

# The role of management accountants to facilitate sustainable business success in big Lesotho companies

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***In Loving Memory of My Dearest Mom***

***'Maletsie Joalane Agnes Tilo***

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## **Abstract**

**Title:** The role of management accountants to facilitate sustainable business success in big Lesotho companies

## **Keywords**

Management accountant, sustainable business success, CIMA business success wheel, big companies, board and top management, wheel attributes

Companies today are strongly motivated and intend to be the leading ones in their area of business, as they are seen to be busy trying to build new competencies and capabilities so that they become competitive and grow profitably to sustain successful businesses. No one can overlook the fact that hard work is required in order to achieve ultimate success in business. However, it can also not be denied that there are challenges along the way, as - due to factors such as globalisation - managing business and organisations in this era is not as simple as it was in the past.

The problem of this study is based on the statement that management accounting is more than what most managers perceive it to be. It is more than just costing of products and services, but includes both financial and business expertise and an understanding of how departments of the organisation have to unite and work together for effective *decisions* to be made within the organisation.

The main purpose of conducting this study was to determine whether boards and top-management of big companies in Lesotho appreciate and understand the role of management accountants as facilitators and supporters for successful strategic and operational decision making, with regard to the components of the CIMA business success wheel. As a way of trying to achieve the above purpose, a literature review of the attributes of the CIMA business success wheel, as well as the role of management accountants about how they facilitate sustainable business success, was conducted. Moreover, an empirical study was also done.

In order to try and answer why businesses suffer and do not become successful, this study tried to develop a model to assist the board and top management of big companies in Lesotho on how to achieve sustainable business success. The development of the model came about as a result of the findings and results of the empirical study and the literature review. This model was furthermore brought about by using qualitative and quantitative research designs which are known to be resourceful in research. Qualitative findings from the 3 interviews with the executives of companies were supported by self-administered questionnaires completed by 18 companies considered big in Lesotho.

Findings from the empirical study confirmed that top management and the boards of big companies in Lesotho are indeed not aware of the roles of management accountants and how they can be of assistance in facilitating success in their businesses. Participants and respondents pressed more on the management accountant's role in planning in terms of budgeting and monitoring of execution of company funds, which is the financial expertise rather than the business acumen part. It was even found that the majority of the companies did not have the office of a management accountant. As a result, recommendations to the boards and top management of companies regarding the importance of a management accountant in organisations, as well as recommendations for further research by other researchers in this respect, were provided.

Although the research was only limited to available big companies in Lesotho, it is the hope of the researcher that the study would bring change to how top management and boards of also medium and small companies, also internationally, perceive the role of management accountants, and that it would also be of value to such companies and other stakeholders.

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## **CHAPTER 1            INTRODUCTION**

### **1.1 INTRODUCTION AND BACKGROUND**

Today's companies are strongly motivated and intend to be the leaders in their area of business. They are seen to be busy trying to build new competencies and capabilities so that they become competitive and grow profitably to sustain successful businesses. To achieve ultimate success in business requires hard work, and it cannot be denied that there are challenges along the way, as managing business and organisations in this era is not as simple as it was in the past (Fiavio & Rafael, 2011:236), though some people still open businesses "thinking that they will turn on their computers or open their doors and start making money" (Seabury, 2016).

The ultimate role of every business is to be successful, be it in monetary terms such as profits and or non-monetary terms like offering best quality products and/or services. There may be different opinions and ideas of what constitutes a successful business that is successful, but according to Bagatya, Kabatire, Mutyaba and Kigenyi (2007), success in business can be viewed as the realisation of predetermined goals, objectives or targets. That is realisation of a worthy intension. For example, a business can be said to be successful if it is increasing its customer base or quality of goods and/or services. It is important, therefore, to operationalise the goals to evaluate if the organisation is successful before judging the extent to which they have been accomplished (Helmig & Pinz, 2014:491).

There are therefore certain indicators that show the level of objectives achieved and to assist the organisation to assess and analyse the level of achievement of the set goals, such as sales ratios, liquidity ratios, gearing ratios and shareholder returns. Business Case Studies (2015) elaborates that success of business today is judged not only on pre-set goals, but also on its ability to repeatedly realise sustainable growth like being able to meet targets on different desirables for the satisfaction of stakeholders. For example, "companies such as Nestle and Cadbury Schweppes achieve sustainable growth by working towards achieving success in each of the three elements: economic success, social success and environmental success" (Business Case Studies, 2015).

According to Grunert and Hildebrandt (2004) (cited in Helmig & Pinz, 2014:490) the reason why some businesses outperform others is centred on strategic management research, and students try by all means to discover all managerially significant factors that could be of influence to sustainable business success. Determinants or drivers of success differ, based on the size or area of business the organisation is operating in - such as a service industry and manufacturing industry (Ayala & Manzano, 2014:126). These success attributes “include long range planning variables that have a strategic and competitive dimension and may include factors both internal and external to the business” which could bring about sustainable organisational success where there is proper management (Helmig & Pinz, 2014:491).

It cannot be denied that the environment and its complexities do affect the success of every business, yet the world’s leading companies do not cease to find ways of advancing their performance in the midst of it all (Farrington, 2013). It has been argued years ago by Emery, Tristy and Schon (1971) (cited in Fiavio & Rafael, 2011:236) that organisational environments were becoming more and more complex, due to factors such as technological change, internationalisation, enhanced competition, deregulation or more regulations. This highlights that complexity has always existed and that it has always been a major concern to business on how to deal and cope with it. Business has always featured the unexpected and the unpredictable (Gokce & Rita, 2011), and change is continuous and will become more and more rapid as time moves on. The rate of change is, however, accelerating. It has been the experience of the last fifty years, as in every decade since the financial era of the 1950s, that new external environmental challenges have shaped the strategies of organisations (Burns & Nixon, 2012:229). Nevertheless, a “rapidly changing environment is the regular background against which organisations must develop” (Farrington, 2013). Therefore, according to Helmig and Pinz (2014:488) good management - both strategic and operational - is crucial in competitive markets and an ever changing environment. Therefore, to avoid any kind of failure and to obtain success in businesses - no matter the size and age of the organisation - leadership skills that are adaptable and more developed should be a priority (Miles, 2013:1).

Management and boards all over the continents are faced with many complex matters amongst which to operate their businesses (Mihular, 2013:4). However, no matter the size of an organisation - whether public or private - it is the responsibility of senior management and boards to lead organisations into sustainable success and their target should be to generate value for all the stakeholders overtime by developing both operations and strategies, even when faced with all these complexities (CIMA, 2014a:3). "They determine, approve and oversee short and long term strategy, business model and risk appetite" (CIMA, 2013e) and also keep an eye on all departments (Haid, Saulnier, Sims & Wang, 2010:8).

Haid *et al.* (2010:8) suggested two functions of the Board, which is monitoring management to make certain that it acts in the interest of the shareholders, and secondly to facilitate access to information and all other resources. However, in order to accomplish these functions, they need to be supported by good people, systems and processes (Haid *et al.*, 2010:8). Management of companies will therefore need a management accountant, because the management accountant's role is to coordinate organisational objectives, ensuring that proper decisions are taken in line with organisational objectives, financed and properly implemented in the entire organisation – in the short and long run (CIMA, 2014a:3).

A management accountant is therefore defined by the Institute of Management Accountants (2008) as a professional "that involves partnering in management decision making, devising planning and performance management systems and providing expertise in financial reporting and control to assist management in the formulation and implementation of an organisation's strategy". In general, management accountants support managers in carrying out business objectives during planning and control (Laine, Paranko & Suomala, 2012:213). Management accountants comprehend the coordination of every department in an organisation, and as a result they are centred on important business decisions because of their expertise in combining both the financial and business acumen in their way of achieving sustainable business success (CIMA, 2014b:2). Management of company performance, decision making and support are all roles of a management accountant, together with being able to understand the impact of the business environment and

financials. They are also creators, reporters and preservers of organisational value (CIMA, 2011:3).

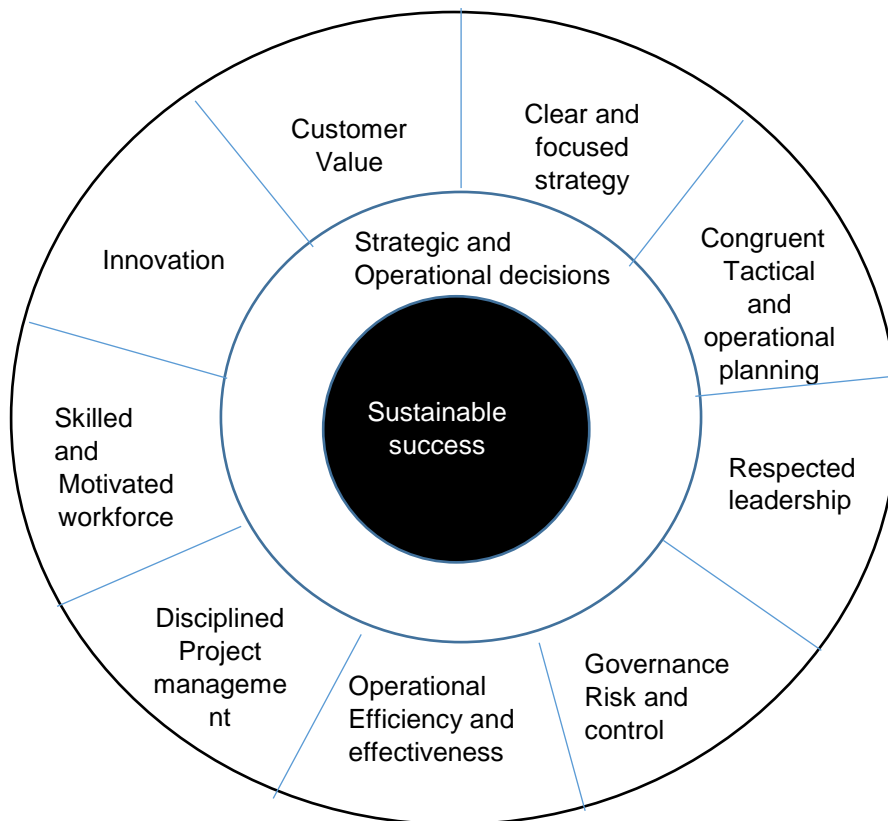
Historically, a management accountant's role was on "accountants who are engaged in financial reporting, auditing and taxation activities as its role was mainly seen to be indirect contribution to the planning and control of organisational operations" (Low, Mistry & Sharma, 2014:113). Empirical research to date, according to Byrne and Pierce (2007:1), propose that the roles of management accountants are being engaged only in organisations that are going through volatile changes and competitions, changes in organisational structures and innovation. According to Yazdifar and Tsamenyi (2005:180), management accounting in the past three decades has gone through development of new systems and techniques, and also its roles, and these have been significant in both the professional and academic accounting literature in recent years. However, factors such as competitive environments, management expectations, technological developments, cross functional interactions, structural arrangements, physical location and individual qualities seem to impact on the roles of management accountants (Byrne & Pierce, 2007:6).

## **1.2 MOTIVATION FOR THE STUDY AND CONCEPTUAL FRAMEWORK**

The model that was developed by the Chartered Institute of Management Accountants (CIMA), the CIMA business success wheel, has motivated the researcher and forms a basic conceptual framework for this study. The wheel illustrates the nine qualities that are needed for organisational success and also how CIMA has equipped its members - management accountants and chartered management accountants - in contributing to the components of the wheel (Ross, 2007b:28). The nine components of the wheel (namely customer value, innovation, skilled and motivated workforce, disciplined project management, operational efficiency and effectiveness, governance risk and control, respected leadership, and congruent tactical and operational planning) are qualities that are needed by organisations to achieve sustainable success. These nine qualities are not isolated, but are made possible and real by decisions - both strategic and operational – taken by the board and top managers and which forms the middle part of the wheel (Figure 1.1). The support for strategic and

operational decisions is provided by the information and analysis, both financial and business related, from the management accountant (Ross, 2007b:29).

Figure 1.1 represents the CIMA business success wheel.



**Figure 1:1 The CIMA business success wheel**

Moreover, knowledge of management accounting that was gained and appreciated by the researcher when doing BCom Honours in Management Accounting, and interaction with the researcher's peers who are employed in private companies in Lesotho in the accounting departments, provided the motivation for this study. In addition, the researcher's interest was aroused by advertisements for jobs for management accountants, as published in local newspapers in Lesotho. According to these adverts, job responsibilities are based on the planning and control aspect of management accounting and in some cases the cost accounting aspect of tracking and reporting service and product cost. Moreover, most accountants and other people in general still associate management accounting with production companies. For example, when an individual indicates that he/she is studying management

accounting, a question follows as to whether that individual likes to be employed in the manufacturing industry.

It is therefore the opinion of the researcher that, by highlighting management accounting and its importance (and the extensiveness thereof) for organisations and management, might promote appreciation for this profession and how it could contribute to the success of organisations. The researcher thus trusts that this study would assist in creating more awareness and deeper knowledge, as well as a wider perspective among organisations and their management, towards management accounting in business and its contribution towards business success today.

### **1.3 PROBLEM STATEMENT**

The problem of the study is based on the statement that management accounting is more than what most managers perceive it to be. It is more than just the costing of products and services, but includes financial and business expertise and the understanding of how different parts of the organisation need to come together for effective *decisions* to be made within the organisation (CIMA, 2011:1). To enhance the understanding of the complexity of the problem, this study's focus is firstly that the different parts of the organisation are reflected in the CIMA business success wheel, i.e. the nine qualities that organisations need to make strategic and operational *decisions* to achieve sustainable success. Secondly, *decisions* are made by an organisation's board, as the governing body for the company, and top management as being responsible for the management of the daily activities of the company. These two focus points can be combined to state the research question:

What are top management's and the board's perceptions of the role of the management accountant in facilitating (and or supporting) the decision-making process with regard to five of the nine qualities in the CIMA business success wheel?

## **1.4 RESEARCH OBJECTIVES**

### **1.4.1 Primary objective**

The primary objective of this study is to determine whether boards and top-management of big companies in Lesotho appreciate and understand the role of the management accountant with regard to five out of nine components of the CIMA business success wheel, as facilitators and supporters for successful strategic and operational decision making.

### **1.4.2 Secondary objectives**

To assist in reaching the primary objective, the following secondary objectives need to be reached:

1. To explain the attributes needed by an organisation in order to achieve success in business as per the wheel.
2. To explain how management accountants contribute to the components of the CIMA business success wheel.
3. To determine whether boards and top management are aware of the contribution of management accounting skills, with regard to the components of the wheel, towards decision making for sustainable organisational success.
4. To investigate if the skills of management accountants are utilised to their full capacity in organisations.
5. To analyse whether there is a gap between how top management and the board see the role of management accountants in organisations and the view of their role as found in literature.
6. To build a model, based on the gap analysis found in this study, to assist top management and boards on how they could fully utilise the expertise of management accountants as a tool for sustainable success.

### 1.4.3 Theoretical statements

To reach the primary and secondary objectives, the study is employing CIMA's business success wheel as conceptual framework. To sharpen the focus of the study, three theoretical statements were identified to guide the study in finding the best practices of how management accounting can serve as a tool to establish a basis for sustainable success.

- The CIMA business success wheel facilitates successful decision making (Ross, 2007a:1).
- Management accountants manage performance, provide support and drive decision making, creating, reporting and preserving value (CIMA, 2014b:2; CIMA, 2011:3).
- Management accountants help organisations to deliver success overtime (CIMA, 2014b:3).

Central to these three theoretical statements is that *management accounting supports decision making to reach success*. This hypothesis (summary of the three theories) forms the central argument of the study. Therefore, in the final chapter, the study will comment and conclude on this hypothesis.

### 1.5 DEMARCATION OF STUDY FIELD

The CIMA business success wheel consists of nine components or attributes that are needed by organisations to attain sustainable success. However, out of nine attributes - as shown in figure 1.1 of section 1.2 - only five components were selected and used for this study and they are: innovation, clear and focused strategy, governance, motivated workforce and customer value. This is because the attributes that have not been discussed, somehow feature in the attributes that have been discussed. So, for example, tactical and operational planning featured in the clear and focused strategy attribute. However, the researcher did not use some attributes such as disciplined project management, because the businesses in the sample studied are hardly making

use of projects. The researcher is concerned about the general success of businesses that are not on certain projects within organisations.

The researcher is also aware of CIMA's new development and structure named *global management accounting principles- GMAPs*. These principles, however, offer guidance on competencies needed by management accounting professionals to aid in business success. Therefore these principles will be useful in chapter 3, which is all about management accountants and how they contribute to business success.

## **1.6 METHODOLOGY / RESEARCH DESIGN**

To achieve the already stated primary and secondary objectives, as in section 1.4, recent available literature was studied, followed by conducting an empirical study to test the information provided in the literature.

According to Quinlan (2011:117), research methodology shows what philosophical assumptions are underpinning the research and how the research has been conducted. Research design, on the other hand, is explained by Welman and Kruger (2001:46) as "the plan according to which research participants are obtained and information is collected from them. It describes what is going to be done with the participants with the view to reaching conclusions about research problems". Perry 6 and Bellamy (2012:20) elaborated that research design is specifying how data will be collected, constructed, analysed and interpreted to enable a researcher to draw the wanted descriptive, explanatory or interpretative interference.

The studied literature review was found and based on academic research that was published internationally and nationally, as well as in other electronic papers and published books. All this was done to have a strong theoretical foundation for the study and all its deliberations. In collecting data and analysing it, the study made use of a mixed method approach, namely that both qualitative and quantitative methodologies were used, together with the review of literature on the topic area of interest.

### **1.6.1 Target population**

This is the population on which the researcher conducted the study, and conclusions were drawn from using that population (Welman & Kruger, 2001:119). The target population in this research was big companies in Lesotho, with their head offices in Maseru, the capital town of Lesotho. This is because it is more likely that different functions and departments, together with top management offices, are found in headquarters, and also because the researcher is based in Maseru. For the purpose of this study, *big companies* is defined as companies with many clients (above 1000) that are registered in Lesotho, those that is making a major contribution towards Lesotho's economy by employing many people. There are twenty-two (22) such companies. However, the response during the quantitative study ended up as 18, since only 18 companies identified were willing to answer the self-administered questionnaires as per Appendix A section A to D. As for interviews in section E of Appendix A, data was collected only from 3 participants, because during the interview with the fourth respondent no new information came to the fore as it had reached its saturation.

### **1.6.2 Sampling method and sample size**

Out of two techniques of sampling, namely probability and non-probability sampling techniques, this study only made use of the non-probability sampling technique. According to Maree and Pietersen (2014a:172,176), this sampling technique does not employ random selection of the population elements and probability theory; as a result population elements do not have an equal selection chance (Wegner, 2012:153). Therefore the sample was drawn during the interviews, as it continued to a point of saturation where no new ideas or themes emerged during the collection of data (Nieuwenhuis, 2014d:79). Only 3 respondents formed the sample of the qualitative methodology, while 18 participants formed the sample of the quantitative method. Moreover, this type of technique was very flexible, as the researcher only interviewed those companies that were willing to give out information, making use of convenience sampling. The researcher then used purposive sampling by interviewing chief financial officers or heads of the accounting functions in each of the big companies. The chief

financial officers or heads of accounting sections were expedient, as they had deep knowledge on the topic area of interest.

### **1.6.3 Data collection procedures**

The researcher made appointments, at the time convenient for them, with the chief financial officers or heads of the accounting sections of the companies that were studied, because they represented both top management and the board and they were knowledgeable in the researcher's topic of interest.

### **1.6.4 Method of collecting data**

The researcher then made use of self-administered and semi-structured questionnaires. Self-administered questionnaires were measured using the five-point Likert scale for prompt response and also for facilitating data interpretation. Semi-structured questionnaires were done in the form of interviews and formed part of the questionnaires. The one-on-one interview helped the researcher develop comfortable communication with the respondents and also allowed them to elaborate fully and freely when responding to questions. Moreover, they even brought to the table additional information relevant to the study. These interviews were conducted in a conversational manner. The researcher recorded the interview, transcribed it and then coded it by giving it relevant themes for analysis.

### **1.6.5 Design**

Questionnaires conducted by this research were divided into two parts: one closed-ended, self-administered questionnaire as per Appendix A section A-D, and interviews as per Appendix A section E.

Section A comprised of a general information section regarding the respondents: their gender, designation, when they joined the organisation and the number of years in their current position.

Section B covered the nature of business: the type of industry, the departments in organisations, number of employees and the type of products and/or services they offer.

Section C covered all the attributes of the CIMA business success wheel.

Section D covered management accountants and their roles in strategy and strategic decision making.

Section E consisted of interview questions and covered some parts of the CIMA business success wheel attributes and a lot on management accountants and their roles.

#### **1.6.6 Analysis of data**

Data was analysed both quantitatively and qualitatively. Quantitative data was analysed using frequency distribution where tables, charts and graphs were used, and then the collected data was triangulated by analysing both the qualitative and quantitative data together with the existing relevant literature. Triangulation is “critical in facilitating interpretative validity and establishing data trustworthiness” (Maree & Van der Westhuizen, 2014:39).

### **1.7 SIGNIFICANCE OF THE STUDY**

Research around management accounting is significant and the findings from this research will bring numerous, fruitful implications for management with regard to organisation strategies and organisational success. The extent to which businesses can be successful, due to information provided by management accountants, will be uncovered. Establishing the types of success brought about by management accountants will assist managers to understand the factors and ways that lead to a successful business.

In addition, findings from this study will give a true picture and insight into organisations' perceptions of management accountants. Therefore the researcher

believes that the findings of this research will improve the understanding of managers of organisations with regard to management accountants, also with regard to management accounting as a profession. The understanding gained may lead to improved and more informed decision making by managers, leading to sustainable success.

## **1.8 DELIMITATIONS OF THE RESEARCH**

The study was limited to the companies available for interviews and also those considered big. This was due to financial and time constraints. As a result, gathered information might be a limited reflection of the role of management accountants as facilitators for sustainable business success. Moreover, there is a probability that managers gave responses that were subjective, based on their different business environments.

## **1.9 OUTLINE AND STRUCTURE OF THE CHAPTERS**

### **Chapter 1 – Introduction**

This chapter introduced the research by discussing the background and preliminary literature relating to the research, motivation of the study, underlying problem of the study, objectives, proposed methodology, and significance of the study and delimitation of the research.

### **Chapter 2– Literature review: CIMA business success wheel**

This chapter will look at the literature concerning business success, focusing more on the components of the CIMA business success wheel that was developed by the Chartered Institute of Management Accountants in 2007, and also the attributes of a successful business.

### **Chapter 3– Literature review: The role of the management accountant**

This chapter will be more centred around the management accountant, examining in greater detail literature on management accountants, their roles and contribution to the strategy of an organisation and their assistance to the board and senior management. It will dig deeper on how management accountants gather and analyse

information to be used by the senior management and the board of directors for operational and strategic decisions.

#### **Chapter 4 – Research methodology**

In this chapter, methodology and research design will be discussed in depth: how the sample was selected, techniques used to collect data, justifying them all. This is where the type of questions in the questionnaires will probe whether the skills of management accountants are being utilised to their full capacity in organisations.

#### **Chapter 5 –Research results and analysis of findings**

This chapter will deal with the data analysis, both qualitative and quantitative, gathered by using questionnaires and interviews. Data collected will be analysed and interpreted, using qualitative and quantitative analysis (triangulation) together with the literature relating to this study. The findings from the analysis will be presented as per the secondary objectives.

#### **Chapter 6 – Conclusion and recommendations**

This chapter will show conclusions reached from the whole research. It will indicate possible further research deriving from this study and will also build a model, based on the gap analysis found in this study, to assist top management and boards on how they could fully utilise the expertise of management accountants as a tool for sustainable success.

### **1.10 SUMMARY**

This chapter provided an introduction and background to the study, why it was important to carry out the study and the motivation to carry it out, and also how it was carried out. It also highlighted objectives that would be of great help in answering the research problem. Lastly, the significance and limitations of the study and an overview of the whole study were shown.

## CHAPTER 2 LITERATURE REVIEW: CIMA BUSINESS SUCCESS WHEEL

### 2.1 INTRODUCTION

This chapter will examine in detail literature concerning business success, focusing more on some of the components of the CIMA business success wheel that was developed by the Chartered Institute of Management Accountants in 2007, and also on the attributes of a successful business. Moreover, this chapter will establish a basis for the empirical study addressed and reported on in chapter 4 and chapter 5 respectively, the questionnaires and the interviews. To summarise, the aim of the chapter is to address secondary objective 1, which was stated in 1.4.2:

*To explain the attributes needed by an organisation in order to achieve success in business.*

The literature review will cover the above-mentioned objective in thorough detail.

Businesses operate in an unstable and unpredictable environment. There are internal as well as external environmental forces that change with time and which should be monitored by every business in order for it to be on top of its game. Moreover, because it is every company's objective to be successful, there are certain hindrances and obstacles which affect businesses either directly or indirectly and which every organisation must be aware of. In summary, management and boards all over the continents are faced with many complex matters to operate their businesses in, as pointed out by Mihular (2013:4):

- Sourcing new ideas and foundations of growth, like new and unfamiliar markets, amidst their challenges that are commercial and cultural.
- There are regulations which are global, be it international or local, to which organisations have to comply with as a matter of must, together with different rules and protocols all over the markets in which they have to operate in.
- Recession.

- New business models are being innovated, because companies are shifting towards building their capabilities, both locally and globally, to cross functional teams in order to put strategies faster in place and to improve risk management.
- The issue of trust and reputation affects the business directly, especially in terms of cost. Therefore ethical behaviour and transparency is an important issue in an organisation.
- Technology and a rapid rise in digitisation force organisations to go back to the drawing board regarding the way they are operating, as more and more opportunities are being created.
- Sourcing talent: Organisations are now sourcing talent all over the world.
- Senior management, such as information management, is in need of better knowledge and information regarding returns on investment in staff productivity, investment in people, satisfaction of customers and employees' needs as well as the productivity of staff.
- Outsourcing.

This chapter will further explain how the above mentioned challenges can be overcome if a business possesses the attributes of the CIMA business success wheel. The CIMA business success wheel forms the conceptual framework of this study. This model comprises of nine components or attributes that are needed by organisations to attain sustainable success. However, out of nine attributes, namely innovation, customer value, clear and focused strategy, tactical and operational planning, respected leadership, governance and control, operational efficiency and effectiveness, disciplined project management and skilled motivated workforce, only five components (innovation, clear and focused strategy, governance, motivated workforce and customer value) were selected and used for this study. This is because the attributes that are not discussed, somehow feature in the attributes discussed, for example: tactical and operational planning feature in clear and focused strategy attribute. On the other hand, some attributes - such as disciplined project management – have not been selected and used by the researcher, because the businesses in the study sample are hardly making use of projects. The researcher is concerned about the general success of businesses not on certain projects within organisations.

## **2.2 INNOVATION**

### **2.2.1 Introduction**

To enhance competitiveness, innovation is absolutely vital in the business arena. According to Ross (2007b:29), many successful businesses have reinvented themselves to satisfy the forever changing needs of their customers, while other businesses continually and constantly innovate to create new markets or for the betterment of their reputation and performance of already existing ones. Brooks (2013) further explained that the ability of coming up with unique and fresh ideas for business operations, products and services, and keeping them fresh all the time, is one of the pointers to any successful business. In this rapidly changing environment there is higher need to innovate than it has ever been in the past, and there is minimal survival for organisations that do not continually innovate their products, ideas and processes (Saatcioglu & Ozmen, 2010:209). Though much innovation is essential, in the past years - according to Smallbizconnect (s.a.) - organisations were coping with less innovation while only focusing on providing unique quality products and services and updating them so that they remain competitive in the market. It is still the case with some businesses, even today, namely those that provide products of long life cycles and those with minimal opportunities for innovation.

### **2.2.2 Definition of innovation**

Mothe and Thi (2010:315) defined innovation as “the adoption of an idea, behaviour, system, policy, program, device, process, product or service that is new to the organisation”, signalling that innovation affects every part of the organisation. Oslov Manual (cited by Hamidi & Benabdeljlil, 2015:287) also defined innovation as “the implementation of a product (good or service), or a new significantly improved process, a new marketing method, or a new organisational method in business practices, workplace organisation or external working relationships”. It is a new and different way of doing certain tasks more effectively, or a combination of new and old methods of doing something (Ramilo & Embi, 2014:433). This then shows that innovation can be applied to any area of the organisation, not only specifically to tangible things such as products. Much as there may be slightly different meanings for innovation depending

on the industry, what remains constant is that it is concerned with the improvement of what has existed before (Brooks, 2013). Overall, value is added through innovation, however it may have destructive effects and its effects can even eliminate or alter previous practices of organisations (Ramilo & Embi, 2014:432). According to Demirbas, Hussain and Matlay (2011:765), innovation has to be a process that is done continuously in all areas of the organisation and with rewards and risks attached to it.

### **2.2.3 Drivers of innovation**

Recently, as per Small Business Connect (s.a.) factors such as globalisation have contributed more to the drive for innovation to increase their efficiency and effectiveness, not only to the production of goods and services, but also to management that can drive down costs and hence increase in productivity. Moreover strategy is also considered as the key driver of innovation as it gives direction on what products and or services the organisation must provide, markets to pursue, the level of investment and the choice of processes hence impacting on technology (Goktan, 2010:2). Expectations of consumers influence the level of innovation in the market as they cannot rely on products that were used years back, but continually seek new, improved products that are compatible to their lifestyles and make their lives easier (Smallbizconnect, s.a.). As a result of the increasing use of the internet, customers nowadays are more informed when making their choices broad as to whom to buy from and what to purchase. Therefore they are not compelled to buy from a specific supplier. However, there are factors that need to be taken into consideration for innovation to occur, such as capacity (in terms of but not limited to resources, processes and collaborative structures) of the organisations as well as monetary resources (Laforet, 2010:283). Furthermore, innovation is risky and uncertain, particularly in developing countries, because of issues relating to limited resources, capacity in trading of new and unique processes, products and services (Saatcioglu & Ozmen, 2010:208). Much as it is accompanied with better chances of competitiveness, better performance and growth, Saatcioglu and Ozmen (2010:210) further elaborated that it requires knowledge, human and financial resources, hard work, skills, efforts and organisational as well as state support. The degree relating to the success of the innovation process is normally scaled by the entrepreneurs' perception of the level of

risk they make out, level of importance given to the degree of product innovation or plainly the indicators of the new market (Zarco, Gonzalez, Ruiz & Yusta, 2015:2025).

#### **2.2.4 Analysis of innovation**

According to Ramilo and Embi (2014:433), innovation has two major types, namely process (does not include any scientific advancement per se) and technical (uses scientific advancement or research) innovation, linked independently to:

- a. Technological innovation, which is based on the improvement of quality or the provision of products and or services at the lower cost using new knowledge or techniques.
- b. Organisational innovation, which is basically 'social technology' that concerns relationships between attitudes, behaviours and values instead of technological advances.
- c. Product innovation, which involves technological use, and as a result leading to superior products or services.
- d. Process innovation, which is concerned with the advancement of efficiency without technological advancement.

However, Fontan *et al.* (cited by Hamidi & Benabdeljlil, 2015:286) stressed that analysis of innovation has been limited only to technology especially of products and processes. Windahl (2015:380) also added that, traditionally, the focus on innovation was mostly on technological process innovation, also more on product (goods) innovation than on services, business and solution innovation.

#### **2.2.5 Barriers of innovation**

Innovation is not immune to barriers. Some barriers come from employees of the organisation, others from the leadership of the organisation while other barriers are due to the structure of the organisation (Sieczka, 2011). It is very surprising that the most common types of barriers to innovation are leadership or management, yet they expect to yield growth in business and sustainable success of organisations. They do this by not being able to welcome new ideas or getting any from their employees, or anywhere else for that matter. By so doing, they do not motivate employees to be creative, as employees know that it is of no value to managers and the organisation.

However, some managers do listen to their employee's ideas but nonetheless do not implement any of the suggested ideas, leading to loss of opportunities (Smallbizconnect, s.a.). Likewise, other important barriers within the organisation are due to resistance by employees, brought about by introducing new and different products and organisational structures (Janger & Holzl, 2012:3).

