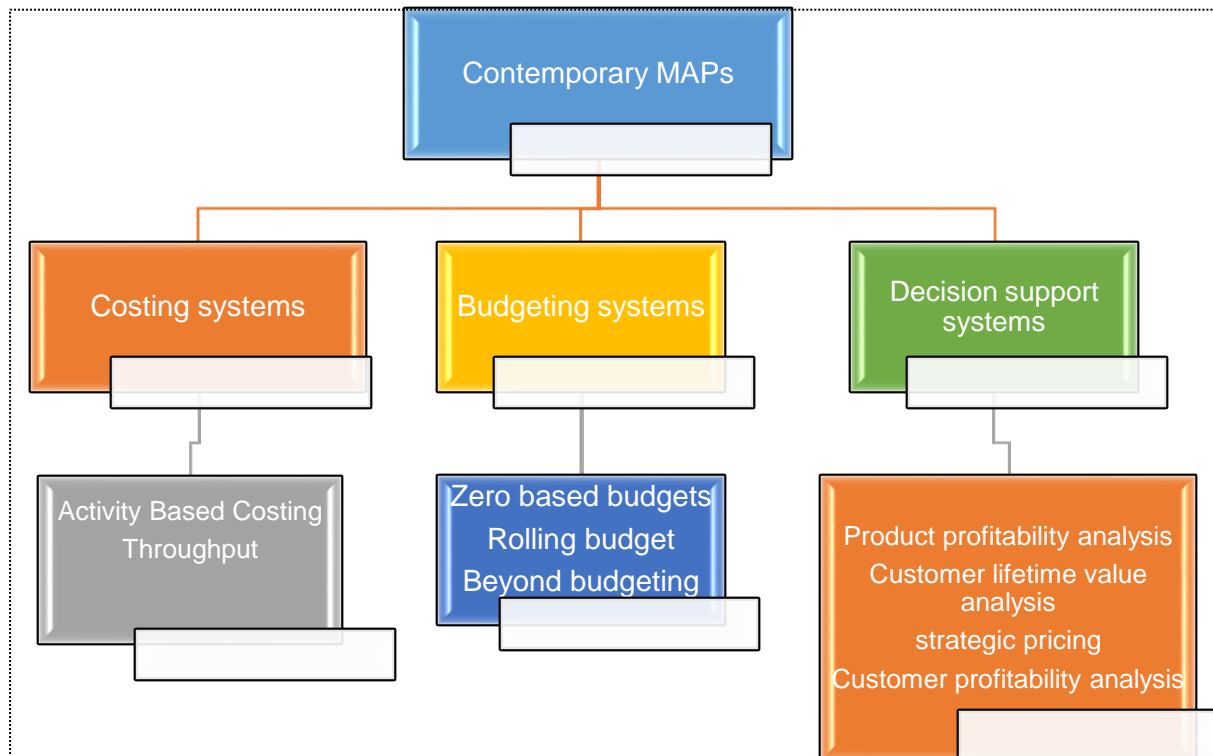
The current study findings further revealed that the few SMEs that use SMA methods use less sophisticated methods like target costing, product profitability analysis (PPA), and customer profitability analysis (CPA) (see section 5.4.5). The few respondents who use these methods underscored that they do not use accounting software that has a management accounting package, but they use Microsoft Excel Office to apply these SMA tools. Hence, the proposed framework suggests that SMEs should start with simple methods such as benchmarking, target costing, PPA, and CPA for easy adoption of SMA. Although SMA tools require specialised management accounting software, other tools like target costing can be utilised using integrated software solutions or Microsoft Excel spreadsheets (Dlamini, 2020). The following sub-section discusses the application of contemporary methods.

6.7.6 Stage 6: Application of contemporary methods

The sixth stage advances the implementation of contemporary methods. Although several studies have indicated that SMEs are high users of traditional MAPs compared to modern MAPs (Oyerogba, 2015; Mulani *et al.*, 2015; Maduekwe & Kamala, 2016), Rashid *et al.* (2021) advocated that SMEs should be encouraged to implement modern management accounting techniques in their business entities. Literature affirms that modern MAPs enhance an organisation's ability to align its activities with its strategic goals (Karanja *et al.*, 2012). In addition, these MAPs also enable an entity to develop innovative capacity and flexibility, which promotes continuous change as well as improvement in both financial and non-financial performance (Nartey & Van der Poll, 2021).

Stage one to four of the MAPs implementation process considered the application of traditional costing systems, traditional budgeting systems, performance evaluation systems, and traditional decision support systems. This stage considers the use of contemporary MAPs as depicted in Figure 6.10.

Figure 6.10: Contemporary MAPs



Source: Own formulation

In section 5.5.6, the study findings revealed that there is a relatively high usage of traditional MAPs as compared to contemporary MAPs among the SMEs under study. The current study results further show that a lack of adequate resources is one of the major causes of the low adoption of contemporary MAPs (see section 5.5.2). The respondents highlighted that these modern systems require training, computerised systems, too many detailed records and consume too much time (see section 5.4.5). Under modern costing systems, the study revealed that there are a few of the SMEs under study that use modern tools such as ABC (see section 5.4.1). Literature states that the use of contemporary systems is crucial for small businesses as these methods enhance an entity's competitive advantage (Chenhall & Langfield-Smith, 1998; Abdel-Kader & Luther, 2006; Kaplan & Anderson, 2007; Ahmad, 2017). Additionally, SMEs need to adopt contemporary costing systems as these systems help in identifying non-value-adding activities in the entity (Abdel-Kader & Luther, 2006).

As discussed in section 5.4.4, the study also revealed that there is low utilisation of modern decision support systems. The few SMEs under study used modern decision support tools and applied techniques such as customer profitability analysis and product profitability

analysis. These SMEs highlighted that such systems can be easily applied using Microsoft Excel spreadsheets. Literature states that modern decision support systems enhance decision-making in a rapidly changing business environment and further assist the organisation in maintaining competitive advantage (Guilding *et al.*, 2000; Ahmad, 2017).

