

Awareness on Strategic Management Accounting of Small Medium-Sized Enterprises in the Kingdom of Bahrain

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Abstract

The study aims to assess the awareness on the strategic management accounting of small medium-sized enterprises in the Kingdom of Bahrain along with decision making, strategic planning and control process. The objectives are to understand how the management accounting functions is resourced, tools used in small-medium-sized enterprises. And to identify areas where the management accounting functions be developed and strengthened in small-medium-sized enterprises in the current business and economic environments.

A descriptive research was conducted. Primarily data were gathered using a questionnaire accomplished by the owners and managers. With the aid of SPSS (Statistical Package for Social Sciences), the Pearson coefficient of correlation was used to analyze the significant relationship between the perception of strategic management and the level of awareness on the strategic management accounting of small-medium-sized enterprises. The correlation supported the null hypothesis of the study.

On the basis of the research findings, conclusion and recommendation it showed that they should develop local sourcing practices that would benefit to the economy in manufacturing business to produce sourcing materials in SME's. Communicate and networking's educate and raise awareness about market trends and information's on a potential mismatch with strategy, planning and development of products-mix. New strategies should be developed in order to improve the funding system for SME's and must be address the awareness program established policy makers to enhance the awareness about the management accounting and marketing strategies.

Keywords: Strategic Planning, Decision Making and Control Process

Introduction

Throughout the past two decades many organizations in both the manufacturing and service sectors have faced impressive changes in their business environment. Deregulation combined with wide spread competition from overseas companies in domestic markets has resulted in a situation where most companies are now challenging in a highly competitive global market. At the same time there has been a significant reduction in product life cycles arising from technological innovations and the need to meet increasingly discriminating customer demands.

Now a day's in small medium enterprises lack of adequate working capital, poor management skills and inadequate use of essential business and management practices. Today's highly competitive global environment companies have made customer satisfaction an intervening priority. New strategic management approaches and manufacturing companies have adopted and developed industrialized systems and invested in new technologies. Which significant influences on strategies on how management accounting systems should implemented in the business environment.

Accounting is the language of the business that communicates to the different interested parties the result of its operation and its financial condition through accounting data prepared, to the people who have an interest in an organization (shareholders , potential investors, managers employees, creditors and the government). Managers require information that will assist them in their decision-making and control activities. Creditors and the provider's of loan capital require information on a firm's ability to meet its financial obligations" (MCA 7th, 2008).

Currently entrepreneurship and small business development is at its peak in terms of government and social support in the Kingdom of Bahrain. The private sector jointly works with the government entities to provide all kind of facilities to enhance entrepreneurship and entrepreneurs in Bahrain. Ministry of Industry and

Commerce acts as a policy maker in regards to encouraging entrepreneurial activities and to promote the growth of self-employment nationwide through small and medium sized businesses. Furthermore Bahrain Development Bank provides finance as well as incubation services (<http://www.small and medium enterprises>).

The research focuses on the various local and foreign literature and studies that are related to this study. The researcher’s finding suggested that small-medium enterprise adopt the appraisal techniques will be used in decision making (Ahmad, 2013). He assesses those who are associated in management accountant role and identifying impacting some cases in the organization’s role transformation program (Voipo, 2014). The GAAP in Swedish has been designed over years and all SMEs are very much familiar with the rules and principles. “Therefore, according to his research inclination of SMEs in Sweden is towards Swedish GAAP rather than IFRS for SMEs (Aamir and Farooq, 2010).

In today’s world succession in management information and knowledge is the most valuable asset and an increasing number of people are working with selling their specialized knowledge. (Scott and Gyllenstedt, 2008). Thus, it is perceived, a wider adoption of Enterprise Systems by SME's in Bahrain can help them to expand and achieve business growth, thus contribute to the economic growth of Bahrain, in line with the ambitious goals of the Bahrain's economic vision 2030” (World Bank 2013).

The Ministry of Industry & Commerce in the Kingdom of Bahrain puts the number of small to medium industrial firms at more than 350 active enterprises. However, in terms of the count, manufacturers of fabricated metal products, machinery and equipment make up one-third of the total population of industrial firms at 34%. It is mentioned that the small to medium industrial firms provide close to 30,000 employment opportunities. Bahrainis, both male and female, make up one-third of the overall workforce in these firms. Manufacturers of textiles, apparel, and leather offer the greatest number of overall employment opportunities at around 29% of the total (Ali Fardan, 2012).

Technological change, globalization, deregulation, shifts in the workers quantity, assortment in demand, and ensuing upper levels of ambiguity have shifted firm formation missing from better attentiveness and centralization near slighter attentiveness and transference. (Goretzki and Weber, 2013). He discussed about the business partners and internal consultants to understand the commercial and operational realities behind the accounting information and awareness in the operational practices to management accounting information (Lambert and Sponem, 2012). And actively

participate in strategic decision-making (Lawal and Bello, 2011). He conducted a survey of small and medium scale enterprises in local governments in Lagos State assessed and strategic role of participating SMEs in economic development (Al Zayani, 2015).