## **2.3 SKILLED AND MOTIVATED WORKFORCE**

### **2.3.1 Introduction**

Organisations these days no longer give attention to particular stakeholders, such as investors and consumers only, to reach their goals and business success, but accommodate a whole lot of stakeholders as to reach their organisational success. If other stakeholders are not also given attention to, the organisation will be affected negatively (Reyneke, 2013:11). A workforce that is motivated and skilled leads to successful organisations, as it fosters high performance cultures within the organisation (CIMA, 2011:9). For organisations to achieve their goals require inputs, such as assets and capital, and performance from employees to convert those inputs into yields (Oberholzer, 2012:418). In order for organisational strategy to be accomplished, employees are needed in its structure (number of employees, their professional and qualified structure), including their particular qualities in terms of skills, knowledge, abilities, whether they are willing to perform which depends on how motivated they are and how they approach the organisation (Zámečník, 2014:851). One of the major issues facing managers is to ensure that their employees perform to their utmost best abilities. For these to be achieved, different policies, strategies and external motivators are put into action and implemented in order to encourage employees to be more productive and to perform their duties better. Drake (cited in Matsie, 2008:10) clearly showed that, for organisations to achieve sustainable business success, employees as important factors ought to be highly motivated. Furthermore, managers need to have a deeper knowledge of how to motivate employees so that they are satisfied and committed to their jobs for the success of the organisation. Therefore it is of utmost importance that managers should be in the position to identify factors that stimulate employee motivation to secure effective job performance (Sefako, 2014:22-23).

### **2.3.2 Definition of workforce motivation**

Motivation relating to work, according to Zlates and Cucui (2014:469), is defined as “the availability of an individual to work intensely and consistently in order to realise the organisational objectives, with the hope that the efforts made will lead to the realisation of some individual objectives. These individual objectives, generated, finally, by the needs that the individual feels, are veritable reasons determining him to act and work in organisations”. Motivation is an average term that includes all factors that influence, intensify, organise and conduct the behaviour of humans (Rahimić, Resić & Kožo, 2012:536). Xiong and King (2015:59) explained that motivation comes from both extrinsic factors such as values, and extrinsic factors such as rewards and pressure. Lau (2014:229) added that both intrinsic and extrinsic motivation factors relate to activity or activities, not only limited to performance but also activities relating to employee motivation to engage in human organisational citizenship behaviours, conformation to social norms and also engagement in target setting. Moreover, motivation differs depending on various factors both external and or internal to the environment, employees’ life situation etc. (Hitka & Balazova, 2014:114).

### **2.3.3 Theories of motivation**

Satisfying and recognising the needs of employees form another basis for high morale motivation (Brode (cited in Sefako, 2014:27). A model of a well-known theorist, by the name of Abram Maslow, will be used as an example of the needs on an individual and how these needs affect an individual’s motivation. Maslow in content theory (CIMA, 2012:296), which is more concerned with the hierarchy of needs that triggers the behavioural motivation of an individual, shows that there are seven innermost needs in relation to human motivation. In the seven, the two higher needs are:

- The need for freedom of enquiry and expression.
- The need for knowledge and understanding.

The other needs are in hierarchy form, starting with the need that has to be satisfied first, going up the hierarchy to the last need. Maslow, however, argued that the need that has been satisfied is no longer a trigger for motivation and a motivator to an

individual. He nonetheless highlighted that the apex of the need, which is self-actualisation, can never be satisfied.

The hierarchy of needs he referred to are:

- Physiological needs (needs such as clothes, food, shelter)
- Safety needs (the need to be secure and free from threat)
- Love and social needs (family, belonging, peer groups, affection)
- Esteem needs (status, being recognised)
- Self-actualisation (fulfilment of personal potential).

Another theorist by the name of Frederic Herzberg came up with two groups of factors of motivation causing satisfaction and dissatisfaction in the workplace. These factors are:

- Motivators – these are factors which, when present in the workplace, motivate employees; for example factors such as gaining recognition, autonomy and responsibility advancement.
- Hygiene factors / maintenance factors – these are factors which, even when present in the workplace, do not give motivation or any satisfaction; for example factors such as interpersonal relationships, working conditions and company administration.

These two theorists, and others such as Alderfer (1969) and McClelland (1961), revealed that employees' needs and motives have long been considered in the history of motivation (Zámečník, 2014:851). It is therefore important for organisations to be in a position to manage behaviours that come as a result of employee perception relating to “low motivation and lack of job satisfaction” (Sefako, 2014:22). However, according to CIMA (2012:417), employees - much as they are motivated by their needs and some interests - will be more motivated to perform if organisational goals and objectives are congruent to their goals and objectives. Some employees find their jobs as a chore because the objectives of the organisations do not relate to what motivates them, hence the issue of employee involvement in the setting of objectives by employers.

### **2.3.4 Employee motivation and performance**

Stacho, Urbancová and Stachová (2013:2787) pressed that managers should also be aware of the fact that motivation of some employees could be affected by the way they – as managers - communicate with and to them, their body language as well as by other factors such as professional training of employees and employee engagement. As already stipulated, the main aim of every organisation is to reach its desired goals, and of course with employees being important role players. That is why organisations set policies and objectives in line with the motivation of employees in order for them to perform their duties well, leading to high productivity - even within the set standards.

Zámečník (2014:852) asserted that clear expectations of what is desired from employees should be set by managers in order to improve employee performance. Those expectations should be regularly reviewed in a process fairly done. Ross (2007b:29) also revealed that members of a workforce need to be convinced that their performance, together with their contribution, is fairly measured. This means that employees must not be held accountable for mistakes that do not form part of their scope of the job, or factors that are not controllable - such as the weather - but that they are only accountable for what is within their control. Moreover, even when they have performed exceedingly well, they must be rewarded with incentives. Furthermore, to keep motivating employees to always be willing to perform well, they should be offered monetary incentives, such as bonuses, though such incentives only play a short-term role in motivation (Hikta & Balazova, 2014:114).

Employees should not in any way perceive performance appraisal as a tool used by management to discipline them and to find the faults in their performance. It should rather be more directed towards employees trying to find the gap in their performance, and how that gap could be filled for better performance. In normal situations, if the appraisal of employees is correctly done, it must compel employees to look forward to it with a positive attitude, because they would know that the plans to review their skills and gaining new competencies would be revised, and their skills for employability would be updated (Matsie, 2008:21). Likewise, rewards that are deemed as fair by employees and perceived as such, following good job performance, create job satisfaction which would most likely lead to increased motivation to perform and to

work harder in future: for example bonuses offered to employees for a certain well-done performance (Matsie, 2008:22). It is therefore the responsibility of management, especially the Chief Executive Officers - as per Reyneke (2013:11) - to create a conducive environment where they are respected, their work recognised and their ideas heard and implemented. Nonetheless motivation, though stated as the factor affecting performance, it is not the only factor affecting performance. There are also other factors such as abilities, skills and knowledge (Hitka & Balazova, 2014:114).

For long, decision making in organisations has always been done by top management or people in the apex of the ladder, not involving those people at the lower levels of the ladder, with the expectation being that the very people at the lower levels must implement those decisions that have already been set (Sefako, 2014:1). This was done with the view that they are more educated and knowledgeable than these at the lower levels of the ladder. However, according to Hauserman (2007:21), it is not wise thinking that the more educated or higher ranking workforce is in a more advantaged position to be involved in decision making, as all employees - regardless of their rank, qualification and skill - have something to offer for the company, especially so those at the lower ranks because they deal on daily basis with customers and they are in the better position to know what the needs are. Ross (2007b:29) added that employees also need the right information to make decisions for which they are held accountable, and they also need to feel that they are not working in isolation. Therefore, involving employees in decision making motivates them to perform better because they feel like they own what they are expected to do. As a result, managers should involve employees in decision making as a way of motivation, signalling that they – together with their impact on the organisation - are valued, and also as a leverage to their skills (Boundless, 2016).

Employees are an important asset to every organisation and must therefore be recognised as such. Their contributions lead to the effective and efficient fulfilment of organisational goals and objectives - hence its success (Quagraine, 2010:4). However, for employees to effectively participate in decision making, experience and skills would form an important aspect. Their impact and contribution will vary, based on their level of experience and knowledge (Boundless, 2016). [For a further

discussion of performance measurements in context of motivational theories, see Oberholzer and Barnard (2015:948-949).]

## **2.4 GOOD GOVERNANCE**

### **2.4.1 Introduction**

Good corporate governance, according to Ross (2007b:28), makes good business sense, therefore it becomes easy for investors to pay a significant amount for the shares of the well-governed company. In the business world all round the world, corporate governance has become the most crucial issue, especially after the recession that teetered many countries and economies into a major recession (Hassan, Marimuthu & Johl, 2015:28). Financial institutions, particularly banking regulators and central banks, have emphasised and stressed that banking systems must effectively practise corporate governance to avoid failure contributing to the emergence of financial crises (caused by failures and weaknesses in bank governance) (Gao & Zagorchev, 2015:2).

### **2.4.2 Definition of corporate governance**

Corporate governance “is the system by which organisations are directed and controlled” (CIMA, 2011:2). Sami, Wang and Zhou (2011:107) further defined corporate governance as “a set of mechanisms that affects how a corporation is operated”. That means it concerns the overall systems and all stakeholders, especially their goals and expectations within the organisation. Daniri (cited by Nurainy, Nurcahyo, Kurniasih & Sugiharti, 2013:92) further defined good corporate governance as “a pattern of relationships, systems, and processes used by the organs of the company (Board of Directors, Board of Commissioners) to provide added value to shareholders on an on-going basis in the long term, with due regard to the interests of other stakeholders, based on laws and norms that applies”.

### **2.4.3 Drivers and foundation for developing good governance**

CIMA (2011:94) explained the drivers for development of governance as:

- a) Globalisation and internationalisation increase, where investors now invest not only in their home country, but in any country of their choice - leading to companies to fairly report their performance and operate in an acceptable way.
- b) Many issues relating to reporting posed many issues to investors and also caused debates.
- c) Increase in corporate scandals of companies such as Polli Peck International, Enron and Maxwell Communications Corporation, to mention but a few.

It was pointed out way back in the early 1970s by Alchian and Demsetz (1972:780) that the theoretical foundation of corporate governance was the agency theory. The agency theory shows the main problems in companies caused by the conflict of interest between the owners of the companies (shareholders) and managers entrusted with the running of the company. The main goal of the company is to create shareholder wealth, therefore conflict arises because corporate managers have personal goals that are in conflict with organisational and shareholder goals (Bonna, 2012:22; Sami *et al*, 2011:107). Shareholders, being company owners, do not directly manage their own company, but instead appoint a board of directors to do the management on their behalf, to pursue the goals of both the company and the shareholders. "Boards of Directors play an important role in firms' strategic decision making, control the internal mechanism of governance and monitoring of companies management" (Hassan *et al.*, 2015:29). According to Hassan *et al.* (2015:29), it is the board of directors that assist in good performance by using good governance practices, leading to success in business as one of their roles to ensure corporate performance.

The separation of control between owners and managers causes such conflict (Tariq & Abbas, 2013:566; Mashayekhi & Bazaz, 2008:157), because - with the agency theory - it is believed that potential conflict leads to poor financial performance as the result of finances swayed by managers for their own benefit (Bonna, 2012:22). However, such incidents happen because of lack of corporate governance within a company, revealing features of a lack of effective monitoring and disciplining mechanism (Renders, Gaeremynck & Sercu, 2010:88), while it is believed by the agency theory that practices of good governance lead to high performance and valuation value, resulting in a firm's low agency cost such as fees paid to external

auditors, consultancies, etc. (Sami *et al.*, 2011:107). On the other hand it is this separation of control, according to Nguyen (2011:277), that provides opportunities for a firm's performance. It is therefore the objective of a corporate governance system to ensure congruent objectives and the interest of both the shareholders and that of corporate managers (Wruck (cited in Bonna, 2012:26)).

Two other theories that form a basis for corporate governance are: stewardship theory and team or stakeholder theory. Bonna (2012:19-22) explained the two theories as:

- Stewardship Theory: this theory believes that corporate managers who are trusted with the running of the organisation are stewards who are given the authority to maximise the investor's wealth and interests, while also achieving the plans and targets of the organisation. With this theory, it is believed that managers are motivated by the organisational goals and objectives of the organisations, not their own, leading to incongruent goals of the organisations and that of managers. It is therefore only believed that managers' goals must be in line with those of the organisations, and not the other way round.
- Stakeholder Theory: this theory is based entirely on Ludwig Von Bertalanffy's system theory which believes that, due to the complex environment of organisations, there has been an increasingly high need for systems, instead of for organisational parts acting in isolation. This is so because behaviour of the system is different from individual parts within the system. As a result, stakeholder theory is based on the view that stakeholders - whether internal, external or connected - are presented in the decision making of the organisation. It, however, has some flaws as it is highly impossible to satisfy all the needs of the stakeholders.

#### **2.4.4 Principles of good corporate governance**

The execution of good corporate governance is based on the following principles, as stipulated by Nurainy *et al.* (2013:92-94):

- Transparency: this is concerned with making information that is relating to a company's performance available to the stakeholders, whether it be in decision

making and all material they might find to be of relevance to them. This information must always be ready, timely, sufficient and accurate and must be provided whenever the investors are in need of it. Each company is expected to make available the financial performance to the public at the appropriate time. This principle reduces the possible conflict of interest between the involved parties.

- **Accountability:** it is concerned with making clear the lines of responsibility, structure, systems and functions in the company - for efficient management and so that it is clear to all parties who are responsible for what and to what extent. If implemented effectively, this principle reduces the agency problems already addressed.
- **Responsibility:** this principle is about the company being able to comply with regulations such as tax, environmental issues, safety, etc. The implementation of this principle demonstrates that the company acknowledges their operations' externalities such as the emission of gas, for example in the environment effects are borne by the community.
- **Independence:** this principle is about the company being able to manage in a professional manner without being influenced by any other party boycotting the principles and regulations of the company.
- **Fairness:** this principle is about the fair treatment of shareholders' rights incorporated in the regulations and principles of laws, thus making sure that there is fair treatment amongst the different interests of the company.

#### **2.4.5 Benefits of good corporate governance**

Some studies have shown that corporate governance has an effect on market variables and operational performance of firm variables, because effective and good corporate governance reduces control of over allocation of funds by managers (Andreou, Louca & Panayides, 2014:63). However, though better corporate

governance is found to bring 'higher valuation and better operating performance' by using net profit margin and sales growth, return on equity is not associated with effective use of corporate governance, according to Sami *et al.* (2011:108). CIMA (2011:95) pointed out three benefits of improving governance in companies:

1. Risk Reduction – good governance reduces the risk associated with loss in finances, reputational damage and compliance failure by reducing the agency cost (making congruent the directors' interests with the company's objectives).
2. Performance – making accountabilities and responsibilities of individuals within the company, even investors, which motivates directors and therefore leading to high performance. At the board level, decision making also improves due to non-executive board members.
3. External Support – good reputation of company with public and government is enhanced, therefore making it easy for fund raising and also corporate image for different stakeholders.

This also adds to the fact that, with effective good corporate governance, companies enhance their competitive advantage over those that do not have good governance. However, there have always been mixed empirical studies and findings in connection to corporate governance and performance (Ho, 2005:211).

## **2.5 CLEAR AND FOCUSED STRATEGY**

### **2.5.1 Introduction**

Today, in the world of uncertainties in the external and internal environment, to achieve desired business and organisational success depends more on strategic formulation and planning and the implementation thereof (Yazdani & Gulzar, 2013:31). The most vital worry and concern in most organisations, whether big or small, is the issue of planning and execution of strategies which - in environmental complexities - assures sustainable success to firms (Mirzakhani, Parsaamal & Golza, 2014:151). However in the current environment with "growing interdependencies between the markets and in

increasing competition” it is not easy to sustain the current position of companies, according to Švárováá and Vrchota, (2014:687). Strategy is therefore an important determinant of successful firm performance (Ramaseshan, Ishak & Kingshott, 2013:1225).

### **2.5.2 Definition of strategy**

Creating strategy for each organisation to rely on is not an easy process, because of the pressure posed by the dynamics of the external environment on every manager (Bordean, Borza, Rus & Mitra, s.a.:26). Strategy is therefore defined as “a course of action, including the specification of resources required, to achieve a specific objective” by CIMA (2011:254). As already mentioned, it is every firm’s wish and goal to be the leading one in competitive advantage and performance. This success can be gained by meeting the needs of the customers, and also being able to deal with and respond to the forever changing environment (Yazdani & Gulzar, 2013:31). Good strategy can lead to a successful organisation. As a result, strategic management is needed for increase of competitiveness in organisations. This is to say, the consistency of the organisation’s strategy with the known and defined competitive strategy of the company is essential for organisational success, because then all the potential of the company is directed towards achieving this goal by daily operations leading to the attainment of the strategy (Švárováá & Vrchota, 2014:687). Issues related to strategic management include the determination of the company’s strategic direction, and also being more open to incorporate employees in working and committing towards the goals and following the vision (Sioncke & Parmetier, 2007:182). Therefore, Švárováá and Vrchota, (2014:288) clarified strategic management as “a task for the entire enterprise at every moment of its existence, not only to a narrow circle of specialists once a year”, meaning that it gives guidance to every member of the organisation, their actions as well.

### **2.5.3 Strategic formulation**

Knowing that strategic management is concerned about the future, which is so uncertain, Bordean *et al.* (s.a.:26) stressed that it is crucial to have an effective strategy formulation because it gives direction to what the organisation intends to do - although

the actual results may be different from what was initially planned. Mirzakhani *et al.* (2014:151) added that planning the strategy is a very important tool in management to help and make it possible to pursue the plan and the implementation of the strategy in all segments of the organisation. It also assists in managing how well the strategy is being performed. Therefore, when the organisation has an understandable and well formulated strategy, managers are able to act right and to take proper decisions leading to extremely good performance. However, in many organisation, defining strategy is not a very easy process and one of the reasons is the inability to define which customers value in their organisation (Sioncke & Parmetier, 2007:181).

Literature still stresses that organisations need to cope with various external challenges, most of which relate to the likes of knowledge sharing and innovation by means of effective and dynamic strategic formulation (Sioncke & Parmetier, 2007:181). However, a good formulation of strategy does not guarantee success, but implementation of that strategy does and that is very crucial in organisations. As a result, best outcomes are most likely to be achieved when its formulation and implementation are hand in hand with the firm's external environment (Ramaseshan *et al.*, 2013:1225). As a result, management of strategy commences with analysis of both the external and internal environment of the organisation in order to be in a position to determine strategic factors that establish the future direction of the company (Bordean *et al.* s.a:27). One example of the tool used to analyse both the external and internal environment of the company is the SWOT analysis which looks at the organisation's internal strengths and weaknesses, as well as the external opportunities and threats, as outlined in CIMA (2012:21). It is in the process of strategic formulation where the question, namely of how the organisation is going to accomplish their goals and get to where they want to go, must be answered. However, strategic formulation involves much research and decision making (Bordean *et al.*, s.a:27).

#### **2.5.4 Types of strategic planning**

The two commonly used types of strategic planning according to CIMA (2011:5), as well as Andrews, Boyne, Law and Walker (2009:4), are the rational model / the formal approach and the emergent approach. CIMA defined them as follows:

- Rational model: this kind of approach is usually the model that comes into mind when meditating about strategy. It is somewhat systematical and a planned way when setting a strategy in an organisation. With this model, strategy is planned at the top of the ladder in an organisation and imposed down to the ladder at the operational level. For each department in an organisation, strategies are devised to suit activities of the respective departments. For example, the marketing department will have strategies related to its operations. “Planning thus operates within a framework of bounded rationality because of the cognitive limits of decision-makers and the iterative way in which they move between the various planning phases” (Andrews *et al.*, 2009:4).
- Emergent approach to strategy: this type of strategies are not formally planned and done separately from the normal operations of the organisations, that is doing the strategy first, then implementing after. They are developed as the daily operations and the activities of the organisations proceed. This model is thus completely the opposite of the rational model.

However, like anything else, both approaches have some pros and cons. Much as there has been much emphasis on the formulation of strategy and how it leads to a successful organisation, that alone in the strategy process cannot guarantee success. According to Pella, Sumarwan, Daryanto & Kirbrandoko (2013:184), more researchers have realised that strategic implementation itself is more essential and important than formulation, because it would be useless to have a good formulated strategy but poorly implemented. This would bring no value to the organisation and stakeholders. Strategic implementation is associated with executing strategy and tactics so that the company takes the intended direction that is desired (Cater & Pucko, 2010:208). Noble (in Cater & Pucko, 2010:208) defined strategic implementation as “relatively straight forward operationalisation of a clearly articulated strategic plan or the sum of total activities and choices required for the execution of a strategic plan”. Nyamwanza (2013:126) also defined strategic implementation as “the manner in which an organisation should develop, utilise, and amalgamate organisational structure, control systems and culture to follow strategies that lead to competitive advantage and a better performance”.

### 2.5.5 Strategic implementation

Even though the formulation of strategy is regarded as a difficult management task, implementing it in the entire organisation is more difficult (Li, Guohui & Eppler, 2008:3; Cater & Pucko, 2010:208). Most business failures are due to a poor implementation process, not formulation. Ramaseshan *et al.* (2013:1225) also emphasised that the robustness and the effective implementation mechanisms that bring about successful strategies bring success in business. However, much as proper implementation can lead to success in businesses, there are different challenges faced during the implementation of strategy. The challenges, though, will be based on the prevailing circumstances, the type of strategy and the type of organisation (Cater & Pucko, 2010:208). Therefore any failure to implement strategy is very costly, both in costs associated to designs and benefits which will have been already incurred (Shannak, Obeidat & Masadeh, 2012:259). However, many challenges can be avoided if there is a connection between the implementation and the formulation, in the sense that the formulation and the implementation are coupled (Cater & Pucko, 2010:208). It is in this regard that strategic management is considered a complex problem that, once executed, can lead to being able to achieve competitive advantage and higher profits (Bordean *et al.*, s.a:26).

All in all one may want to know what makes the difference between organisations with just average strategies and those with great strategies. According to Bordean *et al.* (s.a:182) organisations considered to have great strategies have thought deeply about the key strategic questions, namely:

- What do they serve?
- What do they provide?
- How do they provide it successfully?
- What is their value position to their customers?

Bordean *et al.* (s.a:182) further continued that, for a business to have a high probability of sustainable success in the long run, its leaders must be in a position to determine the organisation's vision, mission and purpose, align the organisation and facilitate to execute the strategy.

## **2.6 CUSTOMER VALUE**

### **2.6.1 Introduction**

Trading in today's world has become very competitive. People are not forced to buy at a particular retailer, because there are many traders, a vast number of sellers to choose from and it is very easy to move between retailers. Attributes for every business today is a degree of financial well-being, creativity and innovation, reputation or image, value, quality, technology, knowledge of customers as well as understanding of what they offer – products and services (McFarlane, 2013:63). It would therefore require a hardworking organisation to retain its customers for a better successful organisation, especially profit wise. The reason for existence of organisations is to satisfy their stakeholders, one of which is their customers, and organisations must work hard to satisfy them in every possible and in any way (Ndaa, 2012:1). It is therefore at the heart of every retailer to have long-term relationships with customers, and also the development and maintenance of these relationships, which would be attained by creating superior satisfaction and customer value - which is not simple (Ma & Ding, 2010:1).

### **2.6.2 Definition of customer value**

McFarlane (2013:63) asserted that, in today's business world, what remains distinct and a competitive advantage or being a market leader in companies is the way in which they deliver customer value. In the private sector, customer value is also for the benefit of other stakeholders in the form of profits, while in the public sector - such as the governmental organisations and non-profit making organisations - value is for the benefit of the citizens to better their lives. Carlson, Ocass and Ahrholdt (2015:92) defined customer value as “a customer perceived preference for and evaluation of those products attributes, attribute performance and consequences arising from use that facilitate or block achieving the customers' goals and purposes in use situation”. Customer value, according to Ndaa (2012:2), is the “package that an organisation delivers to its customers through goods and services”, meaning everything that is being delivered to customers and that adds something different and unique. However, much value can be emphasised by other stakeholders: customers do not just want a

simple value, but they want something unique provided by businesses which overwhelms them by going above the ordinary (Ma & Ding, 2010:63).

In the past, customer value was the responsibility of sales and marketing department specialists, but in this era it is the responsibility of every member of the organisation to create customer value and to be active in delivering quality - just like a philosophy of total quality management that concerns every member in an organisation (McFarlane, 2013:68). Therefore the process of creating customer value is not a once-off thing, but an ongoing process, as the rivals of an organisation might be likely to keep up and copy what it offers (Ndaa, 2012:3). It is therefore vital that organisations fully comprehend what customers need and want and what fulfils them, before producing or selling any product or service.

### **2.6.3 Aspects of customer value**

Woodruff (cited in Shanker, 2012:18) showed that two aspects to customer value are:

- Desired value, which in short means what customers need or desire in a product sold or in services offered;
- Perceived value, which is the benefit believed by a customer to have acquired from a product or service after buying it.

This then adds to what was said by Zeithmlin (cited by Carlson *et al.*, 2015:2), namely that “consumers’ overall assessment of the utility of a product is based on perception of what is received and what is given”.

### **2.6.4 Design and delivery of customer value**

Just as every organisation wants to be the leading one in everything they do, the design as well as the delivery of customer value has to be unique and different from the one offered by their rivals, that is competitors, and this is not so easy to attain without creating the philosophy and culture of customer centricity within the organisation (McFarlane, 2013:8). For organisations with high performance and success, customer centricity has always been their focus because they know their

customers and their behaviour, their needs, what they value and what motivates them, very well (Accenture, 2006:3). McFarlane (2013:8) asserted that customer centricity, being the vital value driver within an organisation, encompasses a deep knowledge and in all activities, decisions and processes the focus is on customers' wants and needs being met. Therefore, becoming customer centric, is more than investing in sales training or any marketing activities, but having a business and operating strategy that incorporates customer perspectives and actions (Accenture, 2006:8).

Johnson and Weinstein in (McFarlane, 2013:64) described customer value as the ability of companies to create extra-ordinary value to the following components:

- Services: being value offered to customers which is intangible.
- Quality: being how well expectations of customers are fulfilled by the products and services provided.
- Image: being how customers perceive the business or company they relate with.
- Price: being the price placed for goods and services that customers are willing to pay.

All the above have to be given equal attention and significance by the company in order to offer customer value. As a result, sales will increase, leading to an increase in profits and performance of the organisation.

## **2.7 SUMMARY**

The main aim of this chapter was to achieve the first secondary objective, namely to explain the attributes needed by an organisation in order to achieve success in business. Therefore an insight was provided relating to some of the components of the CIMA business success wheel and how its attributes lead to a successful business when possessed by the organisation. Definitions were given for every component of the wheel discussed, how they directly or indirectly affect organisations and how they facilitate success in business.

The next chapter will continue with a literature review by answering objective number two which states: to explain how management accountants contribute to the components of the wheel. Theoretical literature of management accountants and how they contribute to the components of the wheel will be discussed and also how management accountants provide information for decision making.

## **CHAPTER 3            LITERATURE REVIEW: THE ROLE OF THE MANAGEMENT ACCOUNTANT**

### **3.1 INTRODUCTION**

This chapter focuses mainly on the management accountant, examining in greater detail literature on management accountants, their roles and contribution to the strategy of an organisation and their assistance in that regard to the board and senior management. It digs deeper on how management accountants gather and analyse information to be used by senior management and the board of directors for operational and strategic decision making. Global Management Accounting Principles (GMAP), by CIMA were also closely attended to in this chapter, as these principles guide management accountants in their practice and day to day operations, their main aim being to help organisations succeed. Therefore this chapter also forms part of the self-administered questionnaires and interviews, addressed in chapter 4.

Secondary objective 2, which was stated in 1.4.2, will be addressed in this chapter:

*To explain how management accountants contribute to the components of the CIMA business success wheel.*

Management accountant plays an important role in organisations, whether small, medium or large, by providing information and as a result they play a big role in decision making - leading to successful organisations. CIMA (2014a:5) asserted that, in order to be more confident of success, better quality decisions ought to be made by organisations, though factors such as globalisation and technological progresses make it more difficult to reach the desired success. Decision making in every organisation is the most important element of management. Moreover, right decision making is a stepping stone to suitable actions to be taken in any organisation.

According to Helmig and Pinz (2014:488), in competitive markets and an ever changing environment, good management - both strategic and operational - is crucial. Moreover, "well developed and adaptable leadership skills are also essential to achieve incremental business success and help to avoid business failure regardless

of the size and age of the business” (Miles, 2013:1). It has already been emphasised that management needs the right set of skills in people to assist in the carrying out of organisational strategy in order to yield organisational success. That is where the management accountant comes in. According to CIMA (2014a:2), the profession of management accountants is at the centre of quality decision making, as they bring to attention useful and appropriate information and analysis in order to create and preserve value.

### **3.2 ROLES OF THE MANAGEMENT ACCOUNTANT**

There are many studies that have been done by other researchers concerning the roles of the management accountant. Considerable attention has been given to both the academic and professional aspect (Yazdifar, Askarany & Askary, 2008:1). The management accountant’s role has changed from a passive role of being just a producer of financials, to a more proactive role as being a more active participant in decision making, and also being more focused on a bigger and broader set of information, both internal and external, to the organisation (Paulsson, 2012:378). Moreover, Heidmann, Schäffer and Strahringer (s.a:737) put more emphasis on the fact that the management accountant’s role has really changed, mainly because of the economic context that is now prevailing in this day and age. Therefore management accountants are a pivotal part of the organisation. The table below shows the difference of scope or task related to the traditional management accountant and the strategic managerial accountant.

Table 3.1 represents the difference between a traditional management accountant and a strategic management accountant.

<b>Traditional Management accountant</b>	<b>Strategic management accountant</b>
Historical	Prospective
Single entity	Relative
In-ward looking	Extrospective
Focuses on manufacturing	Competitive focuses on competitiveness
Existing activities in hand	Potentials
Responsive	Result oriented
Planned	Un-planned
Data driven	Information driven
Constrained on existing systems	Not based on existing systems
Built on conventions	Ignores conventions

**Table 3.1 Traditional management accountant versus strategic management accountant**

Source: Juras (2014:77)

This profession needs a deeper understanding of the whole business, not leaving behind the business model and the entire operating environment, in order that the risks facing the organisation and opportunities that can be exploited, are known (CIMA, 2014b:6). When the above are then thoroughly in place, organisations are in a better position to be of value to its stakeholders in the long run. As a result, due to the importance of management accountants in an organisation, they have numerous tasks which encompass financial and non-financial reporting.

The American Institute of Certified Public Accountants (AICPA), as in Deviarti, Dewib and Sunaryoc (2013:364), stated the following as the areas that a management accountant deals with and is involved in:

- Strategic management: making a management accountant a strategic partner in the organisation by advancing their roles.

- Performance management: dealing solely with the performance of an organisation, leading to effective decision making within an organisation.
- Risk management: being contributors to already established structures and practices by identifying and trying to minimise any risks, as well as reporting them in the process of achieving all the organisation's goals and objectives (Deviarti *et al.*, 2013:364).

According to Pietrzaka and Wnuk-Pel (2015:282), the management accountants' role was changed from just being a controller, to business support or an internal business consultant. This then leads to where the management accountant is defined by the Institute of Management of Accountants (2008) as "a professional that involves partnering in management decision making, devising planning and performance management systems and providing expertise in financial reporting and control to assist management in the formulation and implementation of an organisations strategy". That is why Goretzki, *et al.* (2013:41) emphasised that even some researchers have considered management accountants as part of the management team, because of their level of participation in assisting management in their decision making. In addition to what Goretzki *et al.*, (2013:41) had already stated, Bradbard *et al.*, (2014:25) asserted that management accountants are in their nature designed to be important members and key in decision making and also in cross functional teams, not only in the accounting arena but in business as well. Therefore "management accountant lies at the heart of an organisation, at the crossroads between finance and management providing structured solutions to unstructured problems by translating the complex into the simple and by making the simple compelling" (CIMA, 2014a:8).

### **3.2.1 Difference between a management accountant and a financial accountant**

Both financial accountants and management accountants play an important role in a business, however different purposes they serve. They are the sum of the biggest divisions of accounting. Much as the information they provide is used for decision making, there are significant differences between the two. It is not a matter of which is more important than the other, because each one is equally important in what they do.

The following table (3.2) will clearly distinguish between the tasks of a financial accountant and those of a management accountant, and it has been slightly changed by the researcher.

Table 3.2 represents the difference between a financial accountant and a management accountant.