In section 5.4.2, the study results indicated that hyperinflation is the major reason some entities abandoned budget preparation. Literature suggests that the use of modern budgeting systems mitigates the problem of inflation in budgetary control (Neely *et al.*, 2003; Libby & Lindsey, 2010; Goode & Malik, 2011). In a hyperinflationary environment, entities can use it beyond budgeting (Bogsnes, 2009; Goode & Malik, 2011). Beyond budgeting is the principle whereby companies use a range of techniques, such as rolling forecasts and market-related targets (Bogsnes, 2009). Furthermore, the use of the rolling budgeting approach produces more realistic budgets, even in a hyperinflationary environment, as budgets will be prepared monthly (Cardos, 2014). Rolling budgets are most suitable in high-uncertainty environments, as budget figures are updated over monthly periods, thus maintaining their relevance (Hansen, 2011).

In light of the above, under stage six, the study proposes the use of modern costing systems such as tools like ABC, throughput accounting, and kaizen costing, among others. Furthermore, in addressing the problem that was cited by the participants who indicated that budgets have lost relevance due to inflation, the framework proposes the use of modern budgeting systems such as rolling budgeting and beyond budget philosophy. The study further advances the implementation of modern decision support systems at stage six. However, the entity should implement these three modern systems as long as it has accumulated resources that guarantee their implementation (Karanja *et al.*, 2012). In stage five above, the framework anticipated that the proper implementation of the first four stages of the framework would enhance the financial resources of the entity (see section 6.7.5). As the literature affirms, the use of MAPs creates value for the entity (Lucas *et al.*, 2013; Armitage *et al.*, 2016). At this stage, the capital outlook of SMEs is anticipated to have improved since the SMEs will be properly applying management accounting (Smith, 2007). Hence, the framework envisions that at this stage, the entity has accumulated adequate resources that guarantee the adoption of contemporary costing systems, budgeting systems, and decision support systems.

It is envisaged that after reaching stage six, the process should continue again from stage one, as it is done to perfect the implementation process. As illustrated in Figure 6.4, the proposed model management accounting framework for SMEs' implementation process

should be a continuous process, as the practice of management accounting is not an event but a process. Both in the short and long run, the continuous use of management accounting promotes efficiency and improves the competitive edge of an entity (Abdel-Kader & Luther, 2006; Rashid *et al.*, 2021). Literature states that the implementation of all components of management accounting is vital in promoting development plans, controlling operations, formulating strategy, and change management as they act as the key information system in the decision-making process (Mitchell & Reid, 2000; Lucas *et al.*, 2013). Hence, for an entity to fully benefit from the proposed framework, it should implement all six stages identified herein and continuously use MAPs since the proper use of management accounting creates value for an entity (Horngren *et al.*, 2005; Armitage *et al.*, 2016).

Ultimately, this study suggests a model management accounting framework for SMEs operating in Zimbabwe, as illustrated in Figure 6.4 above. However, the adoption of a comprehensive framework is affected by various stakeholders, and it is key to identify such framework adoption influencers (Bebbington & Gray, 2001). Muza (2018) also postulated that a framework adoption needs buy-in from all stakeholders who influence the implementation of the framework. This study also identified key stakeholders that might influence the adoption of the framework. These key stakeholders are SME owners, accounting personnel, policymakers, as well as the government through the Ministry of Women Affairs, Community, Small and Medium Enterprise Development. Hence, the successful implementation of the proposed management accounting framework needs buy-in from key stakeholders. The next section summarises the chapter.

6.8 Chapter summary

This chapter used views expressed in the literature and insights from empirical findings to develop a management accounting framework for SMEs in Zimbabwe. The chapter presented a proposed model management accounting framework for SMEs in Zimbabwe in Figure 6.4. The framework has five pillars of management accounting, namely, costing systems, budgeting systems, performance evaluation systems, decision support systems, and strategic management accounting and these pillars will be implemented in six systematic stages. In stage one, the framework proposed the implementation of traditional costing systems. Then traditional budgeting systems are to be implemented in stage two of the framework. Stage three of the framework implements traditional decision support systems. In stage four, the framework implements both traditional and contemporary performance evaluation systems. In stage five, the framework implements strategic management accounting. The final stage

implements contemporary tools for costing systems, budgeting systems, and decision support systems. The staged, systematic implementation approach facilitates the easy and simple adoption of management accounting among SMEs.

The model advanced in this chapter is meant to systematise the use of MAPs by Zimbabwean SMEs. Furthermore, the proposed framework is meant to make the application of MAPs less cumbersome and easier to implement. Moreover, the framework proposed a simple and easy way of adopting management accounting by SMEs in emerging economies as well as in developed economies. The framework can be applied to other similar contexts in the Global South. The successful implementation of the framework needs buy-in from various stakeholders such as SME owners as well as the government through the Ministry of Women Affairs, Community, Small and Medium Enterprise Development. The management accounting framework for SMEs will act as a starting point for a management accounting initiative among SMEs. The framework may need to be refined further as new information that may enhance its accessibility and usability becomes available, given the fact that there has not yet been any existing management accounting framework for SMEs. The following chapter culminates the study by providing a summary of the study, its overall contribution, and the recommendations.

CHAPTER 7: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

7.1 Introduction

This study aimed to explore the utilisation of MAPs with the ultimate goal of developing a management accounting framework for SMEs in Zimbabwe. This study as qualitative research aimed to gain a deeper understanding of the phenomenon under study rather than a general, surface description of the phenomenon through the use of a large sample of a population. A sampling frame for the study could not be established as the total population could not be established since Zimbabwe does not have an SME database. As such, a sample of 109 interviewees (from thirteen focus groups, nineteen in-depth semi-structured interviews, and twenty-one face-to-face interviews with key informants) from five provinces in Zimbabwe was deemed adequate for this qualitative study. Eighty-eight SMEs were considered in this study. Besides, several PhD studies have used similar or much smaller sample sizes in investigating similar issues in different countries (Zoubo, 2011; Ali, 2014; Tripath, 2017). This chapter summarises the thesis by providing the major findings on the objectives of the study as well as the conclusions derived from the findings. It also restates the contribution of the study. The penultimate section of the chapter deals with the recommendations of the study. Finally, the chapter presents the limitations of the study and recommends directions for future research.