<b>Basis</b>	<b>Financial Accountants</b>	<b>Management Accountants</b>
<b>1. Users</b>	<p><i>Internal and external</i></p> <p>Overall, the reports prepared by financial accountants are meant for both internal and external users, even though the practice has been for external users such as the creditors, investors and the likes.</p>	<p><i>Internal</i></p> <p>Management accountants prepare reports to be solely used by the internal users such as the board.</p>
<b>2. Compliance with accounting standards</b>	<p><i>Required</i></p> <p>Financial accountants follow the already established accounting standards and regulations.</p>	<p><i>Not required</i></p> <p>Management accountants are not forced to comply with any accounting regulations and standards, because they only have internal users.</p>
<b>3. Time orientation</b>	<p><i>Historical</i></p> <p>Financial accountants use historical data to prepare financial reports.</p>	<p><i>Current and future</i></p> <p>Management accountants prepare financial forecasts for the organisation and also prepare reports based on current data.</p>

<b>4. Emphasis</b>	Reliability, verifiability, objectivity of financial information.	Relevance and timeliness, to provide the maximum aid in management decisions.
<b>5. Necessity</b>	<i>Mandatory</i> Financial accounting is required by law. It is mandatory for financial accountants to prepare their reports.	<i>Optional</i> It is not mandatory for management accountants to prepare their reports.
<b>6. Purpose of reports</b>	<i>General-purpose</i> Information encompassed in the financial statements is general	<i>Special-purpose</i> Information encompassed in the reports is specific of nature.
<b>7. Details of reports</b>	<i>Concise</i> Data appearing in the financial statements is brief and straight to the point.	<i>More detailed</i> Financial reports are more detailed, explaining all necessary information to assist management in decision making.
<b>8. Sources of data</b>	Data used for the preparation of reports is found in the records of the company.	Data used for reports is from the general environment, both internal and external.
<b>9. Frequency of reports</b>	Financial statements are normally presented on monthly, quarterly, and annual basis.	Financial reports are prepared and presented as need arises.

**Table 3.2 Financial Accountant versus Management Accountant**

Source: Adapted from Accounting verse.com (2017)

### **3.3 THE STRATEGY FOR AN ORGANISATION AND THE ROLE OF THE MANAGEMENT ACCOUNTANT**

Every organisation makes known what they want to achieve in the long run. They have a plan or goal they want achieved at a certain time, but however good that plan may be, without competent skills and workforce it may be a little hard or impossible to achieve. Therefore, according to Bell *et al.* in (Heidmann *et al.*, s.a:737), management accountants - amongst the professionals in accounting - are the only ones that give information regarding financials and operational issues, which is needed by managers in organisations to obtain the objectives of the strategy.

#### **3.3.1 Management accountants' influence on business strategy**

In most, if not in all organisations, management provides strategic vision for organisations. The overall purpose and aim of an entity's strategy is to have optimum balance between its entire environment, the risks it faces, capacity, conditions in which it operates, competition, long-term plans and so on (Pantea, Cuc & Lile, 2013:436).

According to Pantea *et al.* (2013:436), the following three types of business strategies are influenced by the management accountant, namely leader by cost strategy, differentiation strategy and focalization strategy. CIMA (2012:365), however, described the already mentioned strategies as competitive strategies which help organisations to achieve success in business over their competitors. It further clarified that the organisation ought to follow only one strategy in order to achieve utmost success, not a mixture, otherwise the organisation will only be stuck in the middle.

The three business strategies are explained in detail below.

##### **3.3.1.1 Leader by Cost Strategy**

With this type of strategy, the business focuses to offer products at low-cost in the entire industry. This puts an organisation to compete on nothing but cost. However, much as an organisation would like to use this strategy, it takes place through a lot of experience, "high investment in production facilities, conservation and careful

monitoring on the total costs through programs such as reducing the size and quality management” (Valipour, Birjandi & Honarbakhsh, 2012:15).

To achieve total cost leadership, an organisation has to do the following, as per CIMA (2012:365):

- Attain economies of scale by setting up and arranging facilities that are used for production.
- Since low cost is the main issue, organisations have to utilise technology up to date, for example computer aided design and the manufacturer to keep costs low and to improve high productivity.
- Always keep track of the effects of the learning curve.
- Their main concern must be focussed on improving productivity.
- Making sure that overheads are at their minimal point.
- Their source of supply must be favourably accessible.
- If there are any cheaper areas, reallocation is advised.
- Recording and analysis of costs must be done through information technology (IT).

### *3.3.1.2 Differentiation Strategy*

This strategy is solely on making and generating unique products and services offered by the organisation in the entire industry. That is, producing something different from what competitors can offer at a different level of creativity. In fact, Minarik (2007:15) quoted Barney and Hesterley (2006) when they stated that “product differentiation is ultimately an expression of the creativity of individuals and groups within the firms. It is limited only by the opportunities that exist, or that can be created, in a particular industry and by the willingness and ability of firms to creatively explore ways to take advantage of those opportunities.” Differentiation is usually used when an organisation wants to achieve and capture the image of being different in that certain industry by what it usually provides, and those traits that are loved by its customers (Pantea *et al.*, 2013:436).

According to CIMA (2012:365), differentiation can be gained when products of the organisation have the following traits:

- Breakthrough products which offer drastic performance advantage over rivals.
- Products are more or less the same as those of the rivals, but what distinguishes them is better performance at an affordable price as opposed to that of competitors.
- Competitive products which gain their uniqueness from a certain trait, such as high performance.

### *3.3.1.3 Focus Strategy*

This strategy is more focused on a specific market or segment, serving it well with its needs and wants. This type of strategy avoids being everything to all customers, because they are not willing to fail by performing equally to obtain desirables such as short cycle timer and superior quality, to mention but a few (Peltokorpi, Linna, Malmström, Torkki & Lillrank, 2015:179). It tries to serve its market with both differentiation and low costs. Such a market is sometimes called a niche. Erin, Parrish and Cassill (2006:698) defined a niche as having the following characteristics:

- Customers or clients have unique distinct type of needs.
- Price is not a major concern for a niche market. They would rather pay extra to get what they need and what satisfied them.
- Competitors are not attracted by the niche.
- There is a lot of potential for growth, size and profit of a niche.

## **3.4 MANAGEMENT ACCOUNTANT AND STRATEGIC DECISION MAKING**

In any organisation, the role of a management accountant is to provide information and analysis to be used by top management and the board for quality strategic and operational decision making. As a result, organisations' effective strategic decisions collaborate the best capabilities and resources at a proper time for suitable markets (CIMA, 2009:33). That is, when right information is provided at the right time, better decisions are made and put an organisation at a competitive advantage as opposed

to its competitors. According to Pantea *et al.* (2013:435), management accountants coordinate in the managerial part responsible for identifying, presenting and interpreting information that is used for the strategy as a whole. That is the execution, control, decision making, maximum utilisation of resources, external and internal information for stakeholders and other users.

A more direct question may be asked, as to how the management accountant is of assistance in making strategic decisions. Well, CIMA (2011:1) clearly stated how management accountants are of use in strategic decision making and came up with the following:

- They spot, point out, identify and collect major important information.
- They make sense of the information that was collected by measuring and interpreting it.
- They then analyse such information to make it more meaningful and useful to users.
- They communicate findings.
- If there is any need for any alterations whatsoever, management accountants plan it together with other managers.
- They are then responsible for monitoring and controlling of any progress.

This again proves that management accountants are at the centre of quality decision making since they provide the most important and appropriate information and analysis to the organisation to bring forth the attributes of the CIMA business wheel, leading to the success of the business (CIMA, 2014a:2). Management accounting tools are very useful in decision making, because of the support they provide to the management of the organisation. Therefore, when management accounting tools are used effectively, it is easy for an organisation to be aware of any possible obstacles to success, and therefore proper measures could be taken at a proper time to achieve competitive advantages over other organisations.

### **3.4.1 Management accountant and strategy formulation**

In the previous chapters it has already been stated that the management accountant's role does not only include the financial acumen, but also the business acumen. Management accounting tools are useful in both acumen, so to say, even in the formulation of strategy. Williams (2008:30) clearly explained that the driver of the strategy of any organisation is its situation analysis of both the external and internal environment, learning from experience and being able to adapt to alternating conditions. For the organisation to come up with a strategy, there ought to be an analysis of the environment in which it operates. Moreover, because a strategy's ultimate purpose is to give a clear direction to the organisation, all factors affecting the organisation have to be considered according to their significance. As a result, the management accountant's emphasis in strategy is on the "information which relates to factors external to the entity as well as non-financial information and internally generated information" (Ross, 2007a:3). The management accounting tools that are most useful in strategy formulation are the SWOT analysis, PESTEL and Porter's Five Forces Model, and they will be discussed below.

### **3.4.2 Strategic analysis**

In order to formulate strategy, as already mentioned earlier, research of the entire environment in which an organisation functions, even the organisation itself, should be carried out. "A theoretically informed understanding of the environment in which an organisation is operating, together with an understanding of the organisation's interaction with its environment in order to improve organisational efficiency and effectiveness by increasing the organisation's capacity to deploy and redeploy its resources intelligently" (Downey, 2007:3). Therefore, if no analysis is done, solutions are always limited to the routine, that which has already been done and the same all the time (McHannigan, 2016). The following are the benefits of strategic analysis as per McHannigan (2016):

- It gives a more clear comprehension of available strategic options to choose from in order to formulate strategy or to come up with a solution.

- If there are any investment decisions on the table, it provides more accountability and transparency.
- It is against solution pre-selection.
- It gives the organisation and its management the confidence that the selected strategy is the best out of the available options.

Some of the widely used management accounting tools are the following:

#### *3.4.2.1 SWOT analysis*

According to Williams (2008:48), SWOT is a tool that is used to identify the capabilities of the organisation, the opportunities that are available in the market, its deficiencies as well as the threats of the organisation. In simpler terms, the letters in SWOT stand for Strengths, Weaknesses, Opportunities and Threats. Strengths and Weaknesses are concerned with the internal part of the organisation, whereas Opportunities and Threats are associated with the external aspect of the organisation. SWOT is a management accounting tool which is very much practical in assisting in the formulation of the strategic plan and to bring a solution to any problem encountered in the organisation. Moreover, this tool is very useful in detecting those factors which can bring success or harm to the organisation.

Even though organisations believe SWOT to be one of the best tools in analysing the environment, Grant's (2005:48) argument is that the categorisation of the business environment (external and internal) according to opportunities, threats, strength and weaknesses is not as vital and significant as being able to identify the external and internal factors, thereby appraising their implications. Moreover, too much data can pose problems, especially when trying to get the right one to assist in the analysis. The rate at which change happens may also bring in some difficulties of selecting options (Business advocacy fund, s.a:4). However, the most vital part of the SWOT analysis is being able to come up with conclusions from the situation analysis of the company and then being able to act upon those conclusions in order to design a business strategy that will make it possible for the organisation to meet its set goals (Williams, 2008:48).

Having a full comprehension of the four aspects, that are strengths, weaknesses, opportunities and threats, the strengths of the company can then be fully utilised to outdo weaknesses and opportunities used to drive out any threats.

### Internal factors

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Leadership and management skills</li> <li>• Core competences</li> <li>• Resources</li> <li>• Reputation</li> <li>• Product or service quality</li> <li>• Market position</li> <li>• Capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Lack leadership and management skills</li> <li>• Key skills gaps</li> <li>• Weak finances</li> <li>• Low quality and reputation</li> <li>• Products or services not differentiated</li> </ul>

### External Factors

Opportunities	Threats
<ul style="list-style-type: none"> <li>• Economic growth</li> <li>• New products or services</li> <li>• Weak competitors</li> <li>• Demographic change</li> <li>• Change in political and economic environment</li> <li>• Market growth</li> <li>• Global influences</li> <li>• New technology developments</li> </ul>	<ul style="list-style-type: none"> <li>• Economic downturn</li> <li>• New market entrants</li> <li>• Increased competition</li> <li>• Slow growth</li> <li>• Change in political and economic environment</li> <li>• Technological threat</li> <li>• Global warming/ weather</li> <li>• Demographic change</li> </ul>

### Table 3.3 SWOT Analysis

Source: Webster (2012)

Companies are facing many challenges, such as globalisation and the internet. As a result, this has changed the way business is done in organisations. Therefore, the management accountant has to understand the factors that affect the organisation

internally and externally and would then be in a position to analyse the business environment.

The internal business environment of an organisation is the part which is entirely within the control of management. This means these factors that contribute directly to the organisational wellbeing and that also impact the operations of an organisation. As a result, for every organisation's strategy to succeed, a more realistic assessment of the firm's capabilities and resources must be done.

According to PESTELanalysis contributor (2015), the most important and outstanding internal factor in the business environment is the role played by the leadership of the company. Furthermore, the leadership style of the company, as well as its management style, has a major impact on the values of the organisation and how things are being done. It can therefore be concluded that organisations succeed because of the unique resources they possess, whether financial, physical and intangible, and which enable them to have a competitive advantage over others and the approach of their operations (PESTELanalysis contributor, 2015). For these reasons, the management accountant is in a better position to provide information to the board and management regarding all the resources of the organisation for better decision making.

The external environment is the complete opposite of the internal environment. It is concerned with factors that cannot be controlled by the management or anyone in the organisation, for example legal and political issues. The valuable and widely used tool for analysis of external factors is the PESTEL, and it will be discussed below.

#### *3.4.2.2 PESTEL analysis*

An organisation is also affected by the external environment in which it operates, as mentioned earlier. The PESTEL analysis is concerned with the analysis of such an environment. The PESTEL tool can be used to evaluate whether there is any growth or decline in the market, as well as the potential effect on the organisation's position and direction (Downey, 2007:6). Moreover, these factors can also be used in SWOT as part of the opportunities and threats.

PESTEL is the acronym for the words (CIMA, 2013d:209):

Political

Economic  
 Social  
 Technological  
 Environmental  
 Legal

PESTEL in detail

<b>Factors of the environment</b>	<b>Definitions</b>
Political Factors	They contain laws of the government, examples being the tax laws, labour laws, environmental regulations, as well as other factors such as political stability.
Economic Factors	These factors affect the cost of capital and purchasing power of an organisation. Economic factors include economic growth, interest rates, inflation and currency exchange rates.
Social factors	Social factors impact on the consumer's need and the potential market size for an organisation's goods and services. These factors include population growth, age demographics and attitudes towards health.
Technological Factors	These factors influence barriers to entry, make or buy decisions and investment in innovation, such as automation, investment incentives and the rate of technological change.
Environmental Factors	Environmental factors include weather, climate change, laws regulating the environment, etc.
Legal Factors	These include the rule of law such as employment law for example.

**Table 3.4 PESTEL in detail**

Source: CIMA (2013a:6)

For quality decision making, managers and organisations that want to be successful need a full view of the entire environment affecting the organisation. Moreover, because of various valuation techniques available for use by management

accountants, they will be able to place values on the above mentioned factors stipulating those factors that drive the industry, thus having a greater effect on the organisation.

#### 3.4.2.3 Porter's Five Force Model of competition

For assessing an organisation's business environment, Porters' five force competitive model is one of the best models to be used. According to Williams (2008:31), this model is able to pick out those environmental changes as well as trends that are more important and also highlight those environmental forces that pose specific pressure on competition, such as technology for example, evaluating their impact in shaping the strategy of the organisation. Porter's Five Forces Model, according to Downey (2007:7), is very important since it assists in pointing out where the actual power in the organisation lies, the strengths of the current competitive advantage and other strengths in the future which the organisation can actually tap into.

The five forces that Porter suggested that are influencing every organisation in a business environment, are as follows (CIMA, 2013a:110):

- a) The threat brought by new entrants
- b) The bargaining power of suppliers
- c) The bargaining power of customers
- d) The threat posed by substitute products / services
- e) The existing competitive rivalry in the industry

Management accountants can use this tool to analyse information to be used by management and the board in the following manner, using CIMA (2013a:111) as guidance.

- a) The threat of new entrants

The management accountant will have to analyse how easy it will be for new entrants in the industry. They might have to use fixed costs and variable costs analysis to determine the ease of new entrants to the industry. The higher the fixed cost, the more difficult it would be for the new entrants to stay competitive, and *vice versa*.

b) The bargaining power of suppliers

Management accountants will have the number of suppliers that the organisation uses, how often they are used, as well as the respective quantities supplied by them, in their files. This will help to identify those suppliers which the organisation is totally dependent on – bargaining power of the supplier - and the organisation would then be in the position to assess the suppliers' influence on the organisation.

c) The bargaining power of customers

In this regard, management accountants will also have in their possession the number of customers that buy from them, the quantity they buy and how frequently they purchase from the organisation. This will be easy to analyse and identify, using the customer profitability analysis. The management accountant will then be able to see the ratio of sales relative to the profit they make out of each customer and hence be able to identify those customers that are totally influenced by and dependent upon the organisation.

d) The threat of substitute products / services

The management accountant, in this case, will have a detailed report of the products the organisation offers, the attributes thereof and the reason for the pricing thereof. A comparative report of the substitute products, showing all the above, will also be at hand. This is done to check if substitute products are posing any threats to the organisation. The organisation can only be safe if the price of the substitute is higher, having in mind those people who are always looking for lower costs when buying products. The contrary would be applicable to those people who regard a high price to be associated with better quality.

e) The existing competitive rivalry in the industry

A management accountant may find out about the competitors' market share, using the competitors' analysis report and anything that happens with the competitors, using other sources such as newspapers and journals. The management accountant can then compare what their company offers against that of their competitors in the market in order to be able to improve where needs be.

The above discussed management accounting tools, as well as those that were not discussed, may give valuable information about the entire business environment in which the organisation operates. This, in return, may assist managers and the board to make better, more informed decisions regarding the strategy of the organisation and what they should embark on to enhance the attributes of the CIMA business success wheel for the success of the whole organisation.

### **3.5 MANAGEMENT ACCOUNTANTS AND FINANCIAL DECISION MAKING**

Financials in all organisations are an important part of the business strategy. Every organisation operates by financials and they have to operate within the boundaries of those financials, as it is one of the major constraints in the organisation. Financials are income statements, statement of financial position, statement of cash flows and financial ratios prepared by companies. As a result, organisations have to operate within those constraints while at the same time trying to create value for money to all the stakeholders, especially shareholders as the owners of the organisation (CIMA, 2014a:4).

Management accountants, as already stipulated in the previous chapters, are always looking ahead, using all the information they possess after analysing it, be it the financial or the business acumen, and giving advice on how the business can move forward (CIMA, 2011:1). For example, a financial decision to be made might be whether to buy a new company or whether to invest in a certain project. “Management accountants turn information into insight by analysing the impact on outcomes of the scenarios being considered. These options have different impacts on the organisation’s costs, risks and value” (CIMA, 2014a:11). In decisions related to finance, there are still various management accounting tools being used just as with decisions relating to the business acumen. Some of the management accounting tools related to finance will be discussed in this section. The following are decisions which managers and the board have to make concerning financials in an organisation, according to CIMA (2013b:323);

- Financing decisions.
- Investment decisions.

- Dividend decisions which are part of both financing and investment decisions.

### **3.5.1 Financing decisions**

With financing decisions, a manager is concerned with the financing of the whole organisation, which is its source of funding (Boundless, 2016). This is to say where the funds of the company come from, be it in owner's funds (equity) or funds borrowed from a third party or external funders (debt) (Jooste, Middelberg & Oberholzer, 2016:9-10). The manager, however, may prefer to use the mix of the two sources of finance depending on their discretion.

According to Your article library (2016), the following among others has to be taken into consideration while making financing decisions:

- Cost associated with taking finance.
- Risk associated especially with borrowed funds
- The cash flow position of the company
- Control of shareholders
- Floating costs
- Fixed operating costs
- Condition of capital markets

Management accounting tools that may be used but which are not going to be discussed, are the cash flow analysis, costing of operation (which will decide on the level and the amount of funding required) and cost of external funding - to mention but a few.

### **3.5.2 Investment decisions**

The long term objective of every company is to be financially stable. That is, for every investment undertaken by the organisation, there must be good returns which will be benefited by the company and its stakeholders in the long run. According to CIMA (2013c:420), investment decisions usually involve huge funds / capital and any desired profits or benefits from that investment may take many years before the invested

money can be recovered. As a result, such decisions concerning investments are entirely up to the board and top management and not at any other level of management. However, management accountants become very useful and helpful in that they provide information to the board regarding any investment decision they want to make.

The following are management accounting tools, which take the time value of money into account and which are used by management accountants to help provide useful information to the board and top management:

- Discounted payback period
- Internal rate of return
- Net present value

#### *3.5.2.1 Discounted payback period*

This is usually the first tool to use where there is an investment in the pipeline. Usually the first question which comes up is: how long will it take for the project to pay off before making any profits. “Payback is the time required for the cash inflows from a capital investment project to equal cash outflows” (CIMA, 2013d:242). Usually the board will approve those projects that have a short payback as opposed to those with long payback, because they will recover the initial cost quickly and start making profits. However, it is not wise for an organisation to use payback as the only appraisal method before deciding to take on a project. This should only be the first tool used to assess whether the project is worth investing in. The other tools will be discussed too.

#### *3.5.2.2 Internal rate of return*

Internal rate of return (IRR) is “the annual percentage return achieved by a project at which the sum of the discounted cash inflows over the life of the project is equal to the sum of the discounted cash outflows” (CIMA, 2013c:442). Here a project may be approved if its internal rate of return is higher than what has been injected into the project in question.

### *3.5.2.3 Net Present value*

This shows the cash flows of a project - whether negative or positive discounted at a prevailing discount rate. The project should be undertaken if there is a positive net present value indicating that value is being added to the company.

## **3.6 GLOBAL MANAGEMENT ACCOUNTING PRINCIPLES (GMAPs)**

These are principles created mostly for top management, government bodies, regulators, academics as well as other professionals to enhance decision making by providing high quality information (CIMA, 2014b:2). These principles aim at improving decisions made in organisations, the main aim still trying to build a successful organisation over time. The management accountant's office being the centre of good quality decision making, the principles guide and direct best practices for providing and being able to achieve such decisions. Decision making is defined as a crucial, central part of every management in every organisation and is mostly comprehended as a process where a solution has to be found for a certain problem detailing out some objectives (Mele, 2010:637). As a result, management will constantly want to improve their decisions to enhance organisational success. However, changes in technology and globalisation provide major hick-ups, leading to complicated matters in organisations (CIMA, 2014b:4).

### **3.6.1 Aims of GMAPs**

The aims of the global management accounting principles, according to CIMA (2014b:1), are to enhance benchmarking in organisations as well as to improve the organisation's management accounting systems. That, moreover, leads to better quality decisions not only in the private sector, but also in the public sector – dealing with all risks associated with the organisation and at the same time trying to generate and preserve its value.

CIMA (2014b:7) outlined the following as the general purposes of the GMAPs:

- To detail out the crucial values and qualities that define management accounting.
- The principles make it easy for organisations to comprehend the management accounting profession.
- The principles highlight the important roles for management accounting in organisations, making its usefulness known and understood on the highest levels.
- The potential for management accounting becomes recognised.

### **3.6.2 Four global management accounting principles**

According to CIMA (2014b:8) the following briefly explained principles are the four global management accounting principles:

#### *3.6.2.1 Communication provides insight that is influential*

The role of a managerial accountant is purely based on conversations from the beginning to the end. As it has already been discussed in earlier chapters, the management accountant provides insightful information to the management of the organisation to aid in decision making. As a result, well communicated information provided by the management accountant, as obtained from various sources, ignites more integrated thinking. Problems encountered in one aspect of the business can be comprehended better when all aspects of the business are being analysed, thereby coming up with a better solution. Moreover, based on what decision makers need, the management accountant is able to source and analyse data that will be useful for decision makers by detailing out all the recommendations.

#### *3.6.2.2 Information is relevant*

Information is useless if it is irrelevant to decision makers. Therefore management accountants identify and select information that is relevant to situations in question as well as to the people who need that information. So the most important thing is for a managerial accountant to understand what information is needed by the stakeholder

and to screen such for analysis. This information will include both internal and external, present and past as well as financial and non-financial information.

#### *3.6.2.3 Impact on value is analysed*

It has already been stipulated that management accountants use information obtained from the environment at large. Therefore information is analysed based on the value that it would bring to the organisation in the long run. As a result, scenario models are run to weigh impacts that might be brought about by taking certain risks, as well as possible opportunities and whether they might bring any value to an organisation.

#### *3.6.2.4 Stewardship builds trust*

“Management accounting professionals are trusted to be ethical, accountable, and mindful of the organization’s values, governance requirements, and social responsibilities” (CIMA, 2014b:10). It is important to be aware of conflicts brought about by stakeholders and to be able to prioritize them. Moreover, being able to answer to complaints brought about by stakeholders and regularly giving feedback to what concerns them, brings about trust and also brings about a good reputation to the organisation.

### **3.7 SUMMARY**

This chapter discussed in depth how the management accountant helps an organisation in becoming successful over time by contributing to the CIMA business success wheel, using both the business and the financial acumen. It further discussed how management accountants facilitate decision making by providing information needed by the board and top management. The business and the financial acumen of the management accountant was discussed to a desirable extent. Moreover, this was made clearer by discussing useful tools to be used by management accountants in facilitating decision making and providing useful information to the board as well as to other stakeholders. Secondary objective 2 had thus been reached. It also included looking at global management accounting principles (GMAPs), which have a strong impact in organisations for betterment of quality decision making.

The next chapter will discuss the methodology and research design in depth, clarifying what was already touched on in chapter 1, namely how the sample was selected, techniques used to collect data and justifying them all. This is where it will be established, through the type of questions asked, whether the skills of management accountants are being utilised to their full capacity in organisations.

## **CHAPTER 4            RESEARCH METHODOLOGY**

### **4.1 INTRODUCTION**

This chapter contains the literature review on research methodology. It begins by explaining the research methodology proposed by the researcher, distinguishing between research methodology and research design. Then the study goes deeper into research paradigms, which are the positivist and interpretivist paradigms, explaining also the methodological, epistemological and ontological assumptions and how they differ. Thereafter the design of this research is explained in detail. This chapter will, furthermore, explain in detail the population of the study, how the sample used was selected and analysed - not leaving the design of the questionnaires and interviews. Lastly, the validity and reliability of the study will be highlighted.

The dissertation investigates the perception of top management and the board regarding the role of a management accountant in facilitating (and or supporting) the decision making process - with regard to five out of nine qualities in the CIMA business success wheel - with special reference to big companies in Lesotho. Having gone through literature in chapter 2 and chapter 3 that gave insight on the qualities of the CIMA business success wheel needed by a business to become successful over time, and also on the role of the management accountant to facilitate the success of businesses, this chapter will be focused on the methodology of the research. Data collected will be analysed and the responses to the questions that were asked, relating to both chapter 2 and 3, will be provided. As a result, there will be an in depth discussion of the methodology and research design, how the sample was selected, as well as the data collection techniques - justifying them all.

The following objectives were stated in chapter 1, while secondary objectives 1 and 2 have been addressed by the literature review in chapter 2 and chapter 3 respectively. The remaining four secondary objectives will be addressed in this chapter on research methodology and the consecutive two chapters:

3. *To determine whether boards and top management are aware of the contribution of management accounting skills, with regard to the components of the wheel, towards decision making for sustainable organisational success.*
4. *To investigate if the skills of management accountants are utilised to their full capacity in organisations.*
5. *To analyse whether there is a gap between how top management and the board see the role of management accountants in organisations and the view of their role as found in literature.*
6. *To build a model, based on the gap analysis found in this study, to assist top management and boards on how they can fully utilise the expertise of management accountants as a tool for sustainable success.*

## **4.2 RESEARCH METHODOLOGY**

Quinlan (2011:117) explained that research methodology shows the reader what philosophical assumptions are underpinning the research and how the research was conducted. It is an empirical study with its main aim to offer a direct and precise account of the characteristics of a certain situation, phenomenon, community and a person (Bless & Achola, 1996:54). Schurink and Auriacombe (2010:428) further defined research methodology as “methods, techniques and procedures” that are used in the whole procedure and process of executing the research that is planned. Therefore the assumptions or objectives of the study have already been mentioned in section 4.1. To achieve those objectives, recent literature has been studied (as reflected in chapter 2 and 3) and the empirical study will be done to test information provided in the literature.

Table 4.1 represents the research methodology versus research design

<b>Research Methodology</b>	<b>Research Design</b>
Focuses on the research process and the kind of tools and procedures to be used, e.g. document analysis, survey methods, etc.	Focuses on the end-product: What kind of study is being planned and what kind of results are aimed at, e.g. historical-comparative study, interpretive approach OR exploratory study, inductive and deductive, etc.
The start of the research methodology is influenced by specific tasks such as sampling of data.	The start of the research design is influenced by the research problem.
Focuses on the individual (not linear) steps in the research process and the most 'objective' (unbiased) procedures to be employed.	Focuses on the logic of research: What evidence is required to address the question adequately?

**Table 4.1 Research methodology versus research design**

Source: Van Wyk (2015).

### **4.3 RESEARCH PARADIGM**

A paradigm, according to Nieuwenhuis (2014c:17), is defined as “a set of assumptions or beliefs about fundamental aspects of reality which give rise to a particular world view”. It is a model that contains “legitimate assumptions” and a pattern of (methodology) - how data will be collected as well as how it will be interpreted (Barker, 2003:312). Moreover, a paradigm is based entirely on how the individual views the world and understands it, not leaving behind the purpose of an individual in understanding the world (Maree & Van der Westhuizen, 2014:31). A paradigm, therefore, addresses assumptions that are very fundamental, such as the ontology (beliefs that one holds regarding the world and its reality), epistemology (the knowledge that one has regarding the world) and methodology (Nieuwenhuis, 2014:48). This means that all research undertaken has as underpinning ontology,

meaning researchers' beliefs and assumptions, as well as epistemology and researchers' own knowledge (Maree & Van der Westhuizen, 2014:31).

In research there are two main opposing epistemological paradigms, namely positivism and interpretivism. The positivism paradigm, as explained by Neuman (2000:66), perceives research as "an organised method for combining deductive logic with precise empirical observations of individual behaviour in order to discover and confirm a set of probabilistic casual laws that can be used to predict general patterns of human activity". This shows that positivists are of the idea that knowledge acquired through observation, as well as measurements, are true and the findings in the research are normally quantifiable and measurable (Nieuwenhuis, 2014b:55).

Interpretive research, as one of the main paradigms, aims to gain deeper knowledge through the experience and observation of the participants, having contact with them and gaining many views about and around the area of interest (Maree & Van der Westhuizen, 2014:33). The main aim of interpretivist research, according to Nieuwenhuis (2014b:60), is to give a "perspective" situation and the study in question is to be analysed to provide more clarity about a particular group or phenomenon. Therefore positivism is associated with quantitative research, while interpretivism is associated with qualitative research. As a result, this study will follow a mixed method approach, implying interpretivist-positivist approach. Much as the larger part will be interpretivism, while the use of questionnaires forced the researcher to also hold a bit of positivism paradigm.

#### **4.4 RESEARCH DESIGN**

Research design, on the other hand, is explained by Welman and Kruger (2001:46) as "the plan according to which research participants are obtained and information is collected from them. It describes what is going to be done with the participants with the view to reaching conclusion about research problem". Perry 6 and Bellamy (2012:20) elaborated that research design is specifying how data will be collected, constructed, analysed and interpreted to enable a researcher to draw wanted descriptive, explanatory or interpretative interference. This actually means that research design is a plan giving out a clear path on how data will be collected and

analysed, but not deviating from the main objective of the study. Nieuwenhuis (2014d:70) gave further clarity, namely that the research design choice is solely based on the researchers' assumptions, their understanding of research itself and the research skills, all leading to how they will collect and analyse data. There are basically two types of research design, that is quantitative and qualitative research design. As a result, the two types will be used in this study even though the qualitative will be used more than the quantitative, not leaving behind any review of literature.

Quantitative methodology according to Quinlan (2011:308) is where the researcher is overall in search for a more objective reality and data is gathered in numeric format. With objective reality is meant that information and data is gathered based on facts, real things, not based on people's opinions and or feelings of a specific matter in hand, because people's feelings are subject to change - depending on their moods. However, qualitative methodology is mostly concerned with obtaining a deep understanding and knowledge of the matter in hand, as well as the processes and social contexts that form the basis of behavioural patterns (Nieuwenhuis, 2014b:51).

In this research, more use has been made of qualitative methodology, because the researcher wanted people's opinions on the topic and also a deep understanding of the research matter. Moreover, the qualitative methodology was perfect for this study because of the way the research topic and aims were designed – namely to get a deeper understanding and knowledge of the matter in hand. Unlike quantitative methodology, qualitative methodology does not place much value on developing statistical methods and samples, or even the hypothesis - as is the case with this research (Nieuwenhuis, 2014b:51). Quantitative research was used, on the other hand, where factual statements were needed to respond to and where people's opinions were not needed at all. As a result, using both methods brought balance to the study, ensuring that all needed data was obtained.

Data was collected by using primary and secondary sources. Secondary sources included, but were not limited to textbooks, journal articles and publications which were in line to the topic in hand.