7.2 Thesis summary

The primary objective of the study was to explore the utilisation of MAPs with the ultimate goal of developing a management accounting framework for SMEs. The study was executed in Zimbabwe, a developing country that has benefited from the SME sector, which is growing at an exponential rate (FinScope, 2012; Manyani, 2014; RBZ, 2016). SMEs are the cynosure of economic growth and development (Kithae *et al.*, 2013; Domingo, 2017). However, SME development is hamstrung by a plethora of adversities that hinder the success of the sector. Despite Zimbabwean SMEs being the backbone of the economy, they have a high failure rate (Nyanga, 2013; Manyani, 2014). Studies have indicated that management accounting plays a critical role in the success of smaller entities (Hopper *et al.*, 1999; Reid & Smith, 2002; Ahmad, 2017). Furthermore, literature asserts that management accounting creates value for an organisation as it promotes efficiency and improves the competitive edge through the processing of useful information for decision-making, policy formulation and formulating

strategy (Kaplan & Atkinson, 1998; Horngren *et al.*, 2005). However, the study noted that there is a lack of evidence on the extent of the use of MAPs among SMEs in Zimbabwe as there is no specific reference to their use in the country. Furthermore, the study observed an absence of evidence of an existing management accounting framework that guides the usage of MAPs among SMEs in Zimbabwe. The study modestly compensates for the dearth of scholarship and management accounting frameworks that address the needs of SMEs. Table 7.1 summarises the objectives of the study and how they were operationalised.

Table 7.1: Research Objectives and their achievement

Research objectives	Enunciated in
To develop a management accounting framework for SMEs.	All chapters
To contextualise the historical development of SMEs and their contribution to the Zimbabwean economy.	Chapter 2
To contextualise the historical development of MAPs, their applicability and relevance among SMEs.	Chapter 3, 5 and 6
To develop a research methodology that will answer the research questions.	Chapter 4
To explore the extent of use of MAPs by Zimbabwean SMEs.	Chapter 3, 5 and 6
To ascertain benefits obtained by the use of MAPs among SMEs in Zimbabwe.	Chapter 3, 5 and 6
To identify the factors that influence the application of MAPs among SMEs.	Chapter 3, 5 and 6
To ascertain the role of the Zimbabwean government in the implementation of MAPs.	Chapter 2, 5 and 6
To recommend possible ways to strengthen the SME sector and identify key areas for upcoming studies.	Chapter 7

Source: Own formulation

This thesis has seven chapters. Chapter one dealt with the background of the study, the research gap it aimed to fill, and the objective of the study. The overarching objective was to explore the utilisation of MAPs with the vital goal of developing a management accounting framework for use by Zimbabwean SMEs. Then, chapter two discussed the historical development of SMEs in Sub-Saharan Africa and their contribution to economic growth and development. It also discussed the contribution of SMEs to the Zimbabwean economy. The chapter further reviewed the role of the Zimbabwean government in promoting management accounting implementation as well as capacity building among SMEs. The review of the literature on the SME sector in Zimbabwe revealed that the current study is one of the few studies that has broached the subject of management accounting among SMEs in Zimbabwe.

Chapter three reviewed the historical development of management accounting and its role in economic development. The chapter discussed the factors that influence the use of MAPs among SMEs, and it reviewed the benefits of using management accounting. It identified the key pillars of management accounting (costing systems, budgeting systems, performance evaluation systems, decision support systems and strategic management accounting) and this was in line with several scholars (Horngren *et al.*, 2005; Abdel-Kader & Luther, 2006; Drury, 2012; Ahmad, 2017; Dlamini, 2020). The chapter also reviewed existing empirical literature about the application of MAPs in developed and developing countries.

Chapter four discussed the methodological aspects of the study and justified the chosen instruments and data gathering methods. The study adopted a qualitative research approach and used semi-structured interviews for data collection. Data was analysed using content analysis, Atlas. ti 7.5, as well as Microsoft Excel 2013. Chapter five discussed the results in line with the research objectives articulated in chapter one. The findings discussed in chapter five informed the development of the management accounting framework for SMEs in Zimbabwe.

Chapter six discussed the purpose of the proposed model management accounting framework for SMEs and then presented the framework. The chapter expressed the value of the proposed management accounting framework for SMEs. It then articulated the systematic stages of implementing the proposed framework. Chapter seven culminates the study by providing the key findings, contributions, and recommendations of this study. It also discusses the limitations encountered during the execution of the study and further states the propositions for upcoming studies. The ensuing section summarises the findings of the study and deduces conclusions with the guidance of the research objectives.

7.3 Summary of the findings

As previously articulated, the study explored the usage of MAPs among SMEs in Zimbabwe with the ultimate goal of developing a management accounting framework for SMEs. The study assessed management accounting under the five pillars, namely, costing systems, budgeting systems, performance evaluation systems, decision support systems, and strategic management accounting. It also identified the factors that influence the application of MAPs among SMEs and ascertained the benefits of using management accounting in SMEs. The study also sought to ascertain the role of the Zimbabwean government in the implementation of MAPs among SMEs. The following sub-sections summarise the study's main findings.