#### **4.4.1 Target Population**

According to Welman and Kruger (2001:119), target population is the population on which the researcher conducts the study, and conclusions will be drawn from using that population. Quinlan (2011: 143) explained target population as every person or entity which forms part of the research and on which research is conducted. Mathematically, target population can be referred to as a set containing subsets / samples. Therefore, for the purpose of this research, “big” companies in Lesotho - with their head offices in Maseru, the capital town of Lesotho - formed the population of this study. The reason is because it is more likely that different functions and departments, together with top management offices, would be found in headquarters based in Maseru. Moreover, Maseru is where the researcher is based and that made the target population easily accessible to the researcher.

For the purpose of this study, “big companies” is defined as those companies with many clients that are registered in Lesotho, those that are making a major contribution to Lesotho’s economy by employing many people, and there are twenty-two (22) in number.

#### **4.4.2 Sampling Method and Sample size**

According to Quinlan (2011:143), a sample is defined as that part of the population that is being studied, and the actual conclusion in the dissertation derives from it. A sample comes from the population. The research objective of this study showed that the source of information will be from the big companies in Lesotho. Therefore, according to the definition of a sample, conclusions will be derived from the selected elements in the population at large. The size of the sample is basically the number of items that will form part of the sample from the whole population. However, it is not easy to determine the size of the sample, as factors such as the cost associated in selecting it, the data that is required by the researcher and the characteristics of the entire population have to be taken into consideration (Maree & Pietersen, 2014a:172).

During the sampling process, researchers can either use probability and / or non-probability sampling methods. Quinlan (2011:209) explained the probability sampling

method to be based on a representative part of the population and is selected as such. This means that the elements of the entire population would have an equal chance to be selected as part of the elements in the study. Moreover, in this type of sampling method, the elements of the population have a non-zero probability of forming part of the sample and no human influence or subjectivity is involved (Maree & Pietersen 2014a:172). However, with non-probability sampling, according to Maree and Pietersen (2014a:172,176), this sampling technique does not employ random selection of the elements of the population (as the probability theory); as a result, the elements of the population do not have the same chance or probability to be selected as a sample (Wegner, 2012:153). This type of a sampling technique was used in the study, and therefore the sample for the interviews consisted of only three companies, because sampling can continue to a point of saturation where no new ideas or themes are coming from the collection of data (Nieuwenhuis, 2014d:79).

According to Maree and Pietersen (2014a:176), the non-probability sampling method may be used in the following situations or circumstances:

- There is limited time available
- Money is a limiting factor
- It is not easy to access the population.

In the case of this study, time and money were limiting factors. Moreover, it was not very easy to come in contact with chief accounting officers, as there were time-consuming procedures - such as appointments - which at times they did not adhere to due to their busy schedules and work.

Convenience sampling and purposive sampling was employed in this study. As a result of the flexibility of the non-sampling technique, the researcher only interviewed those companies that were willing to give out information, thus making use of convenience sampling. Quinlan (2011:214) explained convenience sampling as a technique where the researcher engages those people who are willing to participate in the study. The researcher used self-administered questionnaires to collect quantitative data, and interviews were used to collect qualitative data. In addition, the researcher interviewed chief financial officers or heads of the accounting functions in

each of the big companies. Participation of the chief financial officers or heads were useful, as they had deep knowledge on the topic area of interest and formed part of the management of the companies. This then is purposive sampling, where the researcher only chooses the samples that match the characteristics of the population in study (Maree & Pietersen, 2014a:178). Moreover, this type of sampling was useful due to the small sampling size - which was targeting specific participants - in this case chief financial officers who are more knowledgeable about the topic area of interest.

#### **4.4.3 Data Collection Procedures**

In the process of preparing for data collection, the researcher made appointments with the chief financial officers or heads of the accounting sections of the companies that were studied, because they represented both the top management and the board of their companies and they were knowledgeable in the researcher's topic of interest. The appointments were made at their work places at the time that was most convenient for them.

#### **4.4.4 Methods of collecting data**

According to Quinlan (2011:220), there are numerous ways that can be employed to collect data to help in solving a research problem. Some of these methods include observation, interviews, questionnaires, documentary evidence, case studies, etc. For this study, interviews - as per Appendix A, Section E - and self-administered questionnaires - as per Appendix A, Section A-D - were used in solving objective 3 and 4. The respondents were at ease and comfortable during their time of responding to the self-administered questionnaires, because the researcher did not form part of the answering process and they were relaxed in their known environment. To add on, this research used semi-structured interviews to complete this study. The researcher had a covering letter, Appendix A, for the self-administered questionnaires as well as for the interviews, which was shown to the participants and respondents during the introduction. As part of the ethical considerations, there was also a consent form (Appendix B) given to the participants and respondents to be signed by them, describing the research and their expected participation in the study, the possible

risks, discomfort and potential benefits to the study, as well as the protection of confidentiality.

Table 4.2 represents the methods used in collecting data for secondary objective 3 and 4:

<b>Method</b>	<b>Secondary Objective</b>
Questionnaires and interviews	3. To <b>determine</b> whether boards and top managements are aware of management accounting skills in contributing to decision making with regard to the components of the wheel for sustainable organisational success.
Interviews	4. To <b>investigate</b> if the skills of management accountants are utilised to their full capacity in organisations.

**Table 4.2 Methods used in collecting data for secondary objective 3 and 4**

Objective 5 will be dealt with in chapter 5, while objective 6 will be covered in chapter 6.

Questionnaires are very helpful in research, as they help in gathering information regarding the research. The questionnaires for this study were sourced from the literature covered for this study, in order to be able to meet the target of the objective questions. The questions were not too long so that they should be easy to answer, also avoiding clustered sentences to avoid some points being missed by the respondents. Before the respondents filled in the form, the researcher explained the purpose of the study and why it was important for them to take part in it. Moreover, more emphasis was placed on the ethical conditions by assuring them of the confidentiality and anonymity of the responses, not leaving behind the importance of their participation to the researcher. In addition, the researcher provided directions on how to respond to the questions, which were easy to understand and follow. The respondents only had to put in a cross next to the answer they chose, on a five point Likert scale.

Questions can either be closed ended or open ended. For this research both open ended and closed ended questions were used. Closed ended questions facilitate prompt response and easy analysis of data, because they provide responses from

which participants have to choose from (Maree & Pietersen, 2014c:161). The participants in this study did not have any problems answering the self-administered questionnaires, because it did not require them to come up with long answers. However, self-administered questionnaires were few as the study itself was more qualitative.

After the construction of the self-administered questionnaires (Appendix A Section A-D), the researcher distributed the questionnaires to three respondents as a pilot study to determine whether they were suitable to be executed in the final study. The outcome of the pilot study was very good, as the respondents did not seem to find any problems when answering the questions.

On the other hand, semi-structured interviews were used to collect data from the chief accounting officers or heads of the accounting functions of the big companies in Lesotho, to get deeper and more detailed information of the board's and management's perception of the management accountants' roles as facilitators of business success. Quinlan (2011:289) added that interviews are most effectively used in the case where the researcher chooses specific participants from the population regarding a particular phenomenon under examination.

The researcher conducted these interviews face to face with the participants. This one-on-one interview helped the researcher to develop comfortable communication with the respondents, also allowing them to elaborate fully and freely when responding to questions. Moreover, they even brought additional information relevant to the study to the table and, to ensure proper comprehension, they were in a position to ask any questions when they did not understand something quite well. These interviews were carried out in a conversational manner. The researcher recorded the interview, after being allowed by the respondents to do so, and then transcribed it soon after the interview. The interviewer conducted the interview at the convenience of the participant so as to not destruct their tight working schedule.

#### *4.4.4.1 Self-Administered Questionnaires*

Questionnaires do not come in a standard form but are different, depending on the type and form of the research being carried out. They can be in the form of group administered questionnaires (where the researcher waits as the whole group of participants take part in answering the questions), self-administered questionnaires (where the participants complete it on their own), postal surveys (where questionnaires are sent to participants through the mail to answer questions), telephone surveys (where the researcher phones the participants and asks them questions via telephone and record the responses) and face to face surveys (where the researcher meets with the respondent in person to ask questions and to record the answers given by the respondent) (Quinlan, 2011:223-224; Maree & Pietersen, 2014c:157-158).

This study made use of self-administered questionnaires, the following being advantages thereof, according to Maree and Pietersen (2014c:158):

- They are cheaper and quick to distribute.
- They provide for anonymity.
- If the respondents find the questionnaires not clear, they are in a position to ask for better clarity on what they don't understand.
- Respondents also need not be well educated to answer the questions.

However, there are also some disadvantages of using this method. The following are the disadvantages, as opposed to using face to face survey questionnaires, according to Maree and Pietersen (2014c:158):

- Leads to a low response rate.
- There is no one to observe the process.
- Literacy is required from participants

#### *4.4.4.2 Interviews*

Interviews are used in qualitative research during the collection of data. According to Nieuwenhuis (2014d:87), an interview can be explained as a two-way conversation

where, in the process of collecting data, the person conducting the interview asks the respondent questions in order to learn from the respondent's answers on matters relating to the research. "Interviews are generally used when the researcher can identify key respondents in relation to the phenomenon under investigation and can engage these respondents in an interview process" (Quinlan, 2011:289).

Interviews, just like questionnaires, can be conducted in different ways. They can be in the form of group interviews (where the interview is carried out in a group of people at the same time), telephone interviews (where the person conducting the interview interviews the respondent over the telephone), online interview (where the interview is conducted using the internet and intranet) and one-to-one interview (where the researcher carries out an in-depth interview with the respondent exploring the phenomenon under investigation) (Quinlan, 2011:290). This research in this case, as has already been indicated earlier in this chapter, used the one-to-one interview method.

There are three types of interviews namely, open-ended interview, semi-structured interview and structured interview. It is therefore the duty of the researcher to choose which type of interview to use, as it will also have a great influence on the type of data that will be collected and used in the research.

Structured interview questions are drawn up in advance, however this is considered to be very limiting in getting the best information from the respondent, as they are more close-ended and therefore inhibiting probing (Nieuwenhuis, 2014d:87; Smith, 2011:127). Semi-structured interviews are mostly used to support data coming from other data sources (Nieuwenhuis, 2014d:87) and unlike structured interviews they enable probing and are very flexible as they allow the person conducting the interview to ask questions arising for further clarification when the respondent gives answers (Smith, 2011:127). It is also important to point out that this type of interview is done in a conversational manner. Open-ended interviews, also known as unstructured interviews, take place in a conversational manner and the researcher is able to explore the respondent's answers. It is, however, very important for the researcher to always steer the conversation back to the question, as it is easier to become out of tune during this type of interview (Nieuwenhuis, 2014d:87; Smith, 2011:128). This research used

semi-structured interviews because of its flexibility to include both the structured and the unstructured types of interviews. After conducting the interviews, the researcher transcribed all the recorded interviews, then coded the information to determine the categories of themes and sub-themes to be used in the analysis process.

#### **4.4.5 Data Analysis**

Just before the data collected was analysed, the researcher had a thorough check for completeness of questionnaires and their accuracy. According to Perry 6 and Bellamy (2012:10), “data analysis methods are ways of interpreting data so that research questions can be answered often by realising important patterns”. As a result, data was analysed both quantitatively and qualitatively (mixed method) after all data relating to the research had been collected, however qualitative analysis was mainly employed. Quantitative data was analysed using frequency distribution where tables, charts and graphs were used to collect data. For qualitative data, the researcher analysed the interviews by the process of coding by themes, as this is less time-consuming, especially if used with the help of software developed for qualitative data analysis.

#### **4.4.6 Reliability**

For a study to be considered reliable, operations that took place during the study, for example data collection processes, have to give consistent results if repeated (Quinlan, 2011:42). It is vital for results to remain consistent, even if they are obtained by dissimilar ways of the same assessment (Maree & Van der Westhuizen, 2014:37). As a result, for a study to have high reliability, repeatability of the measure or instrument, such as questionnaires and interviews, must give consistent results. When it comes to qualitative research, it is impossible to get consistent results during the repetition of the research, according to Merriam (1998:205), because “human nature is never static”.

Quinlan (2011:192) explained that the issue of reliability is mostly appropriate when dealing with quantitative research, because the researcher designs the instrument that would be used to collect data before going to the field, leading to a higher degree of

dependability in the research. However, with qualitative research being more context specific, data collection methods are developed with regard to the context of the topic being studied, making it more difficult to test for reliability.

For this study, reliability is obtained by carefully explaining the processes of the research in this chapter. The study also triangulated data where conclusions, based on quantitative data, are supported by a qualitative perspective and vice versa.

#### **4.4.7 Validity**

Any instrument is considered as valid if it measures what it has been designed to measure. Validity is also about conducting the study that was intended to be studied. According to Quinlan (2011:42), validity relates to “how logical, truthful, robust, sound, reasonable, meaningful and useful the research question is”. Maree and Pietersen (2014b:215) pointed out that there are four different types of validity, which are face validity, content validity, construct validity and criterion validity.

In this study, validity will be assessed by using different methods of collecting data (interviews and questionnaires). Moreover all the sources used in this research have been cited for reference. Lastly the study leader/promoter scrutinised the questionnaires so that any ideas and inputs were addressed before conducting the interviews to ensure that the questions are focused on the objectives.

#### **4.5 SUMMARY**

This chapter has explained in depth the research methodology that was used in this study. Research design, detailing out the target population, sampling methods used as well as the sample size to be used, and data collection processes and procedures have been discussed in full. During the discussion of the above, clear explanation was given as to why the methods and techniques were selected for use in this study. The data analysis method was also discussed. The next chapter will deliberate in detail on the data analysis methods and the results being in relation to the research questions.

## **CHAPTER 5 RESEARCH RESULTS AND ANALYSIS OF FINDINGS**

### **5.1 INTRODUCTION**

The previous chapter dealt with research methodology, research paradigm as well as research design and all the processes of data collection. This chapter then deals with the data analysis, both qualitative and quantitative, gathered by using questionnaires and interviews. Data collected is analysed and interpreted, using qualitative and quantitative analysis (triangulation) together with the literature relating to this study. The findings from the analysis are presented as per the secondary objectives that were discussed in chapter 1 of this study.

The primary research question was stated as: *What are top management's and the board's perceptions of the role of the management accountant in facilitating (and or supporting) the decision-making process with regard to the five of the nine qualities in the CIMA business success wheel?* Therefore this chapter addresses secondary questions which will lead to the answering of the primary research question.

### **5.2 QUANTITATIVE RESULTS OF THE STUDY**

Quantitative data was collected by distributing the self-administrated questionnaires, as in Appendix A, section A-D, to 22 big Lesotho companies, targeting specifically the heads of finance or accounting departments and also members of the board. However, only 18 of the 22 questionnaires handed out were answered and returned (81.8% response rate) by the participants. Responses from the participants were analysed with the assistance of a statistician, using frequency distribution. The following are the results from the quantitative study.

#### **5.2.1 Frequency distribution**

According to Texas state auditors (s.a:1), "Frequency distributions summarize and compress data by grouping it into Return to Table of Contents classes and recording how many data points fall into each class. That is, they show how many observations on a given variable have a particular attribute". As a result, frequency distribution has

been utilised in this study to highlight and give emphasis to the position of the majority of the responses by using pie charts, frequency tables and column charts.

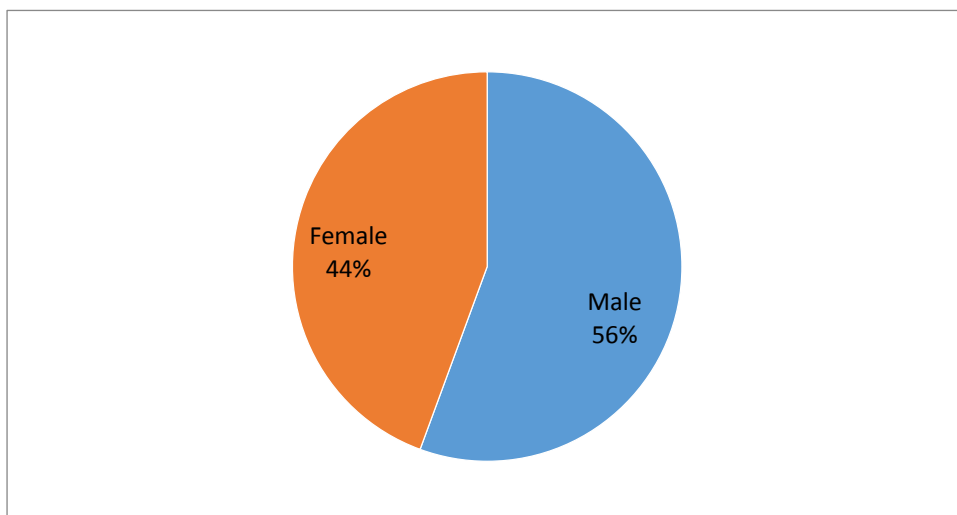
#### 5.2.1.1 Components data regarding general information of participants

The information to follow was obtained from the questionnaire:

- Gender of participant
- Participant's designation in the organisation
- Number of years in the position
- The year in which the participant joined the organisation.

Only 18 participants were involved in the quantitative study which was delivered to their offices. All the participants were part of the executive team in their organisations and all based in Maseru, the capital town of Lesotho, and almost all of them were employed in the finance department.

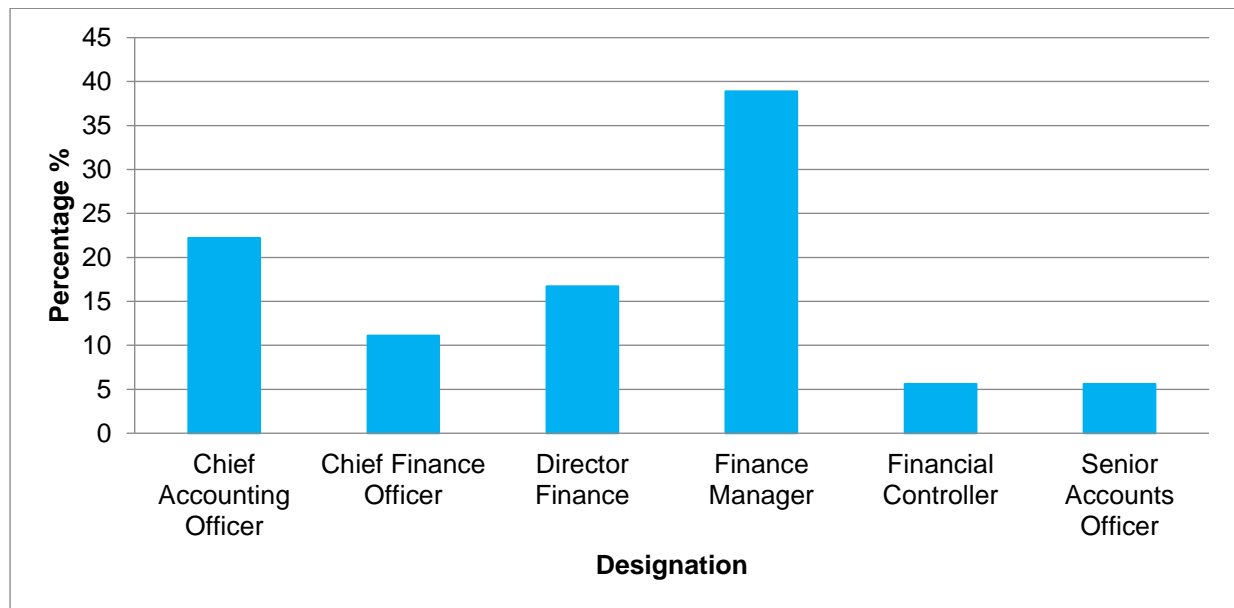
Figure 5.1 represents the gender of participants.



**Figure 5:1 Gender of participants**

Out of the 18 participants in the research study, 44% of them were females while the remaining 56% were males, as per figure 5.1. This implies that more males are in the executive positions than females.

Figure 5.2 represents the designation of participants in their organisations.



**Figure 5:2 Designation of participants in their organisations**

As displayed in the above figure, out of the 18 participants, the majority of them (38.9%) were found to be finance managers, followed by Chief Accounting Officers (22.2%). A smaller percentage was Chief Finance Officers, Director Finance Financial Controller or Senior Accounts Officer. This indicates that the majority of inance offices are headed by finance managers.

Table 5.1 represents the number of years occupied by the participants in their current positions.

Number. of years	Frequency	Percent	Valid Percent	Cumulative Percent
2	2	11.1	11.1	11.1
3	5	27.8	27.8	38.9
4	1	5.6	5.6	44.4
5	4	22.2	22.2	66.7
6	3	16.7	16.7	83.3
7	1	5.6	5.6	88.9
8	1	5.6	5.6	94.4
9	1	5.6	5.6	100.0
Total	18	100.0	100.0	

**Table 5.1 Number of years of participants' current positions**

The majority of participants (5 people), with a percentage of 27.8, were in their third year in their position in the organisation. The most experienced participant with the most years occupying the current position was one with 9 years. However, the rest were between 2 and 8 years. This implies that the majority of participants have a long experience as heads of finance and they are in a better position to know the ins and outs of their current post as well as that of the organisation.

Table 5.2 represents the year in which the participant joined the organisation.

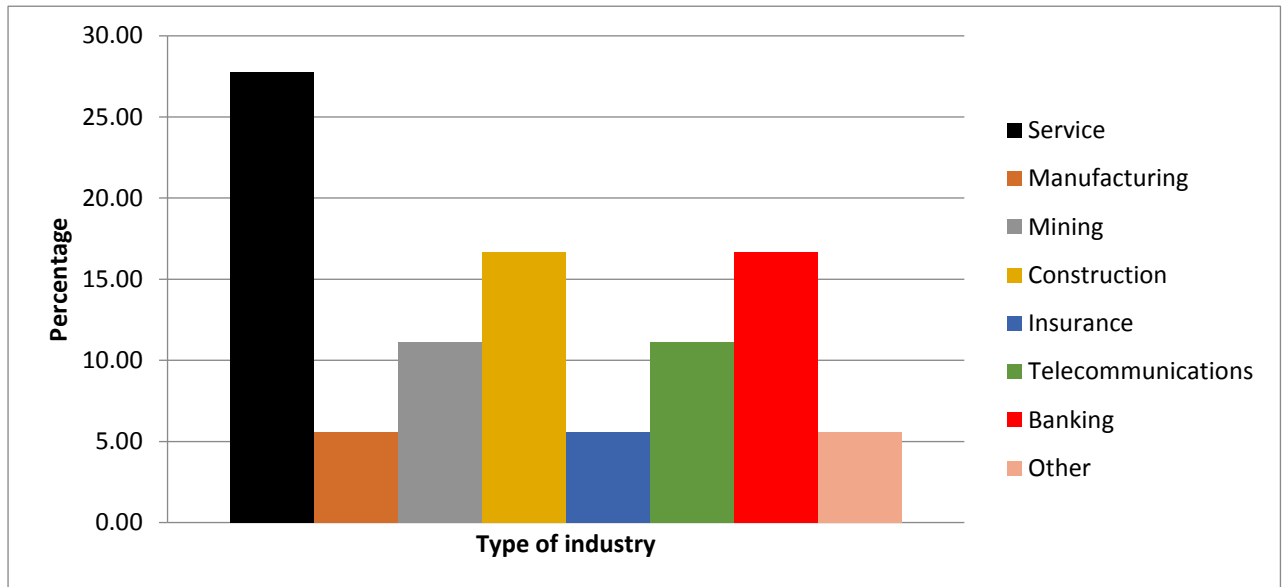
years	Frequency	Percent	Valid Percent	Cumulative Percent
1998	1	5.6	5.6	5.6
2000	1	5.6	5.6	11.1
2004	1	5.6	5.6	16.7
2005	1	5.6	5.6	22.2
2006	2	11.1	11.1	33.3
2008	3	16.7	16.7	50.0
2009	1	5.6	5.6	55.6
2010	2	11.1	11.1	66.7
2011	2	11.1	11.1	77.8
2012	1	5.6	5.6	83.3
2013	1	5.6	5.6	88.9
2014	2	11.1	11.1	100.0
Total	18	100.0	100.0	

**Table 5.2 Year of joining current organisation**

The majority of the participants (14) joined the organisation between the year 2006 and the year 2014, while the remaining 4 joined their organisations in the period between 1998 and 2005. Only one participant had 18 years' experience in his/her current organisation and is the one with the highest number of years, while 2 participants had the lowest number of years (2) in the organisation. This could be that the two participants who joined the organisation in 2014 had applied directly for the position and were taken in. Table 5.1 supports this, as only 2 participants had 2 years occupying their current position. The rest of the participants, with that vast number of experience in the organisation, were more acquainted as to how the entire organisation operates.

### 5.2.1.2 Nature of business

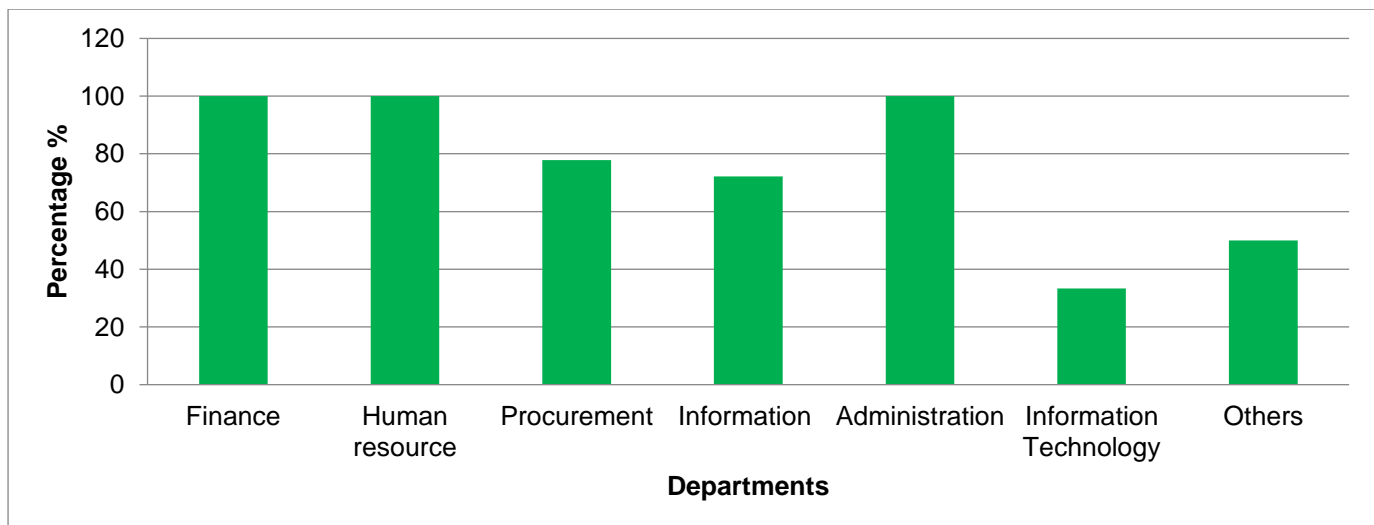
Figure 5.3 represents the type of industry of participants' organisations.



**Figure 5:3 Type of industry**

The types of industry the organisations belonged to was used to determine where the majority of the big companies in Lesotho are classified into. The majority of participants (27.8%) were from the service industry, followed by construction and banking with 16.7%, then mining and telecommunications with 11.1%. The rest were from manufacturing, insurance and others.

Figure 5.4 represents departments found in each organisation.



**Figure 5:4 Departments in organisations**

Almost all organisations had the mentioned departments, with only 50% of other departments not mentioned. For the organisations to have almost all important departments usually found in organisations, shows that these organisations could indeed be considered big in Lesotho.

Table 5.3 represents the year in which the organisation was founded.

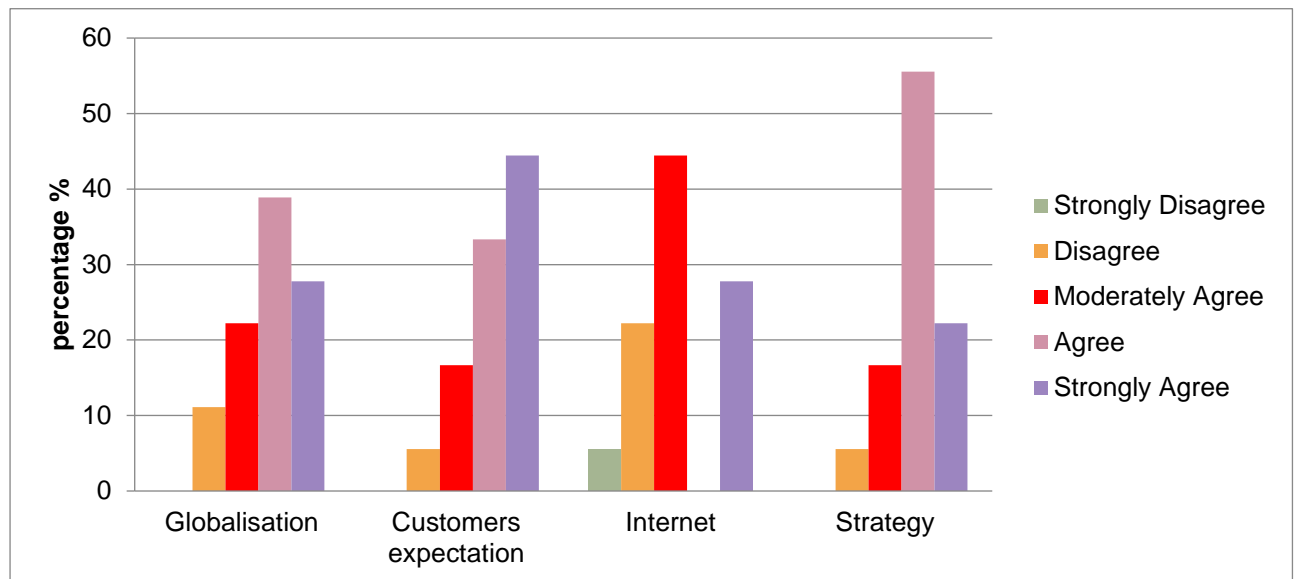
Years	Frequency	Percentage	Valid Percent
1984	1	5,56	5,56
1989	1	5,56	5,56
1990	1	5,56	5,56
1992	3	16,67	16,67
1994	3	16,67	16,67
1996	2	11,11	11,11
1999	1	5,56	5,56
2000	1	5,56	5,56
2002	1	5,56	5,56
2004	2	11,11	11,11
2006	1	5,56	5,56
2010	1	5,56	5,56
Total	18	100,00	100,00

**Table 5.3 The year in which organisations were founded**

One (1) organisation was formed in the nineteen eighties (1984), while over half (10) of the organisations were formed in the nineties. This also shows the number of years of exposure the organisations have had in the business sector and that they have gone through a lot in terms of the economy and the environment at large.

### 5.2.1.3 CIMA business success wheel

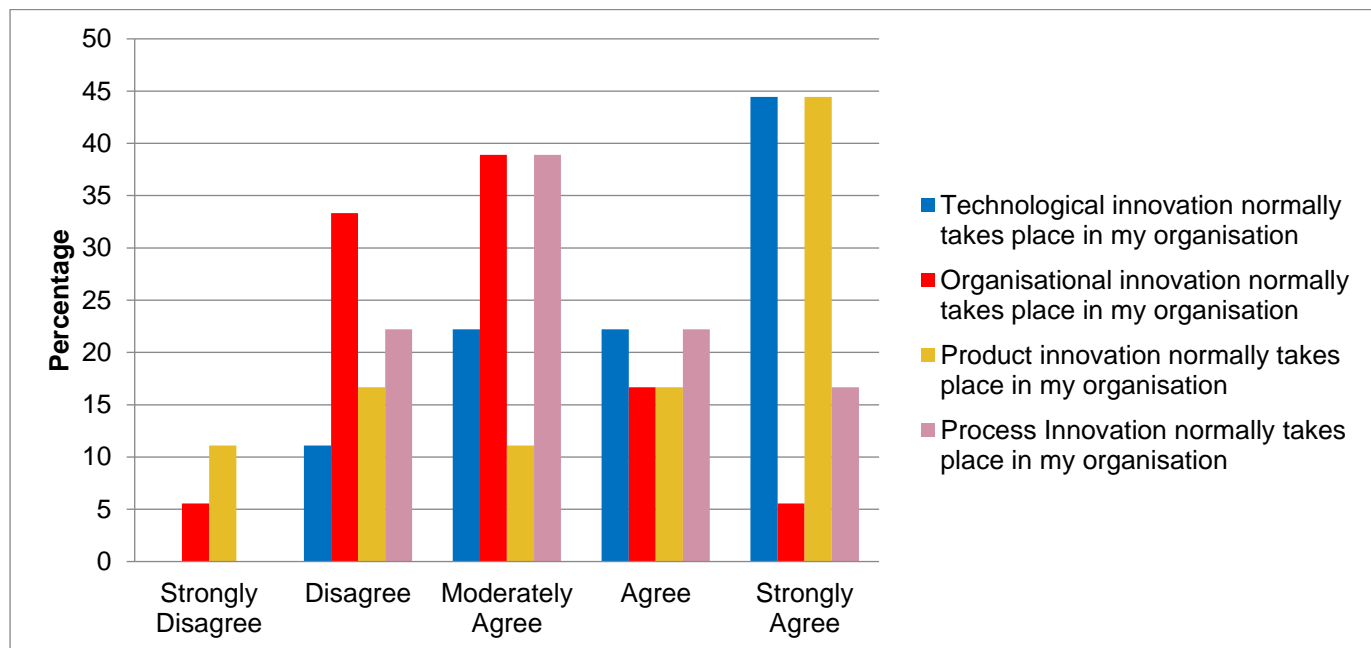
Figure 5.5 represents the drivers of innovation in organisations.



**Figure 5:5 Drivers of innovation**

Figure 5.5 shows that of the four drivers of innovation, strategy is the major driver of innovation, as 55.6% of participants agreed that it was a major driver in their organisations. 44.4% of participants strongly agreed that customer expectation was driving innovation in their organisation, while 44.4% moderately agreed to internet and 38.9% agreed that globalisation was driving innovation. Organisations do appreciate innovation, as one of the components of the CIMA success wheel and appreciate that its presence contributes to the success of the business and therefore the companies do innovate their products and / or services - the aim being to be successful.

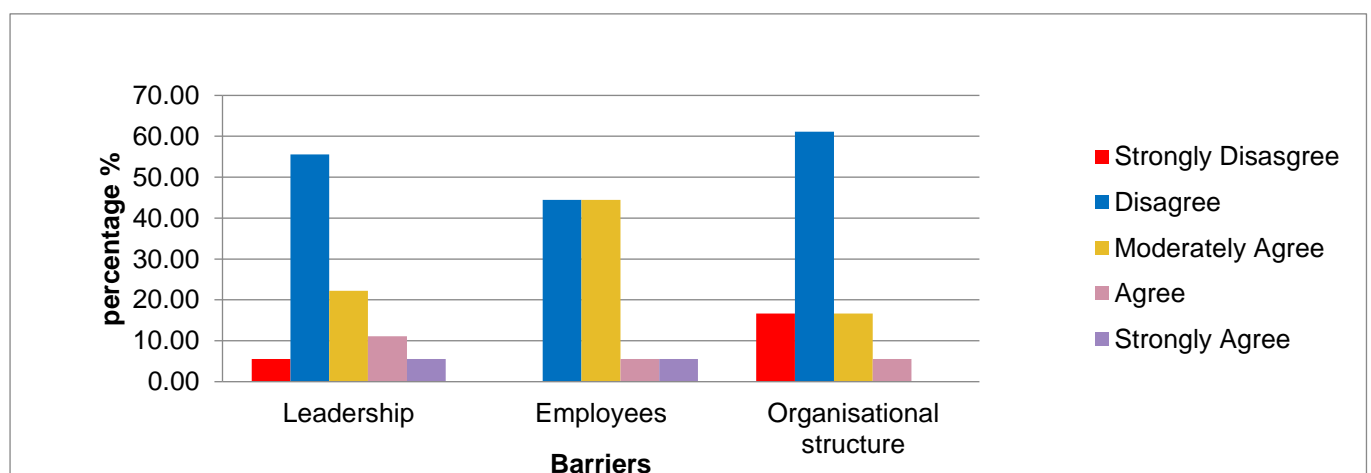
Figure 5.6 represents the types of innovation taking place in organisations.



**Figure 5:5 Types of innovation**

The majority of participants (44.4%) strongly agreed that technological and product innovation was at the top taking place in their organisation. As for process and organisational innovation, 38.9% moderately agreed. A high percentage of participants (33.3%) disagreed by showing that organisational innovation was not taking place in their organisations.

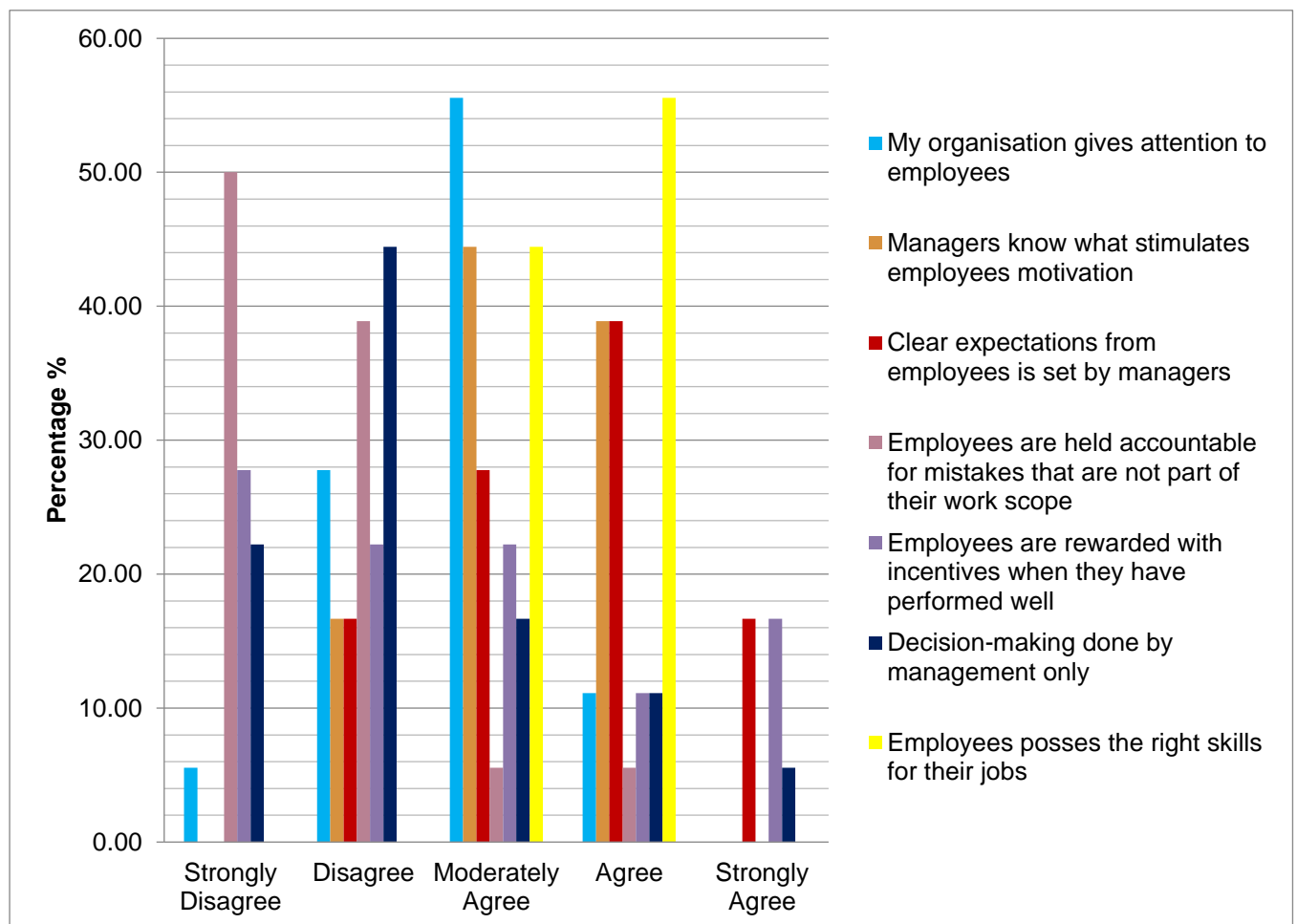
Figure 5.7 represents the barriers of innovation in organisations.



**Figure 5:6 Barriers of innovation**

The majority of organisations showed that none of the three barriers of innovation were present in their organisation, as 61.1%, 44.4% and 55.6% disagreed with the statement that organisational structure, employees and leadership respectively formed barriers to innovation in their companies. However, 11.1% agreed that leadership was a threat to innovation in their organisation.

Figure 5.8 represents the skills of employees in an organisation and what motivates them.

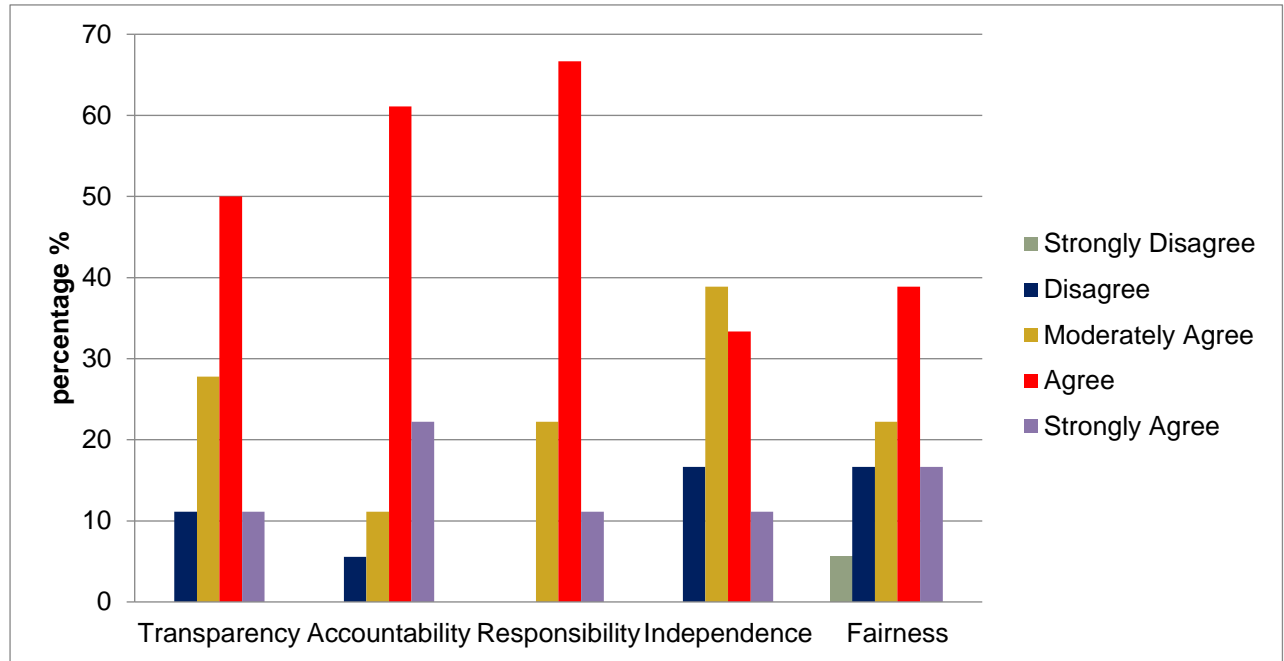


**Figure 5:7 Skilled and motivated workforce**

38.9% of the participants agreed that their managers knew what stimulates employee motivation and was also setting clear employee expectations. Only 55.6% moderately agreed that their organisation was giving attention to employees, and 50% of participants strongly disagreed that employees were held accountable for mistakes that were not part of their work scope. Moreover, 55.6% of employees agreed that possessed the right skills to help them perform their duties. This then means that

managers are aware that employees are assets in their organisation and try, by all means, to treat them well.

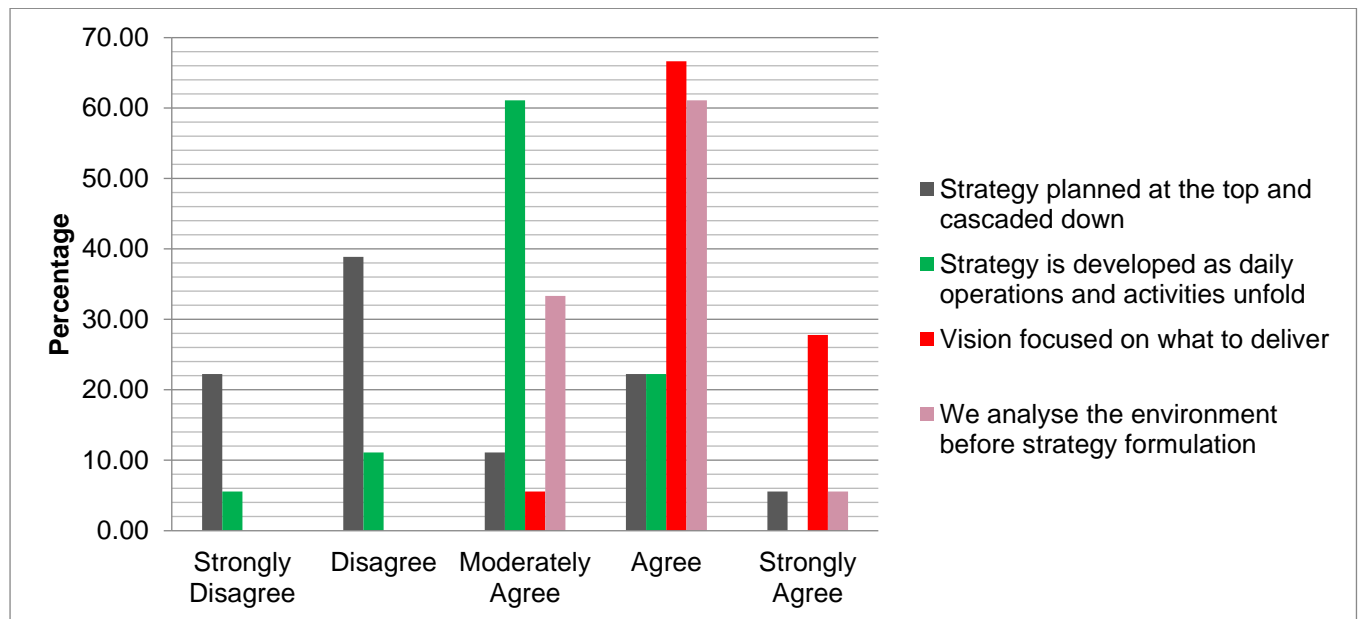
Figure 5.9 represents principles of corporate governance that apply to organisations.



**Figure 5:8 Corporate governance principles**

In general, good corporate governance principles are practiced in organisations. Information relating to companies' performance is available to all stakeholders. There are clear lines of responsibility, organisations comply with regulations and stakeholders are treated fairly in the organisations. 61.1% and 66.7% respectively agreed that their organisations practiced accountability and responsibility principles, while 50% of them practiced transparency. Only 5.6% strongly disagreed that the principle of fairness was applied.

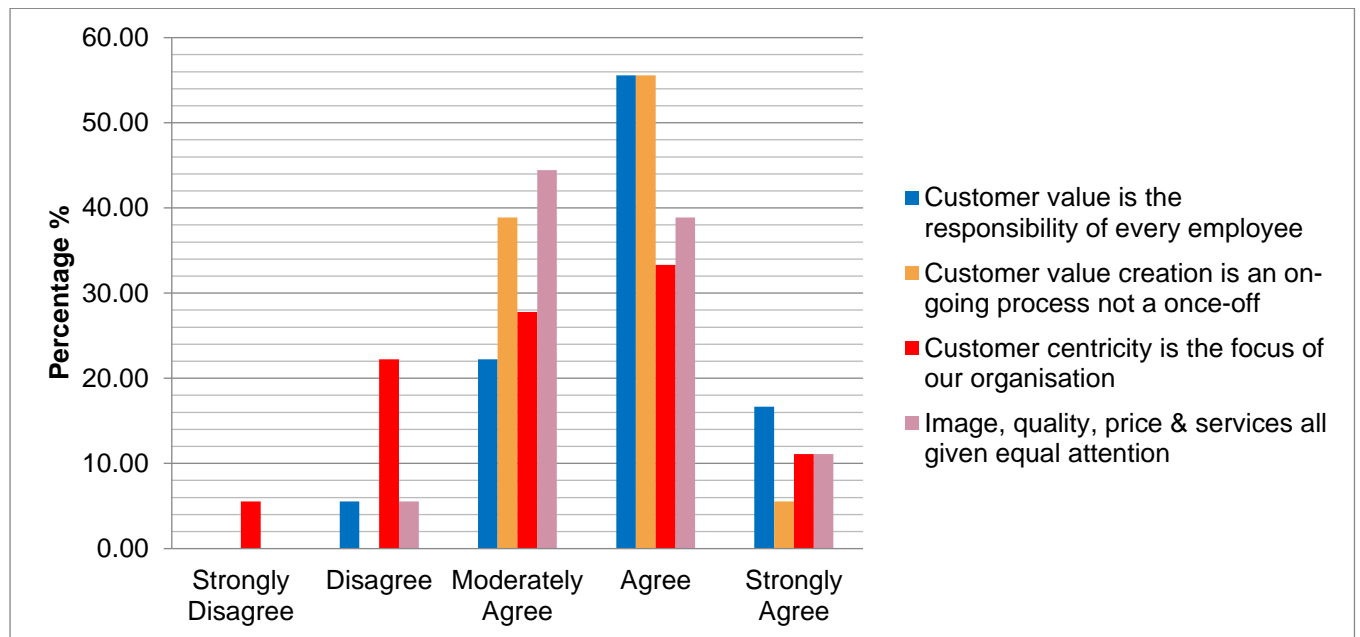
Figure 5.10 represents the formation of strategy.



**Figure 5:9 Strategy formulation**

The majority (66.7%) of participants agreed that the organisational vision of their organisations was focused on what they have to deliver, while 61.1% agreed that, before they could proceed with the planning of the strategy, they first analysed the environment. Another 61.1% moderately agreed that their strategy was developed as the daily operations and activities unfold. However, 38.9% disagreed that strategy was formed at the top and cascaded down for employees to implement. This then shows that employees are involved in forming the strategy which then motivates them to perform because they also own it. Moreover, because they analyse the environment before commencing the strategy, they are in a position to determine strategic factors that establish the future direction of the company.

Figure 5.11 represents how the organisations value its customers in an organisation.

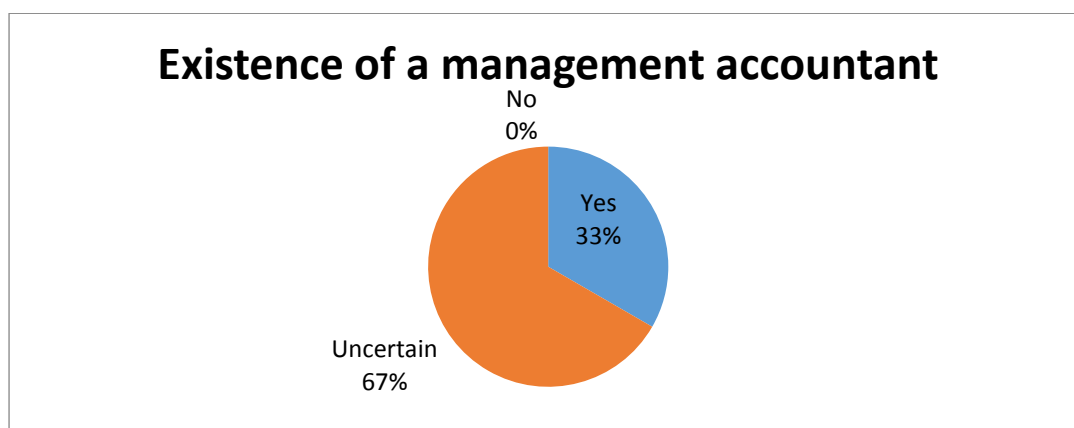


**Figure 5:10 Customer value**

The majority of organisations 56.6% agreed that customer value is the responsibility of every employee and that its creation is not a once-off thing but an ongoing process. Only 33.3% agreed that customer centricity is the main focus of their organisation, while 5.6% strongly disagreed to that. 44.4% moderately agreed to the fact that image, quality, price and better services are all given equal attention in the organisation.

#### 5.2.1.4 Management accountant, roles and strategy

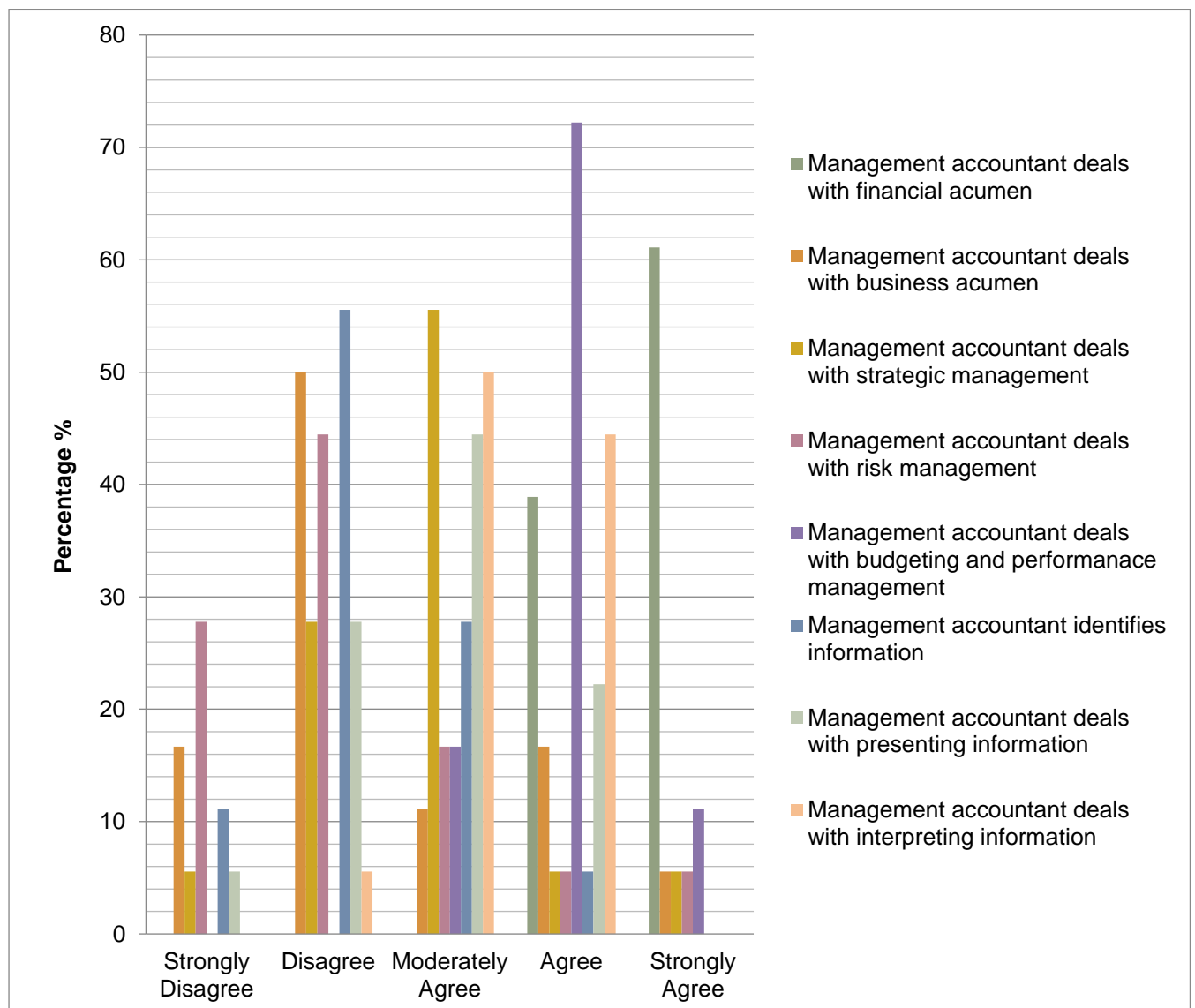
Figure 5.12 represents the existence of the position of a management accountant in an organisation.



**Figure 5:11 Existence of a management accountant**

The majority of participants were uncertain as to whether their organisation have a management accountant, while at the same time they could not clearly say that their organisation does not have a management accountant. Only 33% of participants were certain that their organisation has management accountant personnel.

Figure 5.13 represents the roles of a management accountant in an organisation.

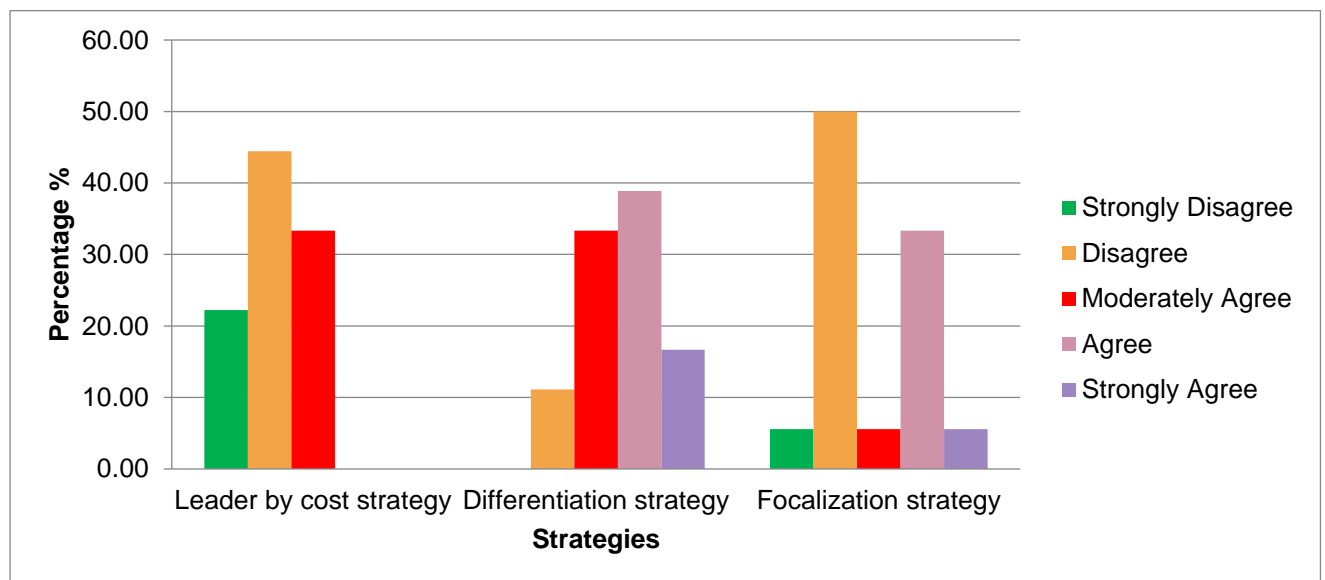


**Figure 5:12 Management accountant's roles**

Out of all the eight roles of a management accountant identified, most participants (61.1%) strongly agreed and 38.9% agreed that their management accountant deals with the financials in their organisation. 72.2% agreed, 11.1% strongly agreed and 16.7% moderately agreed that the management accountant deals with performance

management. Apart from the two roles mentioned, 50% moderately agreed and 44.4% agreed that management accountants deal with interpretation of information provided. Over half of the respondents disagreed (50%) and 16.7% strongly disagreed that management accountants deal with the business acumen of the organisation, while 44.4% and 27.8% respectively disagreed and strongly disagreed that management accountants deal with the management of risk. Moreover, 55.6% disagreed and 11.1% strongly disagreed that management accountants are responsible for identifying any information. However, 55.6% moderately agreed to management accountants being involved in the strategic management of the organisation and 44.4% moderately agreed that they deal with presenting information.

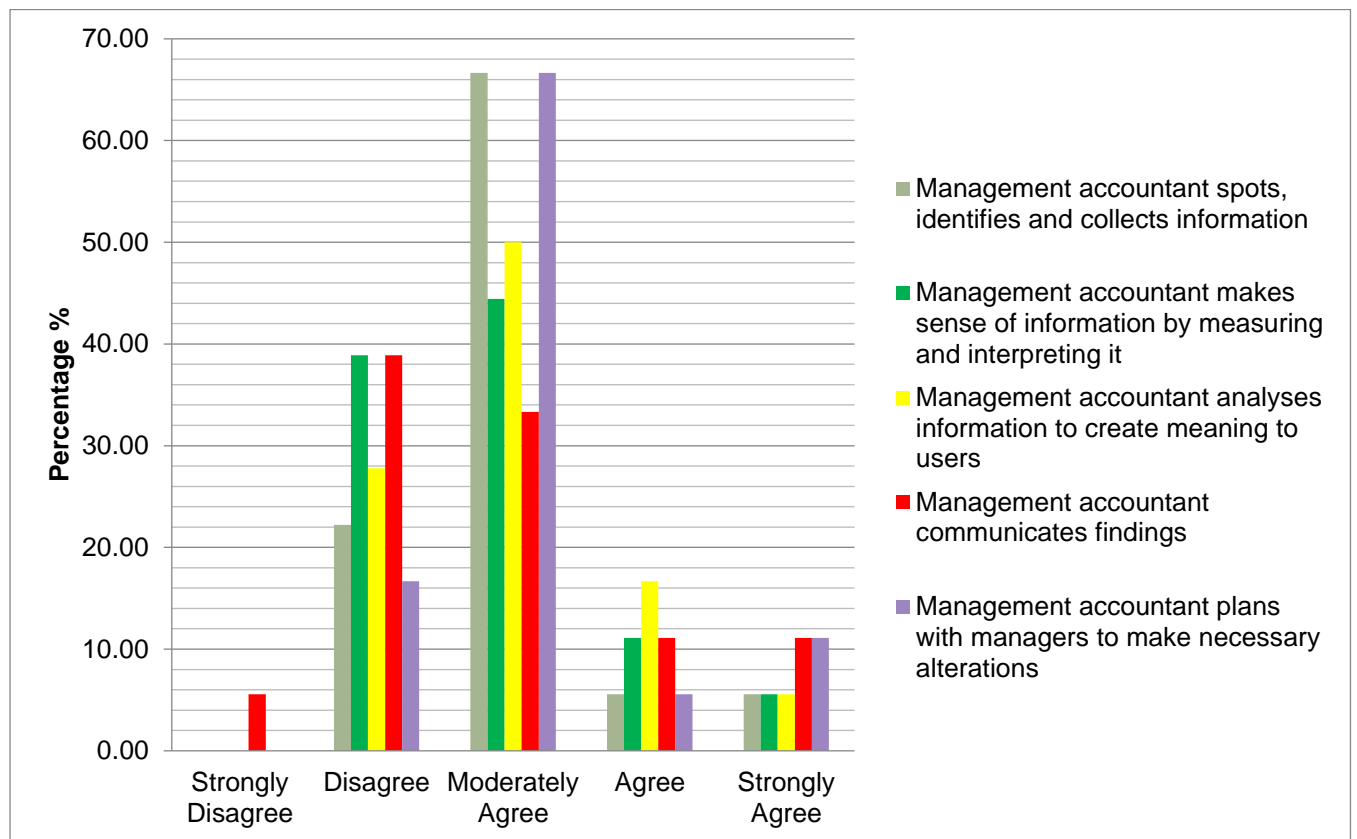
Figure 5.14 represents the types of business strategies used by organisations.



**Figure 5:13 Business strategies**

The majority of organisations use differentiation strategy, as 38.9% agreed and 16.7% strongly agreed on this. 33.3% agreed and 5.6% strongly agreed that their organisations use a focus strategy. Only 33.3% indicated that the leader by cost strategy is used.

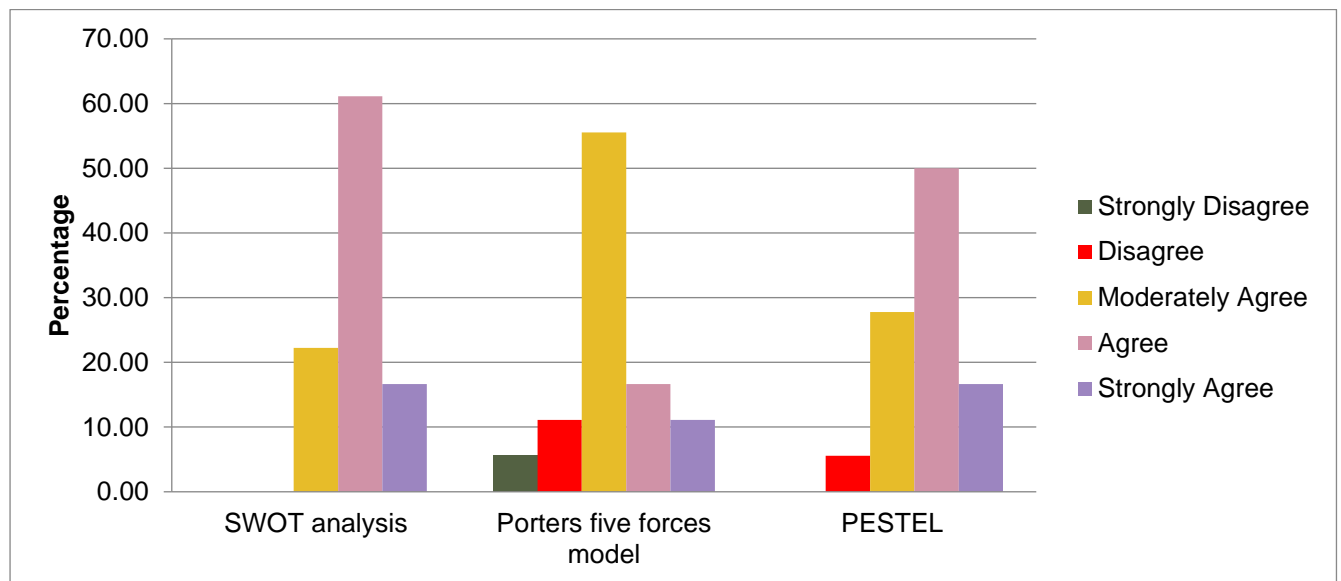
Figure 5.15 represents management accountants and how they facilitate in strategic decisions.