7.3.1 The use of MAPs by Zimbabwean SMEs

The study found that generally there is low adoption of MAPs, though there is a relatively high usage of traditional MAPs, compared to contemporary MAPs among the SMEs under study. The study also revealed that there are diverse practices in the application of management accounting tools by entities within the same industry. In addition, the study found that among the five categories of MAPs, decision support systems and strategic management accounting are the least used while budgeting systems and performance evaluation systems are moderately used with costing systems being the most used of the five components of MAPs.

a) Costing systems: The study findings revealed traditional costing systems (process costing, job costing, and batch costing) are widely used compared to modern costing systems (ABC). The prevalence of traditional costing systems is attributable to their simplicity when compared with contemporary costing systems. However, some SMEs uncritically copy and paste their competitors' prices or just use random estimation to determine the cost of their products, while costing systems play a watchdog function and keep an entity's expenses in line with its profit margins (Dlamini, 2020). Literature asserts that proper costing ensures success as it leads to correct product pricing, appropriate decision-making, and profitability (Jovanović *et al.*, 2019).

b) Budgeting systems: The findings revealed that the SMEs under study use traditional budgeting systems. The study further revealed that the SMEs under study are non-adopters of modern budgeting systems as they are expensive to run. A significant number of respondents highlighted that they abandoned the use of budgets as they lost relevance due to hyperinflation. An unpredictable economic environment militates against the use of

budgeting systems (OlaREWaju *et al.*, 2020). The Zimbabwean economy has been in recession for over two decades, though there have been episodes of temporary economic booms (Chinembiri, 2011; Bomani *et al.*, 2015; Kanyenze *et al.*, 2017). Literature states that it is essential for SMEs to use both traditional and modern budgeting systems in their operations, as modern budgeting methods enhance the viability of an entity as they enable the entity to align its activities with its strategic goals (Agu *et al.*, 2016).

c) Performance evaluation systems: According to the findings of the study, the SMEs under consideration are moderate users of performance evaluation systems. The study results also indicated that the SMEs under consideration use financial measures widely, compared to non-financial measures. However, results also indicated that there are inconsistencies in the usage of financial measures among the SMEs under study. Furthermore, results indicate that financial measures are widely used by small businesses as they can repurpose information contained in financial reports. However, high dependency on financial measures in performance evaluation is criticised because financial accounting information is vulnerable to manipulation (Yadav & Sagar, 2013; Mashovic, 2018). Hence, non-financial measures are essential in performance evaluation as they ease the linking of the organisation's activities with the mission statement and objectives of the entity and articulate them in monetary terms (Rey-Marston & Neely, 2010; Zorek, 2020). Dlamini *et al.* (2020) asserted that the use of both financial and non-financial measures paints a clearer picture of the performance of the entity. These measures are complementary and when used in conjunction, give a holistic picture of business performance (Mamorena & Olumide, 2014).

d) Decision support systems: The findings show that decision support systems are only being used by a small percentage of the SMEs under study. The study further revealed that the SMEs under study do not use contemporary long-term decision support systems. There is a preference for short-term decision support systems over long-term decision support systems within the sector. These results paint a grim picture of the growth and success of SMEs, given that their viability is dependent on the ability to make sound long-term financial investment decisions (Hermes *et al.*, 2007).

e) Strategic management accounting: According to the findings of the study, strategic management accounting is the least used of all the components. It was deduced that the low usage was due to a lack of adequate funds in securing resources needed for their usage. The study further revealed that the costs of applying SMA are prohibitive. Overall, the study established a low usage rate of management accounting with the varying application of MAPs.

Ahmad (2014) also reported that there was selective use of MAPs by Malaysian SMEs. The study concluded that there is a need to have a framework that will simplify and systematise the implementation of MAPs and provide a standardised way of using management accounting among SMEs.

7.3.2 Factors influencing the application of MAPs

The study established that SMEs face numerous factors that influence the usage of MAPs. These factors are not limited to organisation size, knowledge of MAPs, and qualification of the accounting personnel, but also include lack of adequate resources and the socio-economic environment.

a) Socio-economic environment: The study found that the socio-economic environment harmed the use of MAPs by the SMEs under consideration. The Zimbabwean economy has been in a comatose state for two decades. The findings reveal that during episodes of economic recession, small businesses tend to desert the formal ways of doing business and adopt informal methods to cope with uncertainty. The study revealed that in the period 2017 to 2020, the Zimbabwean government initiated many policies and statutory instruments that most participants criticised for being incoherent.

b) Availability of adequate resources: The research established that the unavailability of adequate resources affects the usage of MAPs among the SMEs under study. The participants indicated that due to inadequate resources, they could not afford to secure accounting software with management accounting packages, which is paramount for the wide application of MAPs. Furthermore, the study further revealed because of limited resources, SMEs failed to employ and retain qualified management accountants. These findings resonate with results obtained in other countries (Mitchell & Reid, 2000; Gangata, 2013; Bäuml, 2014). The study concludes that the lack of adequate resources affects the application of MAPs. SMEs should invest in the usage of MAPs as these have the potential to increase profitability and funds for an entity (Hopper *et al.*, 1999).

c) Size of the organisation: The study discovered that the organisation's size influences the use of MAPs. The study established that small-sized firms are low users of management accounting tools due to their size, as they have fewer volumes of information to handle, compared to medium-sized or large-scale entities. The study also discovered that traditional MAPs are mostly used by small businesses due to their simplicity and ease of use. Medium-

sized firms were better adopters of contemporary MAPs compared to small-sized firms due to their complexity in production.

d) Qualifications of the accounting staff: The study discovered that entities that used external accountants had underqualified accounting personnel. For instance, those entities that had accounting staff who had degrees, diplomas, or certificates in accounting related areas, such as banking or finance or business management had an external accountant. The study further observed that most SMEs who outsource accounting expertise, rarely use management accounting. In that respect, external accountants are employed to prepare financial statements and compile tax returns. These findings resonate with results obtained by Ismail and King (2007), as well as Ahmad (2012), who asserted that accounting personnel in small businesses are underqualified.

e) Lack of knowledge by SME owners: The study found that the lack of knowledge by SME owners and managers hindered the implementation of MAPs. The respondents indicated that the perception of owners and managers towards management accounting is critical to the application of MAPs. Neneh (2018) highlighted that the performance of small businesses is highly affected by the level of education of the owners. The study established that only those techniques which the owners or managers deem imperative for their success are the ones that were implemented. The study concluded that if SME owners lacked awareness and understanding of management accounting, there would be low adoption of MAPs in that entity.

7.3.3 Benefits of using MAPs in Zimbabwean SMEs

As explained in detail in section 5.6, the study revealed that MAPs play a crucial role in enhancing SMEs in planning, controlling, allocating resources, assisting in decision-making, improving co-ordination and communication. The participants further highlighted numerous benefits obtained in the use of MAPs. For instance, those SMEs who use MAPs indicate that management accounting enhances pricing of their products, evaluation of performance, and promotes competitive advantage. The use of MAPs improves profitability and entity resources as they promote efficiency (Ahmad, 2017). In addition, the respondents highlighted that the use of the MAPs in harsh economic conditions sustained their businesses as they could plan and make informed decisions.

7.3.4 The role played by the Zimbabwean government in the implementation of MAPs

As explained in detail in section 5.7, the study established that the government of Zimbabwe has set in motion various initiatives to revitalise the capacity of SMEs. These include the development of a regulatory framework by the Zimbabwe Stock Exchange, to embrace the SME market and the establishment of SME incubation centres. Moreover, the government conducts entrepreneurship, management, computation of tax returns and bookkeeping workshops. However, the majority of the workshops are organised by the Zimbabwe Revenue Authority and focus on bookkeeping skills needed for the proper remitting of taxes. The study revealed that the foregoing is part of the government's strategy to widen the tax base through providing tax education and awareness. The study also found that there is little that is done by the Zimbabwean government in promoting the use of management accounting among SMEs. Furthermore, the study found that most of the SME support policies from the government remain as a blueprint without implementation. It was also established that various Zimbabwean government policies have failed to achieve their intended results because of a lack of consultation and needs assessment surveys. The study established that the government pays lip service to the growth of the SME sector, as evidenced by the lack of an SME database in the country.

7.4 The contribution of the study

The literature claims that the bulk of management accounting studies tend to be more quantitative than qualitative (Scapens, 2006; Tripathi, 2017). Piperopoulos (2010) asserted that researchers conducting a study on small businesses should adopt an interpretive epistemological position to gain a deep understanding of the nature of SMEs. In response to current demands for many in-depth studies, this study adopted the interpretivist approach using semi-structured interviews. The study adds to management accounting literature as its methodological design can provide a template for other researchers interested in management accounting. A research paper that emanated from the methodology of the study (chapter four) guided novice management accounting researchers on how to select a research paradigm for a study.

Secondly, the study contributed research-based literature on MAPs in the Zimbabwean SMEs sector. To the researcher's knowledge, this was the first study to be conducted on MAPs in the SME sector in Zimbabwe. As deliberated in chapter one, this study provides useful insights

about management accounting and the SME sector in Zimbabwe. This study adds to the literature as it sets a basis for comprehending the complexities of the SME sector in MAPs' development and application. Moreover, in the area of management accounting, there is a lack of evidence of an existing management accounting framework for SMEs. The theoretical contribution of this study is not only for Zimbabwe but can be used in other countries in comprehending MAPs.

Thirdly, this study adds to the literature on the history and development of SMEs in the Zimbabwean context and Sub-Saharan Africa. A research paper has been published, emanating from this chapter. It was revealed that the history of SMEs in Sub-Saharan Africa stretches to the colonial era. The SME sector has witnessed significant growth in the last decade due to various players coming in to support the growth and survival of small businesses. It was also established that various Zimbabwean government policies have failed to achieve their intended results because of a lack of consultation and needs assessment surveys. Furthermore, the participants indicated that most of the SME support policies from the government remain as a blueprint without implementation. The government pays lip service to the growth of the SME sector, as evidenced by the lack of an SME database in the country.

Fourthly, based on the researcher's knowledge, this study provided the earliest empirical literature on the usage of MAPs in Zimbabwean SMEs. The study observed a trend of diverse application of MAPs as well as their low usage among SMEs. Due to their simplicity, the usage of MAPs was largely limited to traditional tools. It also established that management accounting is a tool for survival and success in organisations. The study also showed that there is little support offered by the government on the implementation of MAPs among SMEs. This study contributed to the existing literature by identifying other factors that influenced the usage of MAPs among SMEs, such as inadequate resources and the socio-economic environment. The Zimbabwean socio-economic environment and lack of policy on the implementation of management accounting have compounded the application of MAPs. The study discovered that with enough government support in promoting the use of management accounting, the standardisation of MAPs and a high uptake could be a reality. Therefore, the study also provides invaluable insights to the government of Zimbabwe in assessing future SME assistance.

Most importantly, this study also developed a management accounting framework for SMEs in Zimbabwe. The proposed framework incorporates all five pillars of management accounting,

namely, costing systems, budgeting systems, performance evaluation systems, decision support systems, and strategic management accounting. These pillars will be implemented in six systematic stages. In stage one, the framework proposed the implementation of traditional costing systems. Then traditional budgeting systems are to be implemented in stage two of the framework. Stage three of the framework implements traditional decision support systems. In stage four, the framework implements both traditional and contemporary performance evaluation systems. In stage five, the framework implements strategic management accounting. The final stage implements contemporary tools for costing systems, budgeting systems, and decision support systems. The staged, systematic implementation approach facilitates the easy and simple adoption of management accounting among SMEs.

The model advanced in this thesis is meant to systematise the use of MAPs by Zimbabwean SMEs. Further, the proposed framework is meant to make the application of MAPs less cumbersome. The use of MAPs among SMEs is important for their success and survival as it promotes efficiency, as well as improves the competitive edge for the entity (Ahmad, 2017). The uptake of MAPs is not only essential for promoting the success and survival of SMEs but also creates value for the entity (Armitage *et al.*, 2016). Value creation is paramount for SMEs, particularly if they are to graduate to become larger entities (Horngren *et al.*, 2005; Ahmad, 2017). The Zimbabwean government aspires to see small businesses develop into large entities (MSMECD, 2018). If these SMEs become large entities that fully implement management accounting, they stand a chance of being competitive, even at a global level.

Additionally, this framework can be applied to other similar contexts in the Global South. Enhanced usage of MAPs may serve to benefit the economy at large as a systematic application of MAPs will enhance the value and economic output of SME entities. Such a positive impact will have a concomitant impact on the country's GDP as well as the government's tax base. It is important to note that this study was conducted in a Zimbabwean economy, which is currently characterised by adverse economic conditions. In such a context, the management accounting framework will enable easy application of both traditional and contemporary MAPs by SMEs in Zimbabwe that will have a concomitant effect of enhancing efficiency and resilience among SMEs.