**Figure 5:14 Management accountant and strategic decision making**

66.7% of the participants moderately agreed that management accountants spot, identify and collect information and also plan together with managers to make any alternations if need be. 50% also moderately agreed that management accountants analyse information to create meaning to users, while 16.7% and 5.6% agreed and strongly agreed respectively. 44.4% moderately agreed that management accountants make sense of information by measuring and interpreting it, while 38.9% disagreed to the statement. However, 11.1% and 5.6% agreed and strongly agreed respectively. 38.9% disagreed to the statement that management accountants communicate findings and only 33.3% moderately agreed, while 11.1% agreed and strongly agreed. This shows that the role of management accountants is not fully appreciated in organisations.

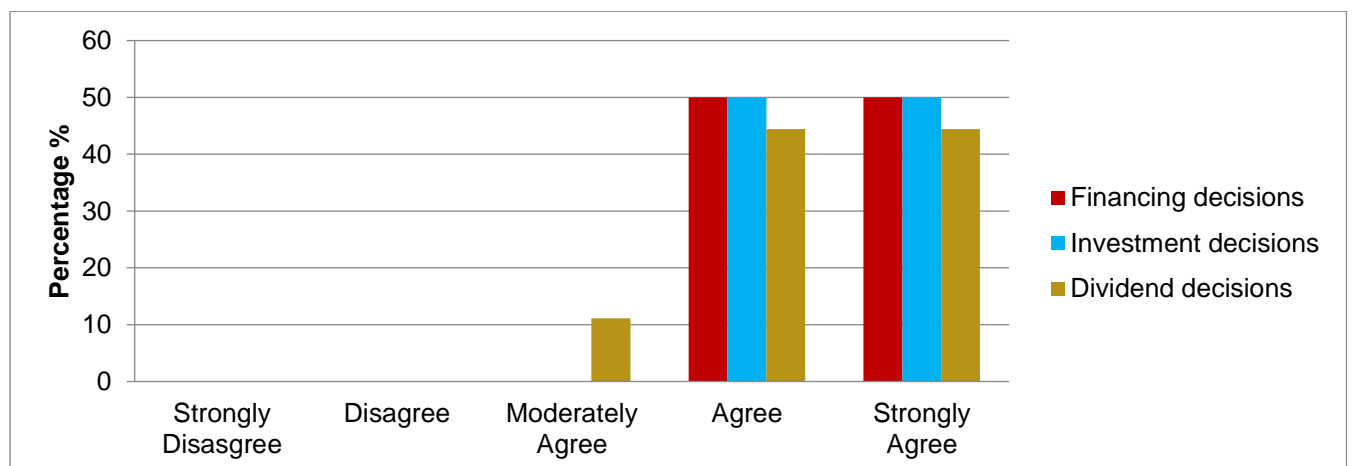
Figure 5.16 represents management accounting tools used in organisation.



**Figure 5:15 Management accounting tools**

Majority of participants (61.1%) agreed that their organisation use SWOT analysis as tool to produce their reports and 16.67% strongly agreed, while 22.2% moderately agreed. 50% of participants agreed that their organisation use PESTEL while 16.7% and 27.8% agreed and moderately agreed. However, 5.6% disagreed that they use PESTEL. 55.6% moderately agreed to use Porter's Five Forces Model and 16.7% and 11.1 % agreed and strongly agreed respectively. However, 11.1% and 5.6% disagreed and strongly disagreed respectively.

Figure 5.17 represents decisions that the board and management are involved in.

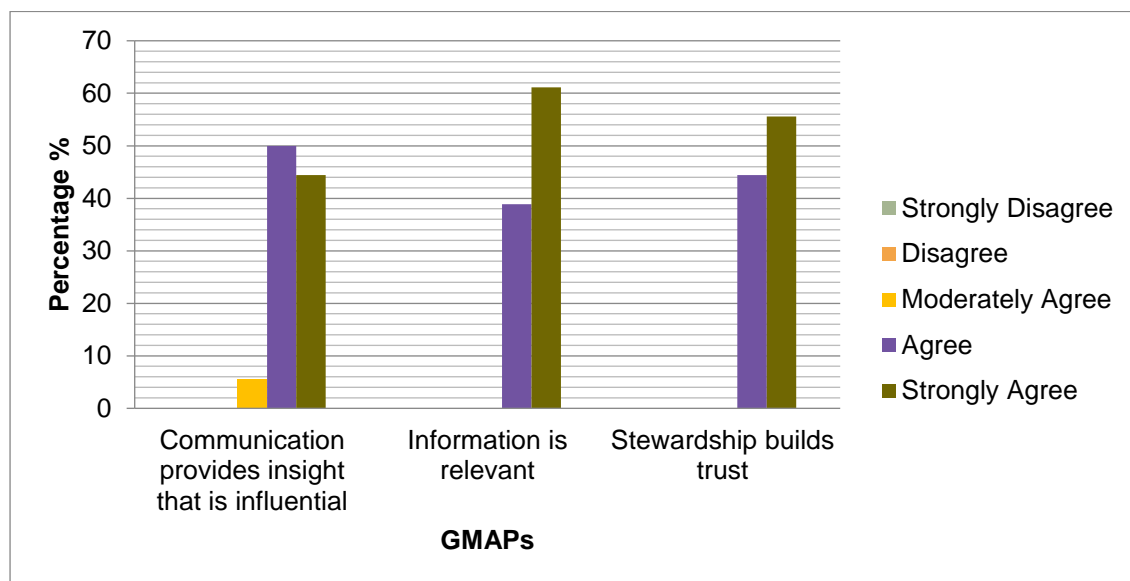


**Figure 5:16 Board / top management decision making**

44.4% of participants strongly agreed and agreed that the board and top management are involved in dividend decision making, while only 11.1% moderately agreed. 50% of participants agreed and strongly agreed that the board and top management deal with both financial and dividend decisions in their organisations. No participant disagreed and strongly disagreed with the board and top management decision making in their organisations.

### 5.2.1.5 Global management accounting principles (GMAPs)

Figure 5.18 represents organisations' beliefs of global management accounting principles.



**Figure 5:18 Global management accounting principles (GMAPs)**

The majority of the participants showed a positive response regarding the global management accounting standards. 44.4% and 55.6% agreed and strongly agreed that stewardship builds trust, while 61.1% strongly agreed and 38.9% agreed that information is very relevant in the organisation. 50% also agreed, 44.4% strongly agreed and 5.6% moderately agreed that communication provides insight that is influential. Not even one participant disagreed with the above principles.

### 5.3 QUALITATIVE RESULTS OF THE STUDY

In this type of study, the selection of all the participants was based on purposeful sampling. The researcher intended to interview as many participants as possible from the 22 sample size. However, only three participants from different industries were interviewed and these participants were part of the 18 participants who completed the self-administered questionnaires. This is because, during the interview with the fourth participant, no new information and ideas were coming out and a point of saturation had been reached. Nieuwenhuis (2014d:79) explained that samplings continue to a point of saturation where no new ideas or themes come out of data collection. The interviews were conducted on a face to face basis and all the participants were between 4-12 years in their current position.

The interviews were mainly conducted in order to collect deep information and to add 'meat' to the quantitative data so that both the quantitative and the qualitative data could be jointly interpreted with the already existing and relevant literature on the study. The interviews concentrated more on the role of management accountants in their organisations: whether their skills are utilised to their full capacity, whether the board and top management are aware of such skills and how they contribute to decision making. All interviews were recorded and transcribed and then analysed qualitatively. The researcher listened to the recordings more than once to familiarise herself with the data, where after every detail of the interviews was transcribed, even taking into account the facial expressions of participants observed during the interviews. The transcribed data was typed and saved for analysis. The data was studied line by line, separating it into meaningful analytical units, coded by using content analysis (Seidel & Kelle, 1995:53). Analytical codes were again studied and related codes were put and organised together into themes which were then labelled, using the researcher's own phrases to describe them, making it easier for overall analysis (Nieuwenhuis, 2014a:106). The identified themes emerging from the interviews (see Appendix A section E), as well as the responses thereof, are presented in table 5.4.

## 5.4 THEMATIC CODING FROM TRANSCRIBED DATA

The data was transcribed by the researcher by listening to the recordings taken down during the interview process. Appendix C clearly shows the transcribed interviews, coded into meaningful analytical units (Nieuwenhuis, 2014a:105), as well as the content analysis which led to the identification of the three themes used during the analysis. Nieuwenhuis (2014a:101) defined content analysis as “a systematic approach to qualitative data analysis that identifies and summarises message content”.

The table below shows the themes and sub-themes that emerged from the transcribed interviews.

Themes	Sub-Themes	Reponses
1. <div style="border: 1px solid black; padding: 5px; display: inline-block; transform: rotate(-90deg); transform-origin: left top;">Management accountants role</div>	<p><i>Organisations do not have a particular position of a management accountant, however they do prepare management accounts as a requirement by the policies of the organisation.</i></p> <p><i>There is no particular office belonging to the management accountant regarding only management accounts matters. All financials are handled by the finance manager.</i></p> <p><i>Management accountants are partly contributing to business</i></p>	<p>...we do not have it as a position.</p> <p>... we do prepare management accounts because at the end of the month we have to produce management accounts.</p> <p>noooo, not really. We do not have a management accountant personnel per say. I may be labelled as a financial controller but I am a management accountant as well because I do management accounts</p>

	<p><i>success, because they are only concentrating on the financial acumen and they do not seem to have an idea that a management accountant's role also involve the business acumen. Moreover, all their "finance staff" have a qualification of ACCA which mostly, if not at all, deals with financial accounting.</i></p> <p><i>Organisations are not fully aware of the roles of management accountants, probably because to them, management accountants only deal with financials. More emphasis was put on the planning stage where budgets are drawn, and they are also more utilised during the monitoring stage when they deal with variance analysis. There is a lack of knowledge regarding the role of a management accountant. That might be the reason why they do not have such a post.</i></p> <p><i>Management accountants are more needed in the manufacturing companies than in services related industries.</i></p> <p><i>Organisations believe it is only in manufacturing companies where</i></p>	<p>...they do have basics of management accounting.</p> <p>...finance / accounts staff have an ACCA.</p> <p>... normally needed at the planning stage when we do company budgets projecting. This is their core and biggest responsibility to control, monitor the company's budget.</p> <p>Even in Lesotho as a country we do not have many manufacturing companies,</p>
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	<p><i>management accountants can be fully utilised. So to them a management accountant's job is centred on costing of products, even services more than any other area.</i></p> <p><i>Organisations don't regard management accountants as important and they are of the opinion that anyone who did a finance-related course can do management accounts and still master it.</i></p> <p><i>Organisations do not fully appreciate the role of a management accountant.</i></p> <p><i>The board is only aware of a management accountant's contribution to decision making on the financial part of it, not as far as the whole business environment is concerned.</i></p> <p><i>Management accountants are not involved in the ground work of creating customer value.</i></p>	<p>which is where management accounts are utilised because their duties there are mainly costing of material, labour.</p> <p>I am a financial controller who studied financial accounting, but I am still able to prepare management accounts without necessarily being a management accountant.</p> <p>...reports from financials and accounting are headed by the Committee called Finance Committee...</p> <p>...our administration department. Management accountant only comes in when we talk about figures.</p>
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	<p><i>Many departments, if not all, are included in the part of creating customer value in organisations.</i></p> <p><i>Even when management accountant positions exist in the company, the job description is more centred on financials than business. This is due to segregation of duties because of the size of the organisation.</i></p> <p><i>The business acumen part of the collection of information, spotting and identifying it, is done by other departments such as economists, marketers and they only pass that information on to a management accountant for use in their analysis of financials.</i></p> <p><i>Organisations employ people with certain qualifications, for example like ACCA, to actually work on totally different fields of their study, for instance sales.</i></p> <p><i>Organisations also think that management accountants are only of value in certain types of business.</i></p>	<p>is not just one department's responsibility. People from sales, risk, compliance, and others.</p> <p>...a company like us; most definitely we do have a management accountant.</p> <p>Also you need to understand that the bigger you grow the more you decentralise, more than centralise</p> <p>People like, economic analyst from the economic desk whose qualification is economics. Even in our institution, we are not in a position where we can say we will only recruit cost or management accountants for management accounting position</p> <p>So I would say definitely when it is a sizeable organisation, management accountants do both the business and the financial acumen. Budgets,</p>
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	<p><i>Management accountants in organisations prepare financial reports</i></p>	<p>variance analysis, they project years, expenditure and income projection</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Management accountant as a facilitator for decision making</b></p>	<p>2. <i>Organisations use management accountants from the financial perspective, not a business perspective, as all reports that are prepared for management accounting purposes are only financials.</i></p> <p><i>Again only the financial part of management accounting pops up! Information that is provided to the board by management accountants is purely financial and fortunately the board or management makes use of it.</i></p> <p><i>Employees only perform duties that are within their job description.</i></p> <p><i>During the review of strategy management, the accountant only comes up where figures are</i></p>	<p>...to produce budget and expenditure analysis (income statement), statement of financial position, cash flow statement. But most importantly the preferred one is to analyse the budget by comparing it with the actual expenditure on a monthly basis.</p> <p>...because of resources we need to control our budget, manage resources...</p> <p>...they do reports according to what is needed by the company, even the company structure channels its roles.</p> <p>Management comes up with activities and the management accountant</p>

	<p><i>concerned, not anything other than that - involving the business environment maybe.</i></p> <p><i>Management accounting reports of organisations are also presented to other stakeholders apart from the board.</i></p> <p><i>Management accountants are highly valued in organisations because of their inputs in the success of the organisation.</i></p> <p><i>Management accounting in organisations is not utilised to its full capacity. Management accountants have a lot to deal with, they even work beyond 8am – 5pm.</i></p> <p><i>Management accountants support the board during their strategy session, especially with regard to finances.</i></p> <p><i>Management seems not to know the overall scope of what management accountants can do. Information regarding sectors related to the business environment and the rest</i></p>	<p>translates them into financials (budget).</p> <p>...the board, even our shareholders, the regulators...</p> <p>That guy is extremely powerful in our company.</p> <p>We are one of the few companies in the country where management accountants can say they are utilised close to their full capacity.</p> <p>The man leaves this place around 12.00 am</p> <p>Our management accountant have five people that are reporting to him and no, not just financial people but also others.</p> <p>eeeeehmmmm. What do you mean by only financials?</p> <p>...management accountants fall under the finance department and yes, we deal</p>
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	<p><i>comes from other department and is not solely based in the office of the management accountant.</i></p> <p><i>The board's decision is based on and influenced by the financial reports.</i></p> <p><i>Management accountants only give supporting financial information to management and the board, ignoring the effects that could be brought about by the business environment in general.</i></p>	<p>with only financials. However during the analysis we try to meet with other heads of departments and get their views as to why the organisation performed the way it did. We, however, compile all the information from different departments and report it as one document...if the board sees the report on how much they are spending on certain activities, they can decide that we cut off or maybe come up with another way of how funds can be utilised.</p> <p>...for any activity that the board wants to do they ask me, like whether funds will be available to perform such a project.</p>
<p><b>3.</b></p>	<p><i>Organisations use the emerging strategy approach.</i></p>	<p>...we normally review from time to time, I would say, the activity plans which are done...</p> <p>a mild review which is done on the monthly basis where we meet as the executive.</p>

<div data-bbox="248 275 363 1039" style="border: 1px solid black; padding: 5px; width: fit-content; margin: auto;"> <b>Success attributes</b> </div>	<p><i>Organisations acknowledge that innovation is an important attribute for success, even in their own organisation, and it leads to them achieving success.</i></p> <p><i>Main innovation taking place here is product innovation and it does not happen regularly. Customers drive their innovation.</i></p> <p><i>Innovation is considered by organisations as a major success attribute and organisations constantly innovate their products.</i></p> <p><i>Organisations invest more in innovation.</i></p> <p><i>Employees are involved in the creation of the strategy. Remuneration policy in the organisation is used to motivate employees</i></p> <p><i>Employees are involved in decision making and management communicates back to them.</i></p>	<p>It is because one comes up with new ways of doing business, as well as new systems. Whatever that will lead to achieving Key Performance Indicators.</p> <p>...to develop new programmes at least two in a year..</p> <p>...demand for programmes not available in our country...</p> <p>We have so many things in our pipeline that we need to innovate...</p> <p>We will be updating our atm cards by next year with a budget of about M7m</p> <p>They participate in the strategic plan process,...reward. Our organisation is one of the best paying in the country.</p> <p>We communicate and report back to them. Again the important thing to mention, besides the executive</p>
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	<p><i>Communication in organisations happens both ways between management and the employees.</i></p> <p><i>The organisation highly regards corporate governance issues.</i></p> <p><i>Organisations highly value their customers and want services to be accessible to them at all costs.</i></p> <p><i>Organisations believe that service companies do not need to be innovated as much as companies offering products.</i></p> <p><i>Monopoly companies do not really care that much for their customers,</i></p>	<p>committee, we have what we call management involving all the heads of the sub-units.</p> <p>We meet regularly to give them our monthly report, we connect with them. The moment we start making decisions on our own we will not pass because we deliver through them.</p> <p>.. too much. In fact, our business is highly ethical and our structure shows that. Therefore everything goes by the book, we do protocol here.</p> <p>We have at four boarder posts atms where our customers are able to access the rand currency, whereas in the past years it was only found at the Maseru boarder.</p> <p>We don't frequently innovate, because we are a service company.</p> <p>...(laughs out loud). (Shakes shoulders), not in a bad way but whether we like it or not we</p>
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	<i>because they know they will always have them.</i>	will always have clients to serve because they have no one else apart from us.
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**Table 5.4 Categories of Themes**

Overall, only three themes were identified from the transcribed data. These are the management accountants' role, management accountants as a facilitator for decision making and success attributes. The themes identified in the study are then explained with data from the qualitative and quantitative data, as well as from the existing relevant literature.

## **5.5 ANALYSIS OF QUANTITATIVE DATA COMBINED WITH QUALITATIVE DATA AND LITERATURE REVIEW**

As a way to answer the research questions of the study, both quantitative and qualitative results are analysed by triangulation, comparing them with the already existing and relevant literature.

### **5.5.1 Triangulation**

For this study to gain a deeper understanding of the data collected, as well to be able to view it from different perspectives, data collected had to be triangulated by analysing both the qualitative and quantitative data, together with the existing relevant literature. Triangulation is "critical in facilitating interpretative validity and establishing data trustworthiness" (Maree & Van der Westhuizen, 2014:39). In addition, according to Maxwell (1996:93), results are less prone to biasness as they are analysed coming from different individuals using different methods. The following themes containing secondary research questions were then analysed.

### 5.5.1.1 Management accountants' roles and their utilisation in organisations.

Figure 5.12 indicates that 67% of the participants were uncertain about the existence of management accountant personnel in their offices. These results can be elaborated better per the findings shown in table 5.4, which clearly explains the uncertainty of the participants.

Participants clearly explained that they do not have a particular position in their organisation for a management accountant, but they do prepare management accounts as it is a requirement per organisational policies. All the financials, including the management accounts, are handled by the head of their finance departments. An example of the responses that were provided by the participants when they were asked whether their organisation had a position of management accountant were: *noooo... we do not have management accountant personnel per say. I may be labelled as a financial controller but I am a management accountant as well, because I do management accounts. We do not have it as a position, but we do prepare management accounts, because at the end of the month we have to produce management accounts.* This then shows that organisations do not regard the position of a management accountant as important on its own.

These finding go hand in hand with Swlearning (s.a:1) where it indicates that "The interesting thing about management accounting is that it is rare to find an individual within a company with the title of management accountant." However their reason being that all are classified as accountants, with positions such as financial accountants, costs accountants, tax accountants, or internal auditors. It further indicates that the majority of big companies are headed by a financial controller who is the top accountant, and much of the management accounting is done under his supervision (Swlearning, s.a:2). Sunarni (2013:618) added that it is not always the case to find an individual in organisations with a title of *management accountant*, but there is always someone who fulfils the functions of a management accountant. This also shows that most organisations do not regard management accountants as important and believe that anyone who did a financially related course can do management accounts and still master it like someone who did management accounting as a course. This is illustrated by one of the participants when he said "*am*

*a financial controller who studied accounting, but I am still able to prepare management accounts without necessarily being a management accountant”.*

Organisations are not fully aware of the roles of management accountants, probably because management accountants in their organisations only deal with financials. This is illustrated in figure 5.13 where 61.1% of participants strongly agreed and 38.9% agreed that their management accountants deal with financials in their organisations. One participant emphasised it by saying that “*management accountants produce budget and expenditure analysis, statement of financial position, cash flow statement...*” In table 5.4, more emphasis is put on the planning stage where budgets are drawn up, and also in the monitoring stage where they do performance management (variance analysis). This is also indicated in figure 5.13 where 72.2% agreed and 11.1% strongly agreed that management accountants deal with performance management. One particular participant said “*...but most importantly the preferred one is to analyse the budget by comparing it with the actual expenditure on a monthly basis. Another response was that management accountants are normally needed at the planning stage when they deal with company budgets.*”

This then shows that the management accountant’s new role has not been appreciated by big Lesotho companies. The management accountant’s role has changed from a passive role of being just a producer of financials, to a more proactive role as being a more active participant in decision making, also being more focused on a bigger and broader set of information, both internal and external, to the organisation (Paulsson, 2012:378). Low *et al.* (2014:113) supported Paulsson in that the management accountant’s historical and traditional role as “accountants who are engaged in financial reporting, auditing and taxation activities as the role was mainly seen to be indirect contribution to the planning and control of organisations operations”. Moreover, just as the results of figure 5.13 show budgeting and performance management as one of the roles of management accounting, Certified Management Accountants CMA (2013) explained the role of management accounting as: preparing the budget and analysing it for proper use and monitoring. However, the role of management accounting does not end in the financial acumen and performance management, as the participants in this study portrayed.

Figure 5.13 shows that over half (50%) of the respondents disagreed and 16.7% strongly disagreed that management accountants in their organisations deal with the business acumen, 44.4% disagreed and 27.8% strongly disagreed that they also deal with the management of risk, and 55.6% disagreed that they are responsible for identifying any information in their organisation. This shows that management accountants in Lesotho's big companies are only partly contributing to business success, because they are merely concentrating on the financial acumen and seem not to have an idea that a management accountant's role also involves the business acumen. One participant even indicated *that their management accountant has only basics of management accountant as all their finance or accounts staff possess only ACCA qualifications.*

Formerly, management accountants might have dealt with financials only, but it is now clearly explained in CIMA (2014b:6) that management accountants as professionals need a deeper understanding of the whole business, not leaving behind the business model and the entire operating environment, so that risks as well as opportunities faced by a business can also be explored and become known. To add on, Pietrazaka and Wnuk-Pel (2015:282) regarded a management accountant as business support or an internal business consultant. Management accountants bring to the fore most useful and suitable information as well as the analysis thereof in order to generate and preserve value (CIMA, 2014a:2). Therefore the management accountant is a very important person in all organisations, though some organisations are not aware of how much they can do.

In some organisations, the business acumen part of collecting information, spotting and identifying it, is done by other professionals such as economists, marketers, etc., and they only pass the information to the management accountants to use in their analysis. This is due to the size of the organisations, and they are only segregating duties. For example, when one participant was asked why their management accountant was not dealing with the business acumen, he said *"you need to understand that the more you grow the more you decentralise than centralise. People like economic analyst from the economic desk, whose qualification is economics, get environmental information for management accountants"*. However, it is important for every organisation to know and appreciate that "a management accountant needs to

be aware of everything, be it a political situation that affects the market, inflation, other exposures in market, competition, cost of labour, raw material, internal operations, coordination among different departments within a company as well as its interaction with rest of the business world and social media. Thus, he should be master of everything” (CMA, 2013:1).

One of the sub themes identified when the interview was carried out on one of the roles of management accountants and their utilisation in organisations, was that management accountants are more needed in the manufacturing companies than in service related industries. Organisations believe it is only in manufacturing companies where management accountants can be fully utilised. To them a management accountant’s role is solely centred on the costing of products. The response was “*even in Lesotho as a country we do not have many manufacturing companies which is where management accountants are utilised because their duties are mainly costing of materials, labour ...*” Swlearning (s.a:1), however, emphasised that management accounting covers more than just a ground on the product costing, but much more than that. This indicates that most organisations are still making use of management accountants from the traditional point of view, where their role was solely on cost keeping (Sunarni, 2013:618).

#### *5.5.1.2 Management accounting skills in assisting the board in contributing to decision making.*

Management accountants are expected to provide information and analysis to be used by top management and the board for quality strategic and operational decision making (CIMA, 2009:33). In contrast, table 5.4 gives something that is totally different. Information from management accountants provided to the board and top management and which they make use of, is only related to financials and not the business environment at large. When participants were asked if the board and management were making use of the reports prepared by the management accountant for decision making, they were very clear that they did, however for financial reports only. “*Yes yes we do consider management accounting reports and consider them as very important. As a result of the scarce resources, we need to control our budget and manage resources.*” This is also illustrated by figure 5.13 where

the majority of participants (66.7%) moderately agreed that management accountants spot, identify and collect information. Moreover, figure 5.17 clearly illustrates that the board and top management of big Lesotho companies are more involved in financial decision making, as 50% agreed and strongly agreed that they deal with both financial and investment decisions, while 44.4% agreed and strongly agreed that they also deal with dividend decisions. Another example of the response gotten from the interview from table 5.4 was “...for any activity that the board wants to do they ask me whether funds will be available to perform such a project”.

This shows that not all information (financial and business) is provided by the management accountant. Organisations and the board are therefore not fully benefiting from the skills of a management accountant. Bradbard *et al.* (2014:25) asserted that the nature of management accountants are very important and also key in decision making and cross-functional teams, not only in the accounting arena, but in business as well. Furthermore, management accountants comprehend how different departments of the organisation need to collaborate, resulting in them being “trusted to guide critical business decisions and drive business performance because they combine the financial expertise and the business acumen to achieve sustainable business success” (CIMA, 2014a:2). Management accountants can be summarised as being in charge of the creation, communication and utilisation of financial and business information for managerial decision making and control activities. Management accounting has been generalised as only being concerned with the “generation, communication and use of financial and non-financial information for managerial decision making and control activities” (Groot & Selto, 2013:3).

According to table 5.4, management accounts are not only presented to management and the board, but to other stakeholders who make use of them. When a participant was asked if they present their reports to the board, the answer was “...the board even the regulators”. “Management accountants are ideally placed to provide the alignment mechanisms and collaborate with senior management in producing fully integrated reports, reflecting sustainable strategies adopted by organisations which fulfil the needs of stakeholder groups” (Collins, Lawrence, Roper & Haar, 2011:2). In as much as reports that are provided to the board are more financial, they are however provided to other relevant stakeholders for decision making.

Table 5.4 shows that, during the review of strategy, management accountants are only engaged where figures are the main concern, not anything else which might involve the business environment. An example is where the participant was asked whether they get any information from management accountants to be used for reviewing their organisational strategy, and the answer was *“management comes up with activities and then management accountant translates them into financials.”* This is also supported by figure 5.15, where only 66.7% of participants moderately agreed that management accountants are planning together with managers to make any alterations if need be. However, CIMA (2011:1) clearly stated that management accountants will be of no use in strategic decision making if they are not involved in any review of strategy from the onset, as they are critical business and finance investigators. Overall, management and the board seem not to know the general scope of what management accountants are capable of.

#### 5.5.1.3 Success attributes

During the interview process, all the participants, as illustrated in table 5.4, acknowledged that innovation - as one of the CIMA business success wheel attributes - is very significant and is considered a major success attribute leading organisations to achieve success. They further showed that the type of innovation that normally takes place in their organisation are technological and product innovations. Moreover, organisations spend millions of Maloti investing more in innovation. Examples of responses where the question was asked whether innovation was seen as a major success attribute, were, amongst others: *“it is because we come up with new ways of doing business as well as new systems. It leads us to achieve key performance indicators”*. Another participant mentioned that they had so many things in their pipeline that they need to innovate with a budget of seven million Maloti (M7m). Participants even went further to explain that customers, as well as the strategy, were the drivers of innovation in their organisation.

Figure 5.6, which represents types of innovation taking place in organisations, illustrates that the majority of organisations (44.4%) strongly agreed that technological

and product innovation was taking place in their organisations. This also supports the information provided during the interviews. Moreover, figure 5.5 illustrates strategy as a major driver of innovation, as 55.6% of participants agreed to the statement. 44.4% of participants strongly agreed that customers and their expectation drive innovation in their organisations. This shows that organisations appreciate innovation as their success attribute.

The above two paragraphs show that innovation is vital in organisations and the whole business arena as it enhances competitiveness. It is therefore very important for organisations to keep on innovating, especially in this ever changing environment, as there is minimal survival for organisations that do not continually innovate their products, ideas and processes (Saatcioglu & Ozmen, 2010:209). Brooks (2013) asserted that, being able to come up with fresh unique ideas for products and services and keeping them fresh all the time, is one of the keys of any successful business. Strategy is considered as a key driver of innovation, because of the direction it gives on what products and services the organisation must provide, the markets in which the organisation must tap into, investments to pursue and processes to implement in organisations (Goktan, 2010:2). Furthermore, customers' expectation is also a major driver, because they continually seek new and improved products and services which would fit their way of living, making their lives easier (Smallbizconnect, s.a.). Therefore many organisations that are successful have re-invested themselves to satisfy their customers' needs, which are always changing (Ross, 2007b:29).

Table 5.4 shows that employees in organisations are motivated by being involved in the drafting of the strategy, therefore making them part of decision making team. There is also two-way communication taking place between management and employees. Moreover, management of the organisations remunerate employees as part of their motivation strategy. For example, when participants interviewed were asked whether employees are part of decision making and how they are being motivated, the answers were: *"they participate in the strategic plan process..."* *"We communicate back and report to them. Again the important thing to mention besides the executive committee we have what we call management involving all the heads of the sub units..."* *"We meet regularly with employees to give them our monthly report, we connect with them. The moment we start making decisions on our own we will not pass because we*

*deliver through them*". This then shows that management of organisations appreciate employees as an important part of their organisations that can help them achieve sustainable business success.

To support the above analysis, figure 5.10 illustrates that employees are indeed being involved in the making of the strategy of the organisation. 38.9% disagreed and 22.2% strongly disagreed that strategy is formed at the top of the organisation and then cascaded down for employees to implement. Boundless (2016:1) supported this by stating that managers should always make it a point that they involve employees in decision making as a way of motivating them, and also showing that they are valued, together with the impact they have in the organisation. It is not wise, however, to think that better educated or higher ranked employees are in a better position to be involved in decision making, as all employees somehow contribute to the success of the organisation (Hauserman, 2007:21). However, for employees to effectively participate in decision making, experience and skills form an important aspect and their impact in contribution will differ, depending on the level of their knowledge as well as their experience (Boundless, 2016:1). Figure 5.8 illustrates that employees in big Lesotho companies are skilful, as 55.6% agreed and 44.4% moderately agreed that, possessing the right skills, help employees to perform their duties better. Moreover, in figure 5.8, 38.9% of participants agreed and 16.7% strongly agreed that there is clear communication, as clear expectation of what is desired from them is communicated by management to enhance better performance. Zámečník (2014:852) also supported the view that clear expectations of what is expected from employees should be set by managers in order to improve their performance. Those expectations should be reviewed regularly. "Effective communication between employees and managers is crucial in that employees will need to know what is expected of them, managers will need to provide a clear job description for every employee which would make employees have immediate access to the necessary tools to complete each assignment given to them" (Femi, 2014:72). Furthermore, to keep employees motivated, monetary incentives such as bonuses should always be offered, though such incentives only play a short-term role in the motivation of employees (Hitka & Balazova, 2014:114). Figure 5.8 shows that 22.2% of participants moderately agreed, 11.1 % agreed and 16.7% strongly agreed that employees are rewarded with incentives when they have performed well.