Besides, the framework, as an analytical tool, will be used to acquire a comprehensive understanding of management accounting by small businesses as it will include all the pillars of management accounting. It will assist SMEs with how they can adopt MAPs in their operations. The framework will further provide a foundation for those who develop

management software specifically meant for SMEs. It will increase users' confidence and perception about management accounting. In addition, the framework will provide a standard against which various core and dedicated accounting practices can be tested objectively. The framework advanced in this study is also referred to as a decision framework as it will be a decision support tool for SME management at all levels of the organisation. Above all, the framework will systematise the implementation of MAPs among SMEs.

7.5 Recommendations

The contribution of this study is of significance to SMEs, policymaking organisations, and the academic fraternity. Hence, based on the above discussion, the ensuing recommendations are advanced:

- There is a need for various stakeholders to prioritise SMEs due to the role they play in economic growth and development. For instance, policies promoting the implementation of management accounting should be developed just as in financial reporting.
- National regulators need to develop specific management accounting guidelines for SMEs and the Zimbabwean government has to develop policies that promote the implementation of management accounting just like in taxation and financial reporting. This will enhance the uptake of MAPs.
- The use of management accounting among SMEs should be encouraged especially for businesses that receive financial support from various stakeholders.
- There is a need to increase awareness about the importance of MAPs in SMEs, as these tools are critical ingredients for success.
- SMEs can utilise integrated software solutions or Microsoft Excel spreadsheets, which can enable the implementation of various management accounting tools since they cannot afford to secure management accounting software.
- SME owners need to be educated on the importance of having an in-house management accountant so that those who are financially able may hire an in-house management accountant and those who are financially unable can collaborate with management accountants as business partners.

- Professional associations should regularly and widely organise training courses, seminars and share experiences on management accounting skills as these are not popular as compared to taxation and financial accounting courses.
- The Zimbabwean government, through the Ministry of Women Affairs, Community, Small and Medium Enterprise Development, should provide government-sponsored training to SMEs, not only in tax compilation, bookkeeping, and entrepreneurship, but also in management accounting. Workshops should focus on mainstreaming the use of contemporary MAPs in the SME sector.
- The implementation of MAPs, particularly among SMEs, should follow a set of guidelines and this study has developed a management accounting framework for that purpose.
- There is a need for buy-in by various stakeholders, such as SME owners, as well as the government through the Ministry of Women Affairs, Community, Small and Medium Enterprise Development, for the successful implementation of the framework needs.
- Scholars, professionals, and practitioners should collaborate and develop management accounting tools that are tailored to the needs of small businesses.
- The government of Zimbabwe should attend to key fundamentals that will resuscitate the economy. The economic downturn affects the implementation of MAPs and the success of SMEs.
- There is a need for the Zimbabwean government to initiate policies that promote the use of management accounting. The government should conduct pre-consultation before the implementation of SME support policies. Furthermore, the government should be committed to supporting SMEs and follow-up on policy monitoring and evaluation after implementation.
- The government, through the Ministry of Women Affairs, Community, Small and Medium Enterprise Development, should create an SME database, as this would be useful in monitoring and supporting SMEs.
- There is a need for the academic fraternity to conduct more studies in management accounting in SMEs to address the paucity of literature.

7.6 Limitations and future research directions

Although this study presented resourceful contributions, several limitations were encountered in the research process. Firstly, while SMEs are critical to economic growth and development in Zimbabwe, there is no SME database in the country. The lack of an SME database made it very difficult for the researcher to determine the sample from the targeted population. Therefore, the study used a snowballing sampling technique for data collection. Most SMEs do not participate in studies because of their unwillingness to remit taxes. Hence, it was problematic to identify participants. The researcher used the Ministry of Women Affairs, Community, Small and Medium Enterprise Development, SMEs Association of Zimbabwe, Zimbabwe Revenue Authority officers and other stakeholders as entry points in building up the sample. SMEs are sceptical, making it harder for the researcher to establish rapport with participants.

Secondly, one of the major challenges was the refusal by the focus group participants to use a tape recorder. This was due to the polarised political environment in Zimbabwe. To ensure accurate note-taking, the researcher co-opted two research assistants. Furthermore, some participants suspected that the researcher was gathering data about SMEs that were evading tax. The researcher further noted that the use of an approval letter for conducting the study granted by the Ministry of Women Affairs, Community, Small and Medium Enterprise Development had negative connotations as it associated the researcher with the government. Hence, these suspicions were discharged by the use of the introductory letter, ethical clearance letter, and proof of registration for PhD studies in management accountancy from North-West University.

Thirdly, although the study collected enough evidence, as it reached saturation, the results of this study cannot be generalised as the study adopted a qualitative approach, which is more subjective. Finally, COVID-19 disruptions meant that the research had to be suspended for eight months.

The limitations of this study that are discussed in this section create an opportunity for future studies. This study was conducted in one country. Future studies in management accounting can be done in other countries. In addition, the study was carried out in SMEs that operate in a harsh economic environment. Future researchers can study the same in stable economies. Upcoming studies could focus on assessing the impact of management accounting on financial performance among SMEs in Zimbabwe. Further studies can develop management

accounting frameworks for SMEs in the context of developed countries. Moreover, future studies can be conducted using a different methodology to enhance the generalisability of the results. Lastly, future research can test the efficacy of the proposed management accounting framework.

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APPENDIX I: INTERVIEW GUIDE COVER LETTER

Dear

I am a lecturer at Lupane State University currently pursuing a PhD in Management Accountancy at North-West University in South Africa. I am conducting research titled: **“Adoption of Management Accounting Practices: Challenges and Opportunities for Small and Medium Enterprises in Zimbabwe”**. This study will contribute knowledge on the use of Management Accounting Practices (MAPs) among SMEs in Zimbabwe. It will further develop a Management Accounting Practice framework for SMEs in Zimbabwe.

I would like to invite you to take part in a focus group (small discussion group of about 6 people) at 11:00 am on the 9th of October 2019 at 5th Floor Boardroom, Parkade Centre, Lupane State University. The focus group should last no longer than one and a half hours.