According to table 5.4, big Lesotho companies highly regard good corporate governance issues. When one participant was asked if their organisation practices corporate governance, the answer was: *“too much. In fact our business is highly ethical and our structure shows that, therefore everything goes by the book ...we do follow protocol here”*. Figure 5.9 illustrates that good corporate governance is indeed being practiced in big Lesotho companies. 61.1% and 66.7% agreed that their organisations practice accountability and responsibility principles respectively, while 50% of them placed more emphasis on transparency. 33.3% agreed and 11.1% strongly agreed that independence is practiced in their organisation, while 38.9% agreed and 16.7% strongly agreed that fairness is practiced in their organisation. This then shows that information relating to companies’ performance is available to all stakeholders, that there are clear lines of responsibility, that organisations comply with regulations and that stakeholders are treated fairly. As a result, according to Ross (2007b:28), good corporate governance makes good business sense, therefore it becomes easy for investors to pay a significant amount of money for shares in a well governed company.

According to table 5.4, organisations do value their customers and want, at all costs, their services to be accessible to them, while constantly improving on what they offer. The creation of customer value in big Lesotho companies is the responsibility of every employee in the organisation. However, monopoly companies do not really care that much for their customers, because they know that no other company could serve their customers, apart from themselves. This is illustrated by the response that was gotten during the interview when they were asked whether they value their customers. The answer was *“...not in a bad way but whether we like it or not we will always have clients to serve because they have no one else apart from us”*. Figure 5.11 shows that the majority of participants agreed that customer value is the responsibility of every employee and that its creation is not a once-off thing, but an ongoing process. In the past, customer value was only the responsibility of the sales and marketing departments, but this is not the case anymore. It is now the responsibility of every member in the organisation to create customer value and to be very active in delivering quality (McFarlane, 2013:68). As a result, creating customer value is not a once-off thing but an ongoing process, as the rivals of the organisation are more likely to keep up and copy what it offers (Ndaa, 2012:3). Therefore, as Ndaa (2012:1) asserted,

every organisation's existence is to satisfy their clients or customers as one of their stakeholders like any other who needs to be satisfied in any possible way, leading to a successful organisation.

## **5.6 RELIABILITY AND VALIDITY**

For this study, reliability was obtained by carefully explaining, step by step, the processes of the research analysis for both quantitative and qualitative data. The study also triangulated data, and conclusions of the study were based on quantitative as well as qualitative analysis, together with the supporting literature.

Validity was assessed by using different methods of collecting data (interviews and questionnaires). Furthermore, all the sources used in this research have been cited for reference. Lastly, as mentioned before, the study leader / promoter scrutinised the questionnaires so that any ideas and inputs were addressed before conducting the interviews to ensure that the questions are focused on the objectives.

## **5.7 SUMMARY**

Big Lesotho companies indeed appreciate that the CIMA business success wheel attributes are needed in an organisation in order to achieve business success and they possess such attributes in their organisations. However, they do not fully grasp how the management accountant can contribute to those attributes, as some companies believe that management accountants are only useful in the manufacturing sector, and others find management accountants useful only in the financial acumen. They believe the management accountant is useful only during the planning stage (budgets) and during the financial performance analysis (variance analysis) - not anything other than that. As a result it is safe to say that big companies in Lesotho do not fully utilise the skills of management accountants, and boards and top management are not aware of all the roles management accountants could play - as they are currently only contributing towards the financial part in decision making.

This chapter provided the general view of all the findings from the study. Both the quantitative and the qualitative data have been analysed, together with the relevant

literature to see whether boards and top management of big Lesotho companies appreciate and understand the role of management accountants as facilitators and supporters for successful strategic and operational decision making. Almost all secondary research questions have been addressed by discussing the collected data and the analysis thereof. Chapter 6 will contain the summary of the study, addressing the achievement of the objectives, conclusions, recommendations as well as an assessment of the study.

## CHAPTER 6 CONCLUSIONS AND RECOMMENDATIONS

### 6.1 INTRODUCTION

Chapter 5 presented the findings and results of the study, in accordance with the secondary objectives of the study and as stipulated in chapter 1 as:

1. To explain the attributes needed by an organisation in order to achieve success in business as per the wheel.
2. To explain how management accountants contribute to the components of the CIMA business success wheel.
3. To determine whether boards and top management are aware of the contribution of management accounting skills, with regard to the components of the wheel, towards decision making for sustainable organisational success.
4. To investigate if the skills of management accountants are utilised to their full capacity in organisations.
5. To analyse whether there is a gap between how top management and the board see the role of management accountants in organisations and the view of their role as found in literature.

Responding to these objectives via literature and empirical study, the following primary objective was answered.

To determine whether boards and top-management of big companies in Lesotho appreciate and understand the role of management accountants with regard to the components of the CIMA success wheel, as facilitators and supporters for successful strategic and operational decision making.

Secondary objective 6 which states: *To build a model, based on the gap analysis found in this study, to assist top management and boards on how they could fully utilise the expertise of management accountants as a tool for sustainable success.*

The following are the three theoretical statements that served as the central argument of the study:

- The CIMA business success wheel facilitates successful decision making (Ross, 2007a:1).
- Management accountants manage performance, support and drive decision making, creating, reporting and preserving value (CIMA, 2014b:2; CIMA, 2011:3).
- Management accountants help organisations to deliver success overtime (CIMA, 2014b:3).

In this chapter there will be discussions regarding the conclusions to the study, research findings and objectives. Recommendations to boards and top management will be highlighted, as well as the implications relating to the research report.

## **6.2 LITERATURE REVIEW REVISITED**

The literature review concerning secondary objectives 1 and objective 2 have been covered in both chapter 2 and chapter 3. Below, the literature covering both objectives will be covered.

### **6.2.1 Literature review summary**

A literature review on the attributes of the CIMA business success wheel was presented. Firstly, the concept of the business environment, both stable and unstable, was discussed as a way of introduction. This was deemed very important, because every organisation has to be cautious of the business environment (internal and external) in which it operates and the impact thereof on the success of the organisation. Organisations were made aware of hindrances and obstacles that affect their businesses directly and indirectly. Only five out of the nine attributes were selected and discussed in this study.

Innovation, as one of the attributes of the CIMA business success wheel, was presented and was found very vital in the business arena, as it enhances competitiveness. The definition of innovation was presented and it was made clear that innovation is not only limited to products, but also to services, processes and the

whole organisation. Innovation has thus to be brought into all areas of the business in order to enhance business success, and it should be done continuously. However, organisations must be aware that there are both risks and rewards attached to it. The study showed that the degree of success brought about by innovation is normally scaled by the business' view of their desired risk level, or the level of importance given to the degree of innovation or indicators of new markets. In the discussions that followed, drivers of innovation were discussed which included globalisation, organisational strategy, internet and customers' expectations. Innovation was then analysed in terms of technology, organisation, product and service - much as other organisations in Lesotho are found to be limited only to technology of products (Hamidi & Benabdeljlil, 2015:286). Barriers of innovation were also discussed and were mostly found to be leaders, managers and employees.

The second attribute of the CIMA business success wheel that was discussed was the skilled and motivated workforce. The literature showed that a skilled and motivated workforce fosters high performance cultures within organisations, thereby leading to successful organisations (Ross, 2007a:9). This was deemed very important, because in order for organisational strategy to be accomplished, employees are needed as they will be the ones to carry out the objectives. Again, there are many issues that are taken into consideration when trying to motivate employees to perform, such as developing proper policies, strategies, external motivators and so forth. Theories of motivation were then discussed, showing exactly what motivates employees and to what extent they can be motivated. This was followed by employee motivation and what makes them perform in their respective duties.

Next, good governance - being one of the attributes - was reviewed. This is very important, because good corporate governance leads to good business sense, making it easy to attract investors. Corporate governance was defined by CIMA (2011:2) as "the system by which organisations are directed and controlled". The theory further showed that there are drivers of corporate governance, which include increase in globalisation and internationalisation, issues relating to reporting as well as increase in corporate scandals. In addition, two theories that form a basis for corporate governance, namely the stewardship theory and stakeholder theory, were discussed, followed by principles of good corporate governance (transparency, accountability,

responsibility, independence and fairness). This attribute was then wrapped up by discussing the benefits of having good corporate governance, which include risk reduction, good performance and good reputation leading to external support.

Clear and focused strategy was discussed next. This is very important because for organisations, whether big or small, planning and execution of strategy assures sustainable success. Moreover, good strategy leads to a successful organisation. Issues relating to strategic formulation were discussed, stressing its importance, because it gives direction to what the organisation intends to do and its implementation thereof. In addition, two types of strategic planning, which are the rational model and the emergent approach to strategy, were also discussed. Strategic implementation is regarded as more difficult than the planning stage and most businesses fail during the implementation. This is because most of the cost associated with designs will have been incurred already, adding to the expected benefits.

The last section of the chapter dealt with customer value as one of the attributes of the CIMA business success wheel. It is every organisation's goal to satisfy their customers so as to increase their sales and hence their profits. Moreover, it is also important to have long lasting relationships with customers, and to develop and maintain these relationships, which is achieved by creating customer value - although it is not a simple issue. All aspects of customer value were discussed, as well as designs and delivery, which leads to success in organisations.

The literature review in chapter 3 was more centred on management accountants, their roles and contribution to the strategy of an organisation, as well as their assistance in that regard to the board and senior management. Major emphasis was put on the fact that management accountants play an important part in organisations, whether small, medium or large, by providing information - thus playing a bigger role in decision making and therefore leading to successful organisations. In addition, the right set of skills required from people is essential to assist in the successful carrying out of the organisational strategy. It is also in this regard where the importance of management accountants comes in.

The different roles of management accountants, as being more proactive and active in decision making, were discussed in detail - especially because they are more focused on the bigger and broader set of information, both internal and external, of importance to the organisation. The difference between the traditional management accountant and the strategic management accountant was discussed. The American Institute of Certified Public Accountants, AICPA, mentioned strategic management, performance management and risk management as areas that management accountants deal with. To top it all, because most people confuse management accountants with financial accountant, the differences were tabled.

To add to the above, the role of the management accountant in relation to the business strategy was discussed, because they give information regarding financials and operations needed by organisations to achieve the objectives. Management accountants' influence on business strategy was also discussed, especially in relation to the three business strategies being the leader by cost, differentiation and focus strategy. Moreover, the role of the management accountant in strategic decision making was presented in detail - from the formation of the strategy and its analysis - not leaving out both financial and non-financial management accounting tools. Lastly, the aims and the four principles of global management accounting principles (GMAPS) were highlighted.

### **6.2.2 Empirical findings: summary**

The study consisted of both the self-administrative and the semi-structured questionnaires. The main target of the self-administered questionnaires was to get 22 responses, but the researcher only managed to get 18 respondents. In addition, semi-structured questionnaires were aimed to have many interviews, as many as possible, until no further or new information could be found from the participants. In the end, the researcher managed to interview only three participants because, during the fourth interview, it was clear that there was no new information or ideas coming up and the research had therefore reached the saturation point.

Only 18 out of 22 questionnaires handed out were answered and returned by participants (81.8% response rate), 44% of them being females (thus 56% being

males), indicating that there are more males in executive positions than females. This was, however, not the main basis for the study. The majority of them (38.9%) were found to be finance managers, with a percentage of 27.8 in the fourth year of their position in the organisation.

Most of the big Lesotho companies (27.8%) are from the service industry, followed by construction and banking with 16.7%, then mining and telecommunications with 11.1%. The rest are from manufacturing, insurance and then others. The oldest in operation was one organisation formed in 1984, while over half (10) of the organisations were formed in the nineties. This was also an indication of the organisations' number of years of exposure to the business sector, having gone through a lot in terms of the economy and the environment at large.

When studying the attributes of the CIMA business success wheel, strategy was found to be the major driver of innovation, as 55.6% of participants agreed that it is a major driver in their organisations. 44.4% of participants strongly agreed that customer expectation drives innovation in their organisation, while 44.4% moderately agreed regarding the internet and 38.9% agreed that globalisation drives innovation. Moreover, 38.9% of managers showed knowledge as to what stimulates employees' motivation and they also set clear employees' expectations. Only 55.6% of respondents indicated that their organisations is giving attention to employees, and 50% disagreed that employees are held accountable for mistakes that are not part of their work scope. 55.6% of employees do possess the right skills to help them perform their duties. Generally, good corporate governance principles are practiced in big Lesotho companies. Information relating to companies' performance is available to all stakeholders, there are clear lines of responsibility, organisations comply with regulations and stakeholders are treated fairly in the organisation. Furthermore, the majority of organisations (56.6%) believe that customer value is the responsibility of every employee and that its creation is not a once-off thing but an ongoing process.

During the interviews, it came to the fore that organisations were uncertain whether they have a management accountant in their organisation, while at the same time they could not clearly say that their organisation does not have a management accountant. It can thus be deduced that organisations are not fully aware of the roles of

management accountants, probably because the management accountants in their organisations only deal with financials. This then showed that the management accountant's new role has not been appreciated by big Lesotho companies yet, thus they are only partly contributing to the organisation's business success, because they are merely concentrated on the financial acumen and they seem not to have an idea that a management accountant's role also involves the business acumen. In some organisations, the business acumen part of collecting information, spotting it and identifying it is done by professionals in other departments such as economists, marketers etc. and they only pass the information to the management accountants to be used in their analysis. This is due to the size of the organisations, and they are segregating duties.

All in all, big Lesotho companies appreciate that the CIMA business success wheel attributes are needed in an organisation in order to achieve business success and they do possess such attributes in their organisations. However, they do not fully grasp how management accountants can contribute to those attributes, as some companies believe that management accountants are only useful in the manufacturing sector, while others find management accountants useful only in the financial acumen.

### **6.3 ACHIEVEMENT OF OBJECTIVES AND CONCLUSIONS**

In this section the findings of the study are matched with the existing objectives, both primary and secondary.

#### **6.3.1 Primary objective**

The primary objective of this study was to determine whether boards and top-management of big companies in Lesotho appreciate and understand the role of the management accountant with regard to the components of the CIMA success wheel, as facilitators and supporters for successful strategic and operational decision making. Big Lesotho companies appreciate that the CIMA business success wheel attributes are needed and very important attributes in their organisations in order to achieve business success, and they possess such attributes in their organisations. However, they do not fully grasp how management accountants can contribute to those

attributes, as they believe that management accountants are only useful in the manufacturing sector and in the financial acumen. They believe management accountants support strategic and operational decision making only in the planning stage (budgets) and also during the financial performance analysis (variance analysis), but not anything other than that. The business acumen is covered by other departments such as the marketing and economic departments, other than the management accountant. It is therefore concluded that big Lesotho companies do not fully utilise the skills of management accountants, and the boards and top management are not aware of the roles played by management accountants as they only contribute to the financial part in decision making. The three theoretical statements mentioned in 6.1 were proven to be true by the literature review, as the strengths of each component of the wheel provide management accountants with knowledge and skills on how to handle complexities of today's environment, enabling them to facilitate successful decision making. However, as already mentioned, in practice the theoretical statements were found to be half true, because management accountants in big Lesotho companies do not perform their roles to their full capacity. Management and boards are not aware of the wider scope that management accountants can cover in their operations and day to day work in organisations.

### **6.3.2 Secondary objectives**

The secondary objectives assisted in the achievement of the primary objective.

*6.3.2.1 To explain the attributes needed by an organisation in order to achieve success in business as per the wheel.*

This objective was covered in chapter 2, as the five attributes were discussed in detail, defining them, indicating why they are needed by an organisation and how they help in the achievement of business success. Moreover, even during the interviews, it came to the fore that big Lesotho companies do appreciate the components of the wheel. They even went further during the interviews to show their importance in their respective organisations.

*6.3.3.2 To explain how management accountants contribute to the components of the CIMA business success wheel.*

The literature reviewed in chapter 3 answered this research question by detailing the roles of management accountants, their contribution in decision making and how they help in bringing success to organisations.

*6.3.3.3 To determine whether boards and top management are aware of management accounting skills in contributing to decision making with regard to the components of the wheel for sustainable organisational success.*

Questionnaires to answer this research question were developed. Boards and top management of the big Lesotho companies are only partly aware of the management accounting skills in contributing to decision making, as the information they get from management accountants is only related to the financials. Therefore management accountants do not fully contribute to decision making, whether strategic and operational.

*6.3.3.4 To investigate if the skills of management accountants are utilised to their full capacity in organisations.*

Interviews were held with members of top management and members of the boards of big Lesotho companies. The study found that management accountants' skills are not utilised to their full capacity. Companies do not have an office responsible for management of accounts, instead their heads of accounting deal with all financials, including the management accounting aspect. Management accountants are mostly utilised during the budget process and the analysis of the spending within an organisation. Other roles of management accountants, such as the analysis of the environments, are altogether done by different departments.

*6.3.3.5 To analyse whether there is a gap between how top management and the board see the role of management accountants in organisations and the view of their role as found in literature.*

Chapter 5 covered the analysis regarding data, collected via questionnaires and interviews in relation to the related literature review to the study, in detail. The analysis found a gap between how management and the board are viewing the role of management accountants as opposed to the views found in literature. For example, management accountants “understand how different parts of the business need to come together resulting in them being trusted to guide critical business decisions and drive business performance because they combine the financial expertise and the business acumen to achieve sustainable business success” (CIMA, 2014b:2). As per the results from the interviews and the questionnaires, it is not the case with management accountants of big Lesotho companies. They drive business performance from the financial expertise, not the business one.

Sunarni, (2013:618) showed that it is not always the case to find an individual in organisations with the title of ‘management accountant’, but there is always someone who does the functions of management accountant. This also shows that most organisations do not regard management accountants as important, and they are of the opinion that anyone who did a financially related course can do management accounts and still master it like someone who did management accounting as a course. That is why big Lesotho companies do not have management accounting personnel.

Organisations are not fully aware of the role of the management accountant, probably because management accountants in their organisations only deal with financials. The management accountant’s new role has not been appreciated by big Lesotho companies. The management accountants’ role has changed from a passive role of being just producers of financials, to a more proactive role as being more active participants in decision making and also being more focused on a bigger and broader set of information which is both internal and external to the organisation (Paulsson, 2012:378).

Management accountants in big Lesotho companies are partly contributing to business success, because they are only concentrated on the financial acumen and companies seem not to have an idea that the management accountant’s role also involve the business expertise. Pietrzaka and Wnuk-Pel (2015:282) regarded a

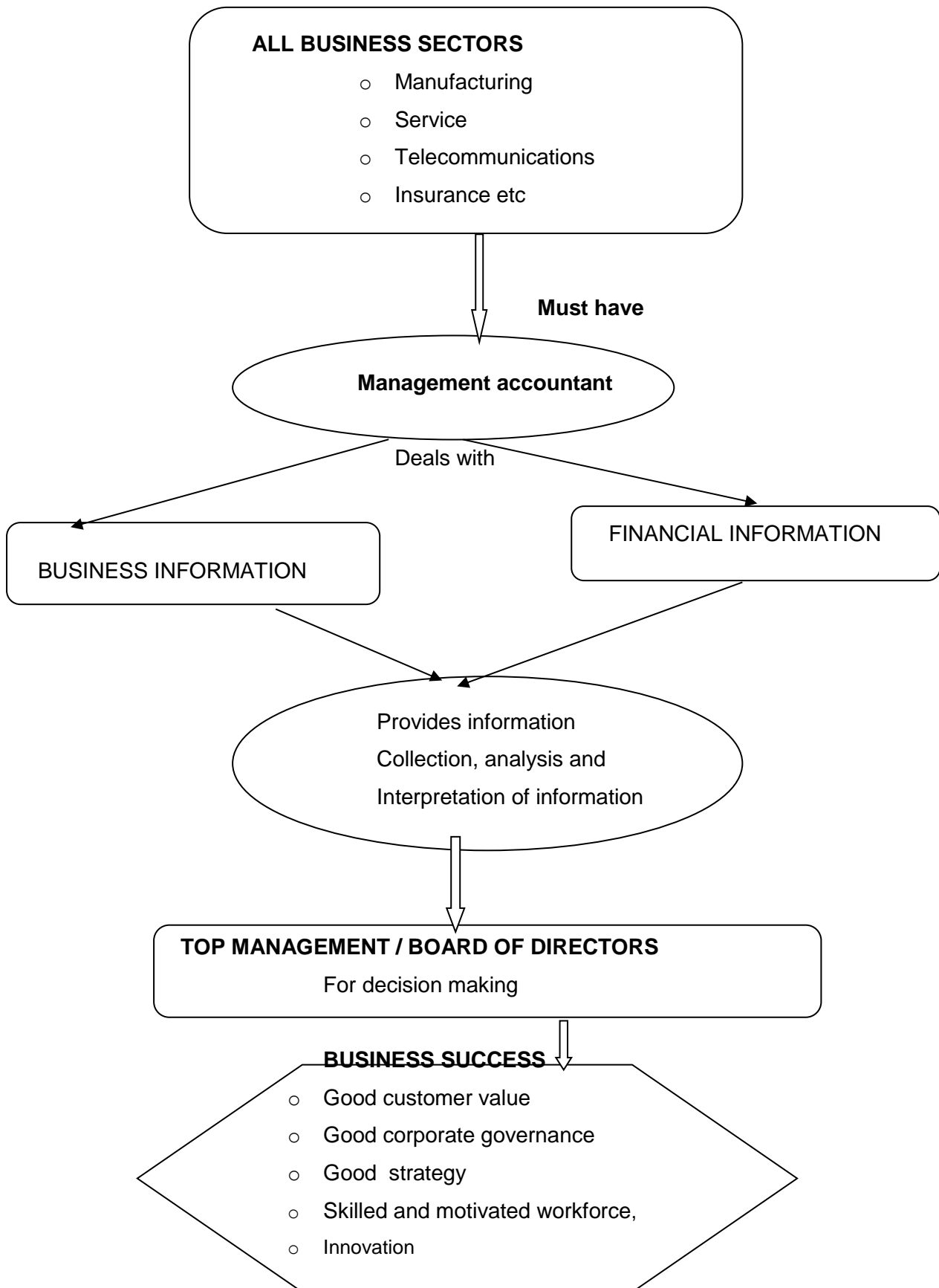
management accountant as business support or an internal business consultant. They need a deeper understanding of the whole business, not leaving behind the business model and the entire operating environment in order that the risks faced by the business, as well as opportunities, can be explored and known (CIMA, 2014a:6).

Organisations believe it is only in manufacturing companies where management accountants can be fully utilised. To them a management accountant's role is solely centred on costing of products. This shows that most organisations still use management accountants from the traditional point of view where their roles were solely focused on cost keeping (Sunarni, 2013:618).

During the review of strategy, the role of management accountants only came up where figures were the main concern, not anything else which might involve the business environment.

*6.3.3.6 To build a model, based on the gap analysis found in this study, to assist top management and boards on how they can fully utilise the expertise of management accountants as a tool for sustainable success.*

Figure 6.1 below represents a model by the researcher to assist top management and the board, based on the gap analysis.



**Figure 6:1 Researchers model**

## **6.4 RECOMMENDATIONS**

- Organisations are recommended to have a management accounting staff member who will be responsible for providing the board and top management with management reports and information that include both financial and non-financial matters.
- Organisations must also make all management accounting tools available for management accountants to use, and should also widen the job descriptions of management accountants so that they can be able to show and perform their capabilities to facilitate business success.
- Organisations are also advised to join the professional bodies such as the Chartered Institute of Management Accountants so that they can be better equipped with the information relating to the management accounting profession.

## **6.5 RECOMENDATIONS FOR FURTHER RESEARCH**

Regarding the limitations of this study, as was already shown in chapter 1, only big companies in Lesotho were the focus of the study because of financial and time constraints. As a result, any future research related to this topic should also include the small scaled companies as well as the public sector in order to get a broader overview of the management accountant's role in facilitating decision making for organisational success. In addition, during the questionnaire collection of data, only 18 companies out of the 22 - which was the total number of big Lesotho companies – took part in the study. Therefore future research could include as many questionnaires as possible received from small and medium companies in Lesotho in order to establish if the present findings apply in other aspects as well.

This study did not incorporate all the attributes of the CIMA business success wheel. It would therefore be very valuable for future research studies to include all the attributes in the study in order to establish their relation to management accountants

as well. Furthermore, only Lesotho companies were used in this study. It would therefore be of importance for future researchers to study companies in other countries as well, whether big, medium or small, to get a better understanding of the role of the management accountant in facilitating business success. More importantly, further research could also incorporate management accountants themselves - in addition to the executive members of the organisation – during the interview process to ascertain their roles in the organisations,.

## **6.6 ASSESSMENT OF THE STUDY**

This study is scientific because the researcher followed a systematic process during the research and also because new knowledge has been revealed.

### **6.6.1 Systematic process**

Regarding the scientific study, the research started off by identifying the research problem which is based on the statement that management accounting is more than what most managers and board perceive it to be, that it is more than just costing of products and services, including both financial and business expertise and understanding how different parts of the organisation need to come together for effective *decisions* within the organisation (CIMA, 2011:1). The problem was then converted into the research question:

*What are top management's and the board's perceptions of the role of the management accountant in facilitating (and or supporting) the decision-making process with regard to the nine qualities in the CIMA business success wheel?*

From the research question, the primary objective of the study was formed, followed by the secondary objectives which were utilised in answering the primary research question. To achieve the objectives, recent literature was studied, followed by the empirical study. Moreover, there were findings obtained from the empirical study which then led to the conclusions of the study, as well as recommendations for the big Lesotho companies and recommendations for further research on the topic.

### **6.6.2 Contributions of the study**

The researcher hopes that the study will bring change to how top management and boards perceive management accountants, not only in big companies in Lesotho, but also in medium and small companies internationally.

This study has made the following contributions to literature: In this chapter, figure 6.1 represents a simplified model by a researcher to assist top management and the board on how they can bring about success in their organisations by engaging management accountants.

Recommendations were made based on the findings of this study, namely as to why having a management accountant staff member in office would help in facilitating business success, and also on the benefits of making use of management accounting tools in their organisations.

Recommendations for further research, which could contribute even more to the literature, were spotted and presented.

The study contributes further to the literature by adding a broader look on how management accountants could be of value to organisations and their success, and further by addressing the call for change on how boards and top management perceive management accountants and their roles in Lesotho, as well as abroad.

### **6.6.3 Value of the study**

The study may be of value to the board of directors of organisations, management of the organisation, the management accounting profession as well as other stakeholders. The value may be as follows:

Conclusions from the study may have benefits for big Lesotho companies, especially those that participated in the study, by highlighting areas that need special attention as well as pointing out ways of capacitating management accountants in their organisations in order for them to aid in making a successful business.

#### **6.6.4 Limitations of the study**

The originality is that this is the first study to determine whether boards and top-management of big companies in Lesotho appreciate and understand the role of the management accountant with regard to the components of CIMA success wheel, as facilitators and supporters for successful strategic and in operational decision making. However, below are limitations in this research:

The study was only limited to the available companies for interviews, and also only those considered as big. This was due to financial and time constraints. As a result, information gathered might be a limited reflection of the role of management accountants as facilitators for sustainable business success. Moreover, this study cannot rule out the probability that data provided by managers was subjective and based on their dissimilar industries. To add on, during the questionnaire collection of data this study was only carried out on 18 out of the 22 companies, which was the total number of big Lesotho companies. This study did not incorporate all the attributes of the CIMA business success wheel and only Lesotho companies were used for the study.

#### **6.7 SUMMARY**

This chapter included discussions from the previous chapters regarding the conclusions to the study as a whole, paying particular attention to the research findings and objectives. A brief view of all the already covered chapters was presented. The findings of all the chapters were also discussed and highlighted, not leaving out the model proposed to the top managers and board of companies. Lastly, recommendations that would assist improved research in future and that would add knowledge to academics in a constructive way, was also presented.

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## Appendix A

### Questionnaire



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27 September 2016

#### TO WHOM IT MAY CONCERN

#### MCom studies: Ms ML Tilo

I hereby confirm that Ms ML Tilo is currently an enrolled student at the Potchefstroom Campus of the North-West University. The approved title of her masters' dissertation is: "The role of management accountants to facilitate sustainable business success in big Lesotho companies". She completed the literature study and the research design and is now ready to gather data by interviewing senior executive personnel or board members at Lesotho's big companies.

Kind regards

Merwe Oberholzer

Digitally signed by Merwe Oberholzer  
DN: cn=Merwe Oberholzer, o=North-West University, ou=School of  
Accounting Sciences, email=merve.oberholzer@nwu.ac.za, c=ZA  
Date: 2016.09.28 09:11:41 +02'00'

Merwe Oberholzer  
(Professor)

# THE ROLE OF MANAGEMENT ACCOUNTANTS TO FACILITATE SUSTAINABLE BUSINESS SUCCESS IN BIG LESOTHO COMPANIES

## SECTION A

### GENERAL INFORMATION OF THE PARTICIPANT

This section covers the general background of the participant. Please indicate by ticking the appropriate answer in the box.

1. Please indicate your gender

Male	
Female	

2. Please fill in the answer in the space provided

a) What is your designation in the organisation?

-----

b) How many years have you occupied your current position?

-----

c) When did you join the organisation?

-----

## SECTION B

### NATURE OF THE BUSINESS

This section covers the general background of the organisation. Please indicate by ticking the appropriate answer in the box.

1. Type of industry

Service	
Manufacturing	
Mining	
Construction	
Insurance	
Tele communication	
Banking sector	
Others (specify)	

2. Departments in an organisation

Finance	
Human Resource	
Procurement	
Information	

Administration	
Information Technology	
Others (specify)	

3. Please fill in the answer in the space provided

a. When was the organisation formed?

-----

b. What is the number of employees in the organisation?

-----

### SECTION C (CIMA BUSINESS SUCCESS WHEEL)

Please indicate by ticking in the box the extent to which you agree with the following:

#### 1. Innovation

a. The following are the drivers of innovation of products and or services in my organisation

	Strongly disagree	Disagree	Moderately agree	Agree	Strongly agree
Globalisation					
Customer expectation					
Internet					
Strategy					

b. Type of innovation normally taking place in my organisation

	Strongly disagree	Disagree	Moderately agree	Agree	Strongly agree
Technological innovation					
Organisational innovation					
Product innovation					
Process innovation					

c. The following are considered as barriers of innovation in my organisation

	Strongly disagree	Disagree	Moderately agree	Agree	Strongly agree
Leadership					
Employees					
Organisational structure					

## 2. Skilled and motivated workforce

	Strongly disagree	Disagree	Moderately agree	Agree	Strongly agree
My organisation gives attention to employees					
Managers know what stimulate employee motivation					
Clear expectations of what is desired from employees is set by managers					
Employees are held accountable for mistakes that do not form part of their scope of the job					
When employees have performed exceedingly well, they are rewarded with incentives					
Decision making is only done by management					
Our employees possess proper skills for their jobs					

## 3. Good governance

The following principles of corporate governance apply in our organisation

	Strongly disagree	Disagree	Moderately agree	Agree	Strongly agree
Transparency					
Accountability					
Responsibility					
Independence					
Fairness					

## 4. Clear and focused strategies

	Strongly disagree	Disagree	Moderately agree	Agree	Strongly agree
Strategy is planned at the top ladder in an organisation and imposed down to the operational level					
Strategy is developed as the daily operations proceed and the activities of the organisations					
Our vision is focused to what we deliver					
We always analyse the environment before formulating our strategy					

## 5. Customer value

	Strongly disagree	Disagree	Moderately agree	Agree	Strongly agree
It is the responsibility of every member of the organisation to create customer value					
Process of creating customer value is not a once off thing					
Customer centricity is of high focus in our organisation					
Image, quality, price and services are all given equal attention					

## SECTION D (MANAGEMENT ACCOUNTANT, ROLES AND STRATEGY)

1. Does your organisation have a management accountant? (Please tick the correct answer in the box)

Yes	
No	
Uncertain	

### 2. Role of management accountant and Strategy

Please indicate by ticking in the box the extent to which you agree with the following;

a. Management accountant in our organisation deals with the following:

	Strongly disagree	Disagree	Moderately agree	Agree	Strongly agree
Financial acumen					
Business acumen					
Strategic management					
Risk management					
Performance management					
Identifying information					
Presenting information					
Interpreting information					

b. My organisation uses the following business strategy

	Strongly disagree	Disagree	Moderately agree	Agree	Strongly agree
Leader by cost strategy					
Differentiation strategy					
Focalization strategy					

### 3. Management accountant and strategic decision making

a. How is your management accountant of assistance in making strategic decisions?

	Strongly disagree	Disagree	Moderately agree	Agree	Strongly agree
They spot, point out, identify and collect major important information.					
They make sense of information collected by measuring and interpreting it.					
They then analyse such information to make it more meaningful and useful to users.					
They communicate findings.					
If there is any need for any alterations what so ever, management accountants plan it together with other managers.					

b. The following strategic management accounting tools are used in my organisation for producing reports

	Strongly disagree	Disagree	Moderately agree	Agree	Strongly agree
SWOT					
Porters Five force model of competition					
PASTEL					

#### 4. Management accountants and financial decision making

The board / top management of my organisation are involved in the following decisions.

	Strongly disagree	Disagree	Moderately agree	Agree	Strongly agree
Financial decisions					
Investment decisions					
Dividend decisions					

#### 5. Global Management Accounting Principles

To what extent do you agree with the following?

	Strongly disagree	Disagree	Moderately agree	Agree	Strongly agree
Communication provides insight that is influential					
Information is relevant					
Stewardship built trust					

## Section E interview

1. Which reports are prepared by management accountant in your organisation?
2. How do management accountants contribute to a successful business in your organisation?
3. How do the board and top management get supporting information for review of the strategy?
4. How often is the strategy reviewed?
5. Does the company make use of management accounting reports and how often are the reports prepared?
6. What kind of information does the management accountant provide to the board?
7. What is your opinion of management accountant's office and its roles / duties?
8. What is the role of management accountant in decision making?
9. Is the board aware of management accounting skills in contributing to decision making?
10. Which financial reports are presented to the board for discussions?
11. Provide a brief view of what the management accountant in your organisation does.
12. Is innovation major successes attribute in your organisation? Explain.
13. How often does your organisation innovate their products and services and what propels it to do so?
14. To your opinion, are management accountants utilised to their full capacity in your organisation?
15. What does your organisation do to motivate your workforce?
16. Are your employees involved in decision making processes? Explain.
17. Does your organisation practice corporate governance principles (transparency, responsibility, fairness, accountability, independence)?
18. What does your organisation do to show that they value their customers?
19. Who is responsible for creating customer value in your organisation? Explain.

## **Appendix B**

### **Consent Form for Participation in a Research Study of North-West University**

#### **THE ROLE OF MANAGEMENT ACCOUNTANTS TO FACILITATE SUSTAINABLE BUSINESS SUCCESS IN BIG LESOTHO COMPANIES**

##### **Description of the research and your participation**

You are invited to participate in a research study conducted by Miss NtebohelengTilo. The purpose of this research is to determine whether boards and top-management of big companies in Lesotho appreciate and understand the role of management accountant with regard to the components of CIMA success wheel, as facilitators and supporters for successful strategic and operational decision making.

Your participation will involve answering 14 survey questions and 19 face to face interview questions. The researcher will ask you questions relating to the general success of your business as well as the role played by management accountants in companies. The survey will take you approximately 10 minutes to complete and the interview will go as far as 30 minutes to complete. This research will include audio recording which will be heard by the researcher Ms.Tilo and will be kept safely for at least six months after the submission of the research. Thereafter it will be shredded.

##### **Risks and discomforts**

There are certain risks or discomforts associated with this research. They include the recordings which may pose discomfort related to confidentiality. However, the researcher will keep the recorder safe in her locked safe box for the six months after the research has been completed. Even during the transcribing of data the researcher will use head phones.

##### **Potential benefits**

The participant/company can get a summarised copy of the results of the study.

### **Protection of confidentiality**

The questionnaire will not ask you for any information that could be linked to you. The transcripts of the tapes will not have any information that could be linked to you. As mentioned, the tapes will be destroyed 6 months after the study ends. All information obtained in this study is strictly confidential.

### **Voluntary participation**

Your participation in this research study is voluntary. You may choose not to participate and you may withdraw your consent to participate at any time. You will not be penalized in any way should you decide not to participate or to withdraw from this study.

### **Contact information**

If you have any questions or concerns about this study or if any problems arise, please contact Miss N. Tilo at telephone number +266 58907819 / +266 67208062.

### **Consent**

**I have read this consent form and have been given the opportunity to ask questions. I give my consent to participate in this study.**

Participant's signature \_\_\_\_\_

Date: \_\_\_\_\_

A copy of this consent form should be given to you.

## Appendix C

### Transcribed interview and content analysis

#### Abbreviations:

Q: Question

A: Answer

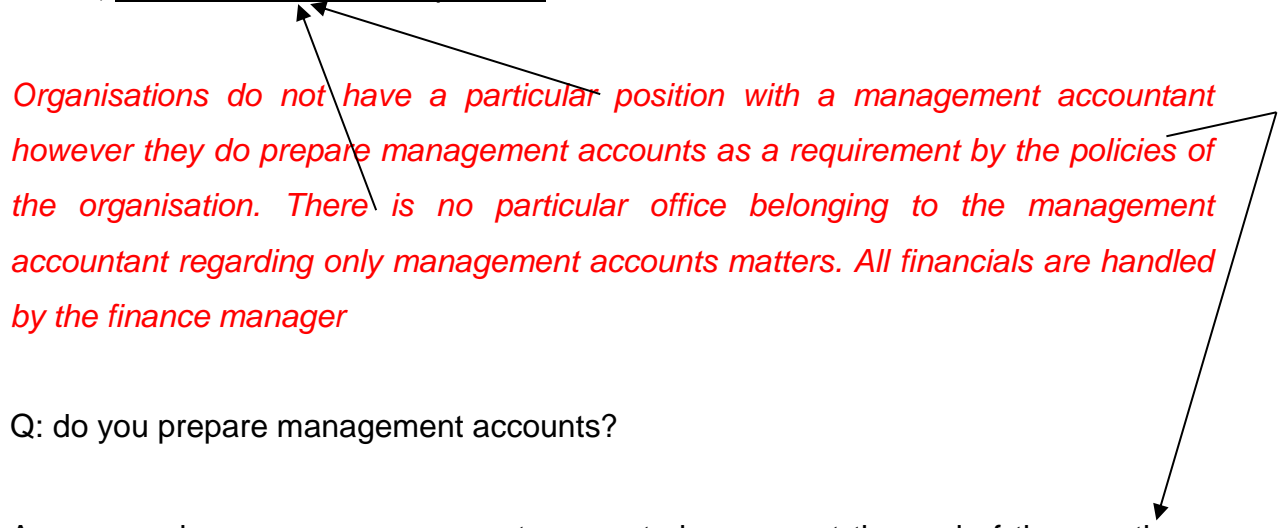
#### Interview 1

The participant is the financial Manager in one of the big Lesotho Companies which is based only in Maseru the capital town of Lesotho and this is his 8<sup>th</sup> year occupying the position.

Q: Do you have the position of a management accountant in your organisation?

A: NO, we do not have it as a position.

*Organisations do not have a particular position with a management accountant however they do prepare management accounts as a requirement by the policies of the organisation. There is no particular office belonging to the management accountant regarding only management accounts matters. All financials are handled by the finance manager*



Q: do you prepare management accounts?

A: yes we do prepare management accounts because at the end of the month we have to produce management accounts.

Q: Which management accounting reports does your organisation prepare?

A: our requirement as an organisation is to produce budget and expenditure analysis (income statement), statement of financial position, cash flow statement. But most importantly the preferred one is to analyse the budget by comparing it with the actual expenditure on a monthly basis- for the organisation and then on quarterly basis for the board.

*Organisations use management accounts from the financial perspective not a business perspective as all reports that are prepared for management accounting purposes are only financials*

Q: do management accountants contribute to the success of your business?

A: Most of our finance / accounts staff have an ACCA qualification which is mostly focused on the financials unlike someone with a management accounting qualification CIMA or ACCA with a post grad in management accounting. However, they do have basics of management accounting but cannot be compared to someone who specialised in CIMA. But we do achieve the purpose and objective of the business.

*Management accountants are partly contributing to business success because they are only concentrated on the financial acumen and they do not seem to have an idea that a management accountants role involve also the business acumen. Moreover all their "finance staff" have a qualification of ACCA which is mostly if not all deals with financial accounting.*

Q: Does the board and company make use of management accounting reports?

A: Yes Yes we do and we consider them as very important reports. Because of the scares resources we need to control our budget, manage resources and also practise them still analysing risk.

*Again only the financial part of management accounting pops up! Information that is provided to the board by management accountants is purely financial and fortunately the board or management makes use of it.*

Q: So what is your opinion regarding the role of a management accountant?

A: they are normally needed at the planning stage when we do company budgets projecting. This is their core and biggest responsibility to control, monitor the company's budget. Another important role which happens on the daily basis is the cash flow projection for the following month's activities and then link with the ones from accounts whether cash will be available to carry out desired activities. At the end of the month they prepare the already mentioned reports and do variance analysis and advice accordingly to the management for decision making purposes.

*Organisations are not fully aware of the roles of management accountant probably because to then management accountants only deal with financials only. More emphasis was put on the planning stage where budgets are drawn and also they are more utilised in the monitoring stage when they deal with variance analysis. There is a lack of knowledge regarding the role of a management accountant I think hence the reason they do not have such a post.*

Q: provide a brief view of what a management accountant in your organisation does

A: this question goes hand in hand with the previous question. He is a person who does the financial planning, control, advice management on the spending of funds. Some companies say internal audit person is responsible for assessing risk. However financial risk in my opinion is done by a management accountant.

Q: Are management accountants utilised to their full capacity in your organisation?

A: NOOOOO. I do not think so because they do reports according to what is needed by the company, even the company structure channel its roles. Moreover job descriptions stipulated by the company. Therefore their role is based on the company's job description. Even in Lesotho as a country we do not have many manufacturing companies which is where management accounts are utilised because their duties there are mainly costing of material, labour etc. So some companies like ours really even if we have a management accountant they would only be for pricing of our services therefore they are not fully utilised.

*Employees only perform duties that are within their job description.*

*Management accountants are more needed in the manufacturing companies than services related industries.*

*Organisations believe it is only in manufacturing companies where management accountants can be fully utilised. So to them a management accountant job is centred on costing of products even services more than any other area.*

Q: do you get any information from management accounts used for review of your strategy?

A: Exactly because we will be having the strategic plan which details out the activities to be carried out by the organisation. So those activities have to be planned and budgeted for. Management comes up with activities and the management accountant translates them into financials (budget).

*During the review of strategy management accountant only comes up where figures are concerned not anything other than that involving the business environment maybe.*

Q: How often is your strategy reviewed?

A: Ummm. We review it after every 4 years. What we normally review from time to time I would say is the activity plans which is done on quarterly basis when we realise certain activity did not materialise we give it another timeline.

*Organisations use the emerging strategy approach.*

Q: is the board aware of management accounting skills in contributing to decision making?

A: Yes, reports from financials and accounting are headed by the committee called finance committee. We also have risk and audit committee. So the plans are reviewed in such committees, even budgets are reported to them. Therefore they are highly aware of it.

*The board is only aware of management accountants' contribution to decision making on the financial part of it not as far as the whole business environment is concerned.*

Q: Which financial reports are presented to the board?

A: We had already touched on that quarterly management accounts , then produce our final accounts at the end of the year.

Q: Is innovation major successes attribute in your organisation?

A: It is because you come up with new ways of doing business as well as new systems. Whatever that will lead to achieving Key Performance Indicators!. It is even more important when we come up with new products and services.

*Organisations acknowledge that innovation is an important attribute for success even in their own organisation and it leads to them achieving success.*

Q: how often does your organisation innovate their products and what propels it to do so?

A: In our strategic plan we had set for ourselves that number one objective must be to develop new programmes at least two in a year.

*Main innovation taking place here is product innovation and it does not happen regularly. Customers drive their innovation.*

Q: so what propels you to do so?

A: demand of programmes not available in our country and also to increase on our income.

Q: How do you motivate your employees?

A: 1. starting from the strategic plan we buy them in. They participate in the strategic plan process, and even during the implementation of the strategy, so that motivates them as they come up with activities.

2. reward. Our organisation is one of the best paying in the country.

3. **Training and development; especially those that are out of the county making extra money out of travelling allowances.**

*Employees are involved in the making of the strategy. Remuneration policy in the organisation is used to motivate employees*

Q: so your employees are part of the decision making team?

A: Yes. They do. We communicate and report back to them. Again the important thing to mention besides the executive committee we have what we call management involving all the heads of the sub units.

*Employees are involved in decision making and management communicates back to them.*

Q: What does your organisation do to show that they value their clients / Customers?

A: we make sure that our curriculum is available to them. We have also invested on the internet.

Q: who is responsible for creating customer value?

A: errrr, our administration department. Management accountant only comes in when we talk of figures.

*Management accountants are not involved in the ground work of creating customer value*

Q: Do you practise Corporate governance?

A: too muchin fact our business is highly ethical and our structure shows that. Therefore everything goes by the book, we do protocol here.

*The organisation regards highly of corporate government issues*

## **Interview 2**

The participant is the chief Finance Officer in one of the big Lesotho Companies which has branches in all ten districts of Lesotho. However the participant is works at the headquarters based in Maseru the capital town of Lesotho and this is his 4<sup>th</sup> year occupying the position.

Q: Does your organisation have a management accountant and do they actually do in your organisation.

A: a company like us; most definitely we do have a management accountant. They deal with budget, management reporting on numbers, commentary on the financials, analysis and movements of money (variance analysis).

Q: so you mean your management accountant only deals with financial acumen?

A: eehhh... not really. I think it depends on the nature of business, what you need to understand is that a big corporate like this, you can have a person with CIMA qualification doing totally different thing from management accounting.

Yes our management accountants do advice the board and management on the business acumen. During the budgeting process, you can never do it without SWOT analysis for example, you have to take it into account. Also you need to understand that the bigger you grow the more you decentralise more than centralise. So we have people who will be bore concentrated on environmental factors and therefore our management accountant get such information from them. People like, economic analyst from the economic desk whose qualification is economics.

So I would say definitely when it is a sizeable organisation, management accountant do both the business and the financial acumen. Even in our institution, we are not in a position where we can say we will only recruit cost or management accountants for management accounting position. We take positions across like ACCA, MBA etc because we believe it is one family.

*Even when positions of a management accountant exist in the company, their job descriptions is more centred on financials than business. This is due to segregation of duties because the size of the organisation.*

*The business acumen part of collection of information, spotting it and identifying is done by other departments such as economists, marketers and only pass on that information to a management accountant for use in their analysis of financials.*

*Organisations employ people with certain qualifications for example like ACCA to actually work on totally different field of their study, for instance sales.*

*Organisations also think that management accountants are only more of value in certain types or nature of business.*

Q: So how many management accountants do you have?

A: 5 People.

Q: Which reports do they prepare?

A: Budgets, variance analysis, they project years, expenditure and income projection, analysis of the economy through the assistance of the economics desk, client value chain analysis with the clients that we have.

*Management accountants in organisations prepare financial reports*

Q: Do they provide this information for decision making by the board?

A: Yes yes !!! To the board even our shareholders, the regulators...

*Management accounting reports of organisations are also presented to other stakeholders apart from the board.*

Q: So what you are basically saying is that management accountants contribute to the success of the business?

A: yes yes and yes. That guy is extremely extremely powerful in our company.

*Management accountants are highly valued in organisations because of their inputs in the success of the organisation.*

Q: ...and your opinion on the role of management accountant?

A: we are one of the few companies in the country where management accountants can say are utilised close to their full capacity probably because in financial services we are number one and in the country as a whole we are second to one mining company. We have proper structures that talk to management accountants in terms of the role, as a result the role is there.

*Management accounting in organisations are not utilised to their full capacity. Management accountants have a lot to deal with they even work beyond 8am – 5pm.*

Q: are they then utilised to their full capacity?

A: very close to their full capacity. The man leaves this place around 12.00 am.

Q: Does the board and management and management get supporting information from management accountant in their strategy?

A: yes. You can say that because for example they can say looking at opportunities which did not materialise previously; based on one and two this year we think four and five will happen and we do not foresee things that you have been referring to happening. Our management accountant have five people that are reporting to him and no, not just financial people but also others.

*Management accountants support the board during their strategy especially more on the financial.*

Q: So how often do you review your strategy?

A: we do it ... eerr. We actually have what we call a mild review which is done on the monthly basis where we meet as the executive to track our processes. We have the one of every July where we sit and project .we also have the November review where we say how far have we gone?. The review that is done monthly is based on the key pillars or drivers and it is done by everyone in different departments on their deliverables.

*Organisations use emergent strategy approach*

Q: which financial reports are presented to the board for discussions?

A: quarterly management accounts which incorporates all the reports we have discussed earlier.

Q: Is innovation your major success factor?

A: Yes of course it is. And even as we speak we have so many things in our pipeline that we need to innovate costing millions of Maloti. We might have delayed in some of our products compared to our competitors but we will surely get there.

*Innovation is considered by organisations as a major success attribute and organisations constantly innovate their products.*

Q: how often do you innovate your products and or services?

A: regularly. We will be updating our atm cards by next year with a budget of about M700m. Because we do not have the brother company and that we are on our own we first have to make money then invest. In the coming year we will be launching many products.

*Organisations invest more in innovation.*

Q: So this really shows how you always have your customers in mind and how you value them.

A: Yes, we are thinking of our customers every second. For example we have at four boarder post/atms where our customers are able to access the rand currency whereas in the past years it was only found in Maseru boarder.

*Organisations highly value their customers and want services to be accessible to them at all costs.*

Q: who is responsible for creating customer value?

A: mmmmm ... (long silence) i can say it is not just one department responsibility. People from sales, risk, compliance, and others. We are a team. Even now we have everyone sitting on their table creating customer value.

*Many departments if not all are included in the part of creating customer value in organisations.*

Q: are your employees involved in decision making?

A: yes they are. They are forever being involved. We meet regularly to give them our monthly report, we connect with them. The moment we start making decisions on our own we will not pass because we deliver through them.

*Communication in organisations is both ways between management and the employees.*

Q: how do you motivate them apart from involving them in decision making?

A: Aaaa, in so many ways. I can definitely say we have a very good definition criterion. We do it in a form of remuneration. 2. Just a pat on their shoulder to say well done. 3. We have a talent pool where we sponsor them and this includes taking them for a vacation with their families. 4. Bonuses for exceeding their targets.

Q: do you practise corporate governance.

A: Yes it is obvious we do. We have very strong reporting structures even to our stakeholders. This shows that we are trying to be fair in everything we do. We account for everything.

### **Interview 3**

The participant is the Financial Controller in one of the big Lesotho Companies based in Maseru and he is in his 6<sup>th</sup> year occupying the position.

Q: Does your organisation have a management accountant and what do they actually do in your organisation.

A: noooo, not really. We do not a management accountant personnel per say. I may be labelled as a financial controller but I am a management accountant as well because I do management accounts. We are more hands on during the budget process of the company, we are also requested to do monthly reports for the board, performance analysis of income and expenditure, we also prepare and interpret the annual accounts for the board and other stakeholders, ya that is basically it.

*Organisations do not have management accounting personnel but the heads of finance sections are regarded as management accountants and are expected to deliver as management accountants would.*

Q: so you mean your management accountant only deals with financials?

A: eeeeehmmmm. What do you mean by only financials? Anyway I will answer your question by saying that management accountants fall under the finance department and yes we deal with only financials. However during the analysis we try to meet with other heads of departments and get their views as to why the organisation performed the way it did, especially relating to their cost centres. As for us we also analyse more and come up with reasons relating to the finance department. We however compile all the information from different departments and report it as one document.

*Management seems not to know the overall scope of what management accountants can do. Information regarding sectors related to the business environment and the rest comes from other department and is not solely based on the management accountant.*

Q: Do they provide this information for decision making by the board?

A: oh Yes yes !!!it is definitely used for decision making..

Q: So what you are basically saying is that management accountants contribute to the success of the business?

A: yes I can say they do and so do other personnels in the organisation. For example, if the board sees the report of how much they are spending on certain activities, they can decide that we cut off or maybe come up with another way of how funds can be utilised.

*The board's decision is based on and influenced by the financial reports*

Q: and your opinion on the role of management accountant?

A: honestly speaking my opinion would be that yes they are very important and useful in our organisation, but really it depends on the nature of the business, management accountants or cost accountants role is to deal with the costing of goods and services so there are highly relevant in manufacturing industry more than in the service industry. In our company yes the role is there but very minimal.

Q: are they then utilised to their full capacity?

A: like I said, because we are not a manufacturing company, they are not utilised to their full capacity. In fact, I am a financial controller who studied financial accounting but I am still able to prepare management accounts without necessarily being a management accountant.

*Organisations don't regard management accountants as important and they find it that anyone who did a financially related course can do management accounts and still master it.*

*organisations do not fully appreciate the role of management accountant.*

Q: Does the board and management and management get supporting information from management accountant in their strategy?

A: of course because for any activity that the board wants to do they ask me whether funds will be available to perform such a project.

*Management accountants only give supporting financial information to management and the board, ignoring the effects that could be brought by the business environment in general*

Q: So how often do you review your strategy?

A: we review it every five years.

Q: which financial reports are presented to the board for discussions?

A: we have already dealt with that part when you began with the interview.

Q: Is innovation your major success factor?

A: yes it is and I think this applies to every company. However with us, we don't frequently innovate because we are a service company.

*Organisations believe that service companies do not need to be innovated as much companies offering products.*

Q: Do you value your customers and who is responsible for creating customer value in your organisation?

Yes we do value our customers regardless of knowing that we are the only company in Lesotho that provides the services we have (laughs out loud). (Shakes shoulders), not in a bad way but whether we like it or not we will always have clients to serve because they have no one else apart from us. Coming to your other question, everyone in our organisation is actually responsible for creating customer value.

*Monopoly companies do not really care that much for their customers because they know they will always have them.*

Q: are your employees involved in decision making?

A: yes they are involved because whenever we have a management meeting every head of department is expected to report back to them for any inputs regarding their sections.

Q: how do you motivate them apart from involving them in decision making?

A: by paying them salaries. We sometimes allow organise raining workshops.

**THEMATIC CODING FROM TRANSCRIBED DATA**

Themes	Sub-Themes	Reponses
<p>1. <span style="border: 1px solid black; padding: 2px; display: inline-block; transform: rotate(-90deg); transform-origin: left top;">Management accountants role</span></p>	<p>Organisations do not have a particular position of a management accountant however they do prepare management accounts as a requirement by the policies of the organisation.</p> <p>There is no particular office belonging to the management accountant regarding only management accounts matters. All financials are handled by the finance manager</p> <p><i>Management accountants are partly contributing to business success because they are only concentrated on the financial acumen and they do not seem to have an idea that a management accountants role involve also the business acumen. Moreover all their "finance staff" have a qualification of ACCA which is</i></p>	<p>...we do not have it as a position.</p> <p>... we do prepare management accounts because at the end of the month we have to produce management accounts.</p> <p>noooo, not really. We do not a management accountant personnel per say. I may be labelled as a financial controller but I am a management accountant as well because I do management accounts</p> <p>...they do have basics of management accounting .</p> <p>...finance / accounts staff have an ACCA.</p>

	<p><i>mostly if not all deals with financial accounting.</i></p> <p><i>Organisations are not fully aware of the roles of management accountant probably because to then management accountants only deal with financials only. More emphasis was put on the planning stage where budgets are drawn and also they are more utilised in the monitoring stage when they deal with variance analysis. There is a lack of knowledge regarding the role of a management accountant I think hence the reason they do not have such a post.</i></p> <p><i>Management accountants are more needed in the manufacturing companies than services related industries.</i></p> <p><i>Organisations believe it is only in manufacturing companies where management accountants can be fully utilised. So to them a management accountant job is centred on costing of products even services more than any other area.</i></p> <p><i>Organisations don't regard management accountants as important and they find it that</i></p>	<p>... normally needed at the planning stage when we do company budgets projecting. This is their core and biggest responsibility to control, monitor the company's budget.</p> <p>Even in Lesotho as a country we do not have many manufacturing companies which is where management accounts are utilised because their duties there are mainly costing of material, labour</p> <p>I am a financial controller who studied financial accounting but I am still able to prepare management accounts</p>
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	<p><i>anyone who did a financially related course can do management accounts and still master it.</i></p> <p><i>Organisations do not fully appreciate the role of management accountant.</i></p> <p><i>The board is only aware of management accountants' contribution to decision making on the financial part of it not as far as the whole business environment is concerned.</i></p> <p><i>Management accountants are not involved in the ground work of creating customer value.</i></p> <p><i>Many departments if not all are included in the part of creating customer value in organisations.</i></p> <p><i>Even when positions of a management account exist in the company, their job descriptions is more centred on financials than business. This is due to segregation of duties because the size of the organisation.</i></p>	<p>without necessarily being a management accountant.</p> <p>...reports from financials and accounting are headed by the Committee called finance committee...</p> <p>...our administration department. Management accountant only comes in when we talk of figures.</p> <p>is not just one department responsibility. People from sales, risk, compliance, and others.</p> <p>...a company like us; most definitely we do have a management accountant.</p>
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	<p><i>The business acumen part of collection of information, spotting it and identifying is done by other departments such as economists, marketers and only pass on that information to a management accountant for use in their analysis of financials.</i></p> <p><i>Organisations employ people with certain qualifications for example like ACCA to actually work on totally different field of their study, for instance sales.</i></p> <p><i>Organisations also think that management accountants are only more of value in certain types or nature of business.</i></p> <p><i>Management accountants in organisations prepare financial reports.</i></p>	<p>Also you need to understand that the bigger you grow the more you decentralise more than centralise</p> <p>People like, economic analyst from the economic desk whose qualification is economics. Even in our institution, we are not in a position where we can say we will only recruit cost or management accountants for management accounting position</p> <p>:</p> <p>So I would say definitely when it is a sizeable organisation, management accountant do both the business and the financial acumen.</p> <p>Budgets, variance analysis, they project years, expenditure and income projection</p>
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2.

Management accountant as a facilitator for decision making

Organisations use management accounts from the financial perspective not a business perspective as all reports that are prepared for management accounting purposes are only financials.

*Again only the financial part of management accounting pops up! Information that is provided to the board by management accountants is purely financial and fortunately the board or management makes use of it.*

*Employees only perform duties that are within their job description.*

*During the review of strategy management accountant only comes up where figures are concerned not anything other than that involving the business environment maybe.*

*Management accounting reports of organisations are also presented to*

...to produce budget and expenditure analysis (income statement), statement of financial position, cash flow statement. But most importantly the preferred one is to analyse the budget by comparing it with the actual expenditure on a monthly basis.

...because of resources we need to control our budget, manage resources...

...they do reports according to what is needed by the company, even the company structure channel its roles.

Management comes up with activities and the management accountant translates them into financials (budget).

	<p><i>other stakeholders apart from the board.</i></p> <p><i>Management accountants are highly valued in organisations because of their inputs in the success of the organisation.</i></p> <p><i>Management accounting in organisations are not utilised to their full capacity. Management accountants have a lot to deal with they even work beyond 8am – 5pm.</i></p> <p><i>Management accountants support the board during their strategy especially more on the financial.</i></p> <p><i>Management seems not to know the overall scope of what management accountants can do. Information regarding sectors related to the business environment and the rest comes from other department and is not solely based on the management accountant.</i></p> <p><i>The board's decision is based on and influenced by the financial reports</i></p>	<p>...the board even our shareholders, the regulators...</p> <p>That guy is extremely extremely powerful in our company.</p> <p>we are one of the few companies in the country where management accountants can say are utilised close to their full capacity.</p> <p>The man leaves this place around 12.00 am</p> <p>Our management accountant have five people that are reporting to him and no, not just financial people but also others</p>
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	<p><i>Management accountants only give supporting financial information to management and the board, ignoring the effects that could be brought by the business environment in general</i></p>	<p>eeeeehmmmmm. What do you mean by only financials? ...management accountants fall under the finance department and yes we deal with only financials. However during the analysis we try to meet with other heads of departments and get their views as to why the organisation performed the way it did. We however compile all the information from different departments and report it as one document...if the board sees the report of how much they are spending on certain activities, they can decide that we cut off or maybe come up with another way of how funds can be utilised.</p> <p>...for any activity that the board wants to do they ask me whether funds will be available to perform such a project.</p>
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3.

Success attributes

*Organisations use the emerging strategy approach.*

*Organisations acknowledge that innovation is an important attribute for success even in their own organisation and it leads to them achieving success.*

*Main innovation taking place here is product innovation and it does not happen regularly. Customers drive their innovation.*

*Innovation is considered by organisations as a major success attribute and organisations constantly innovate their products.*

*Organisations invest more in innovation.*

*Employees are involved in the making of the strategy. Remuneration policy in the*

...we normally review from time to time I would say is the activity plans which is done... a mild review which is done on the monthly basis where we meet as the executive.

It is because you come up with new ways of doing business as well as new systems. Whatever that will lead to achieving Key Performance Indicators!.

...to develop new programmes at least two in a year..  
...demand of programmes not available in our country...

We have so many things in our pipeline that we need to innovate...

We will be updating our atm cards by next year with a budget of about M700m

They participate in the strategic plan process,

	<p><i>organisation is used to motivate employees</i></p> <p><i>Employees are involved in decision making and management communicates back to them.</i></p> <p><i>Communication in organisations is both ways between management and the employees.</i></p> <p><i>The organisation regards highly of corporate government issues</i></p> <p><i>Organisations highly value their customers and want services to be accessible to them at all costs.</i></p>	<p>...reward. Our organisation is one of the best paying in the country</p> <p>We communicate and report back to them. Again the important thing to mention besides the executive committee we have what we call management involving all the heads of the sub units.</p> <p>We meet regularly to give them our monthly report, we connect with them. The moment we start making decisions on our own we will not pass because we deliver through them</p> <p>.. too much in fact our business is highly ethical and our structure shows that. Therefore everything goes by the book, we do protocol here.</p> <p>we have at four boarder post atms where our customers are able to access the rand currency whereas in the past years it was only found in Maseru boarder.</p>
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	<p><i>Organisations believe that service companies do not need to be innovated as much companies offering products.</i></p> <p><i>Monopoly companies do not really care that much for their customers because they know they will always have them.</i></p>	<p>we don't frequently innovate because we are a service company.</p> <p>...(laughs out loud). (Shakes shoulders), not in a bad way but whether we like it or not we will always have clients to serve because they have no one else apart from us.</p>
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## Appendix D Ethical Clearance



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20 October 2016

Ms NL Tilo  
Khubetsoana  
Ntsirele  
Below J4 Shopping Centre  
LESOTHO  
0100

Dear Ms Tilo

### ETHICAL CLEARANCE

This letter serves to confirm that the research project of Nteboheleng Lillian Tilo, with the title **"The role of management accountants to facilitate sustainable business success in big Lesotho companies"** has undergone ethical review. The proposal was presented at a Faculty Research Meeting and accepted. The Faculty Research Meeting assigned the project number **EMS15/07/16-01/03**. This acceptance deems the proposed research as being of minimal risk, granted that all requirements of anonymity, confidentiality and informed consent are met. This letter should form part of your dissertation manuscript submitted for examination purposes.

Yours sincerely

Pieter  
Buys

Prof Pieter Buys  
Director: WorkWell Research Unit

Digitally signed by Pieter Buys  
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Current details: (11930497) C:\Users\11930497\Documents\2. BESTUUR\2.2.20\_FEMS-WorkWell\_Voorleggingvergaderinge\2015\0815-07-16 M & PhoxTilo\_NL\_Ethical  
clearance.docm  
20 October 2016

File reference: 2.2.2.20

## Appendix E Confirmation of Language editing

**MAGDA BURGER**  
**LANGUAGE PRACTITIONER**  
[SATI Membership number : 1003227]

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2017-03-20

TO WHOM IT MAY CONCERN

LINGUISTIC REVISION OF DISSERTATION

SUBMITTED IN FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE  
*MAGISTER COMMERCII IN MANAGEMENT ACCOUNTANCY*  
AT THE POTCHEFSTROOM CAMPUS OF THE NORTH-WEST UNIVERSITY  
for  
MS NL TILO : Student number: 26315777

I, Magda Burger, ID number 521006 0038 080, hereby declare that I have linguistically revised the dissertation "The role of management accountants to facilitate sustainable business success in big Lesotho companies" for student NL Tilo, student number 26315777.

Yours sincerely



**MAGDA BURGER**  
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BA (Languages) (UFS) (1973); MEd (UFS) (1987)