The objective of this focus group is to elicit your views and perceptions about the use of MAPs among SMEs. The focus group will provide an opportunity for you to find out about the benefits and challenges on the use of MAPs among SMEs. In particular, we would like to know about:

- Y6 Which MAPs (costing system, budgeting system, performance evaluation, decision support system and strategic management accounting) do your organisation use?
- What are the challenges you face in the use of MAPs?
- Have MAPs improved organisational performance? If so, how?

More background information will be sent by post or e-mail two weeks before the focus group to those who have confirmed their attendance. Your views will be used to help in the development of a Management Accounting Practice framework for SMEs in Zimbabwe and the information provided will only be used for the purposes of this study.

Please be assured that your anonymity and confidentiality of information collected is guaranteed. No individual identities will be revealed as we will use a pseudonym and only aggregate results will be presented. Participation is voluntary and you are free to withdraw consent at any time. If you would like to take part in the focus group please let me know by contacting me on **+263 772 476 323** or e-mailing on dlabukhosi@gmail.com. I would like to thank you for taking the time to read this letter. Attached also is a consent form for your signature. If you would like to know more about my study before deciding whether to participate, please contact me. The success of this study depends upon your responses, accordingly your participation is much appreciated.

Yours faithfully

Banele Dlamini

APPENDIX II: APPROVAL LETTER FROM THE MINISTRY OF WOMEN AFFAIRS, COMMUNITY, SMALL AND MEDIUM ENTERPRISE DEVELOPMENT IN ZIMBABWE

All communications should be addressed to **The Secretary**

Telephone: 2-708398, 2-735188,
2-790932
www.women.gov.zw



Zimbabwe

Ministry of Women Affairs, Community
Small and Medium Enterprises
Development
P. Bag 7726 Causeway
Harare

Ref: B/14/1

23 August 2019

12125 Nkulumane 11
P. O Nkulumane
Bulawayo
Zimbabwe



Dear Banele Dlamini

RE: Application for Permission to Conduct PHD Research on "Adoption of Management Accounting Practices: Challenges and Opportunities for Small and Medium Enterprises in Zimbabwe".

The above subject matter refers.

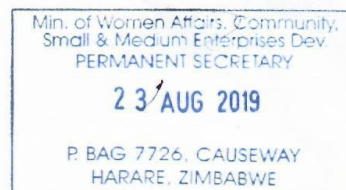
The Ministry of Women Affairs, Community, Small and Medium Enterprises Development is pleased to advise that your request to conduct PHD Research on "Adoption of Management Accounting Practices: Challenges and Opportunities for Small and Medium Enterprises in Zimbabwe" is approved. The approval is granted on condition that the information obtained during your research is used for academic purposes only.

Your research is vital to the Ministry, therefore could you share your final research findings.

We look forward to hear from you.

Ambassador R. M. Chitiga

Secretary for Women Affairs, Community, Small and Medium Enterprises Development



APPENDIX III: PARTICIPANT CONSENT FORM

I (Participant's name) consent to participate in research titled: **“Adoption of Management Accounting Practices: Challenges and Opportunities for Small and Medium Enterprises in Zimbabwe”**. I understand that my participation involves a focus group interview and my real name will not be used. I have read and understood the information outlined in the cover letter and that the information I provide will remain confidential. I understand that only aggregated results of the study will be presented. I also understand that I can withdraw my consent and participation at any time without penalty.

I wish to receive a copy of the summary project report on the research findings... Yes No

Participant's Signature:

Date:

APPENDIX IV: INTERVIEW QUESTIONS FOR SMES

Part (A): Personal Information for an Interviewee

1. Age: 20 or less 21-30 31-40 41-50 over 50
2. Highest level of education: Diploma Bachelor degree Master's degree
PhD Other (Specify).....
3. Name of the organisation.....
4. Position in the organisation.....Experience (years).....
5. Type of Business: Food processing Beverages Textile
6. How many employees are in your organisation? 6-40 41-75
7. Total assets of your organisation:
Less than US\$100 000 More than US\$100 000 - US\$1 000 000
8. The total turnover of your organization:
Less than US\$240 000 More than US\$240 000 - US\$1 000 000

Part (B):

1. What do you understand about management accounting?
2. Which costing system do you use in your organisation?
3. a) What type of budgets does you prepare in your organisation?
b) How frequently do you prepare your budgets?
4. a) Do you measure performance as an organisation?
b) Which performance measures do you use?
5. a) Which decision support system is used in your organisation for short-term decision making?
b) How do you carry out a decision support system analysis for short-term decision making?

- c) Which decision support system is used in your organisation for long-term decision making?
- d) How do you carry out a decision support system analysis for long-term decision making?
- 6. a) Explain how you use strategic management accounting practices in your organisation?
b) To what extent do you use strategic management accounting practices?
- 7. What challenges are you facing in the application of MAPs (costing system, budgeting system, performance evaluation, decision support system and strategic management accounting) in your organisation?
- 8. Has your organisation benefited from the use of MAPs? Explain.
- 9. What factors influence the extent of the use of MAPs in your organisation?
- 10. What is the government in the promoting the application of MAPs in your organisation?
- 11. In your view how important are is the use of MAPs among SMEs in Zimbabwe?

THANK YOU

APPENDIX V: INTERVIEW QUESTIONS FOR KEY INFORMANTS

Part (A): Personal Information for an Interviewee

1. Age: 20 or less [] 21-30 [] 31-40 [] 41-50 [] over 50 []
2. Highest level of education: Diploma [] Bachelor degree [] Master's degree []
PhD [] Other [] (Specify).....
3. Name of the organisation.....
4. Position in the organisation.....Experience (years).....

Part (B):

1. What do you understand about management accounting?
2. Which costing system do SMEs in Zimbabwe apply?
3. What type of budgets does SMEs in Zimbabwe apply?
4. a) Do SMEs in Zimbabwe measure performance in their organisation?
5. a) Which decision support system is used by Zimbabwean SMEs?
6. a) Do SMEs in Zimbabwe use strategic management accounting practices in your organisation?
7. What are challenges faced by SMEs in Zimbabwe in the application of MAPs (costing system, budgeting system, performance evaluation, decision support system and strategic management accounting) in your organisation?
8. Has SMEs in Zimbabwe benefited from the use of MAPs?
9. What are the factors that influence the extent of the use of MAPs in Zimbabwean SMEs?
10. What is the government involvement in supporting the implementation of MAPs among SMEs in Zimbabwe?

THANK YOU

APPENDIX V: ETHICAL CLEARANCE



Private Bag X6001,
Potchefstroom
South Africa 2520

Tel: 018 299-1111/2222

Web:

[http://www.nwu.ac.](http://www.nwu.ac.za)

[za](http://www.nwu.ac.za)

Economic and

Research Ethics

Tel: 018 299-1427

Email:

Management Sciences

Committee (EMS-REC)

Bennie.Linde@nwu.ac.za

Prof D Schutte
Per e-mail

Dear Prof Schutte,

EMS-REC FEEDBACK: 25102019

Student: Dlamini, B (28394984)(NWU-00758-19-A4)

Applicant: Prof D Schutte - PhD in Management Accountancy

Your ethics application on, *Adoption of Management Accounting Practices: Challenges and Opportunities for Small and Medium-scale Enterprises in Zimbabwe that served on the EMS-REC meeting of 25 October 2019* refers.

Outcome:

Approved as a minimal risk study. A number **NWU-00758-19-A4** is given for three years of ethics clearance.

Kind regards,

A handwritten signature in black ink, appearing to read 'B. Linde', enclosed within a circular flourish.

Prof Bennie Linde

Chairperson: Economic and Management Sciences Research Ethics Committee (EMS-REC)

Potchefstroom Campus

APPENDIX VI: LANGUAGE EDITING CERTIFICATE

Effort C. Chiware
Lecturer
National University of Science and Technology
P.O. Box AC 939
Ascot
Bulawayo
Zimbabwe

16 March 2021

TO WHOM IT MAY CONCERN

REF: CONFIRMATION OF EDITING OF MR. BANELE DLAMINI'S PhD THESIS

This letter serves to confirm that Mr. Banele Dlamini's (Student Number: 28394984) Doctor of Philosophy thesis entitled, **Adoption of Management Accounting Practices: Challenges and opportunities for small and medium-scale enterprises in Zimbabwe**, has been fully edited. I, the undersigned, Effort C. Chiware conducted copy, language as well as structural editing on the above mentioned thesis.

Yours Sincerely



Effort C. Chiware
Lecturer
MSc in Publishing Studies, Moi, Kenya
effort.chingono@nust.ac.zw
effortchingono@yahoo.com Cell+263
772361746



1st Floor Faculty of Agricultural Sciences Building

PO Box 170

Lupane, Zimbabwe

Date 14/04/2021

To whom it may concern,

REF: Language editing certification

I Khulekani Ndlovu certify that I edited chapters 5, 6 and 7 of Banele Dlamini's (28394984) doctoral thesis titled *Adoption of Management Accounting Practices: Challenges and opportunities for small and medium-scale enterprises in Zimbabwe*. The language editing was limited to the syntactic, semantic and logical clarity of the chapters and did not alter the intent and content of the author. The author reserved the right to effect the language edit. The empirical and theoretical content of the chapters is the author's own work.

Sincerely,

Khulekani Ndlovu (PhD in Media Studies, UCT)

Communication and Media Studies Lecturer,

Lupane State University

Cell +263782787028

E-mail kndlovu@lsu.ac.zw

CONFIRMATION OF PROOFREADING

This serves to confirm that I have proofread this research report and have made the necessary corrections, suggestions, and emendations:

Adoption of Management Accounting Practices: Challenges and opportunities for small and medium-enterprises in Zimbabwe

by

Banele Dlamini

I have been proofreading articles, Honours, Masters and Doctoral dissertations, research reports and theses for the past 16+ years for, *inter alia*, the following institutions: University of the Witwatersrand; GIBS; University of Cape Town; Milpark; Mancosa; University of KwaZuluNatal; University of Johannesburg; Unisa; Tshwane University of Technology; Stellenbosch; Henley Business School, the Da Vinci Institute and, more recently, the Stadio group.

I have also undertaken proofreading for publishers, such as Oxford University Press and Juta & Company, companies, institutions and non-governmental organisations.

I have a major in English, and excellent knowledge of Afrikaans.



Jennifer Croll

BA(Wits); H.Dip.Lib. (UCT); B.Tech(LIS), B.Inf.Sc.(Hons)(Unisa); MM(Research), MM(Strategic Marketing)(Wits).

Email: crolljennifer@gmail.com

Mobile: 072-351-7997

Date: 25th November 2021

APPENDIX VII: THEMES USED

Themes used

Is_SME-	Evidence that the business is an SME
UndMan-	The understanding of management accounting
UndCostS-	Comprehension of costing systems
CCMused-	Cost collection methods used in the organisation
CT_appl-	Cost techniques applies in the business
TB-applied-	Types of budgets applied in the organisation
BAused-	Budgeting approached used by the organisation
PES_used-	Performance evaluation systems used in the business
STDsUsed-	Short-term decision support systems used in the organisation
LTDsUsed-	Long-term decision support systems used in the business
SMAApplied-	Strategic management accounting tools applied in the organisation
ReaTrad-	Reasons for the high use of traditional MAPs by the organisation
ReaMod-	Reasons for the low use of contemporary MAPs by the organisation
CostBen-	Cost benefit analysis of the use of management accounting in the organisation
Soc-ecoEn-	Influence of socio economic environment on the use of MAPs in the business
AdqRes-	Effect of resources on the use of MAPs in the organisation
Size-	Size of the organisation affects the use of management accounting
AccSkill-	Lack of expertise by the accounting personnel influence in the use of MAPs
Own-mKnow-	Owners and managers limited knowledge on the use of MAPs and its importance
Tech-	Influence of technology on the use of MAPs
ManBen-	Benefits associated with the use of management accounting in the organisation
Gov-	Government involvement on promoting the use of management accounting, staff learning