Tables and Figures

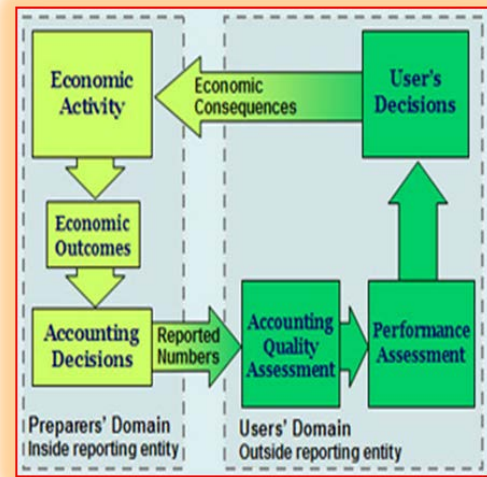
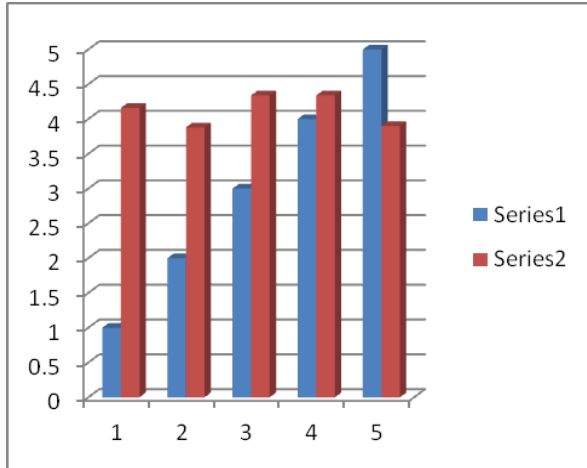


Figure 1.1 - A Theoretical framework for managerial and financial accounting
Prof. Peter Wilson, 2014

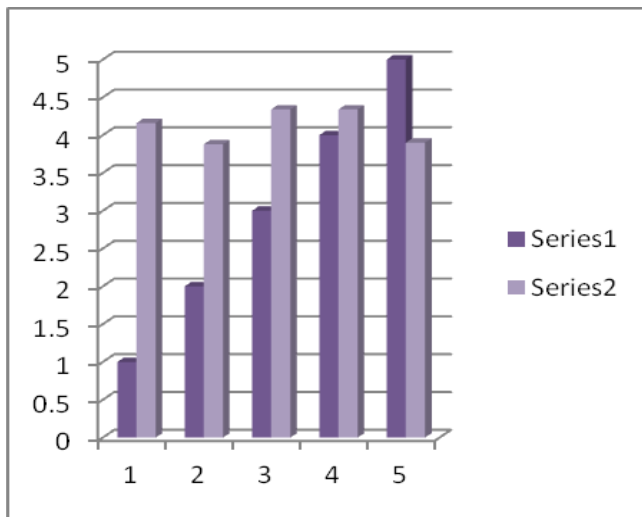
This explains the preparation and interpretation of financial information for investors (external users) and managers (internal users) and to the use of financial instruments to support system and project creation. This adopts a decision-maker perspective on small and medium enterprises with the goal of helping businesses to develop a framework for understanding financial, managerial, and tax reports

Figure 1.What is the respondent’s perception on the strategic management accounting to small medium-sized enterprises in the Kingdom of Bahrain in terms of Strategic Planning?



In series 1 represent the indicator of the variables while series 2 the composite mean .Chart 1 illustrate and compare the data presents the assessment respondent’s perception on the strategic management accounting to small medium-sized enterprises in the Kingdom of Bahrain in terms of strategic planning. .The respondents strongly agree that gauged from the overall weighted mean of 4.25.

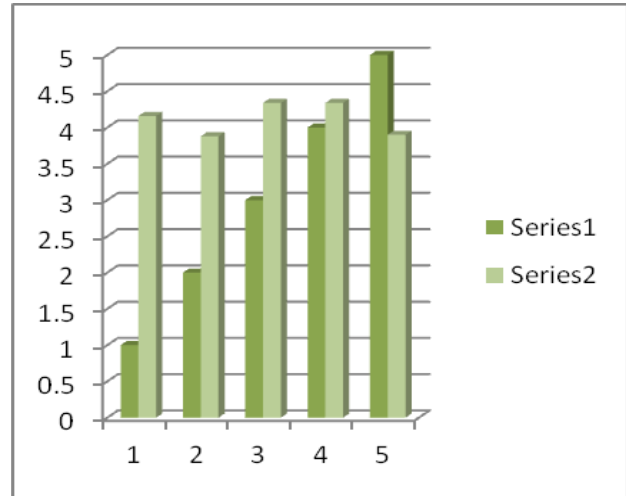
Figure 2. What is the respondent’s perception on the strategic management accounting to small medium-sized enterprises in the Kingdom of Bahrain in terms of Decision Making?



In series 1 represents the indicator of the variables while series 2 the composite mean. Chart 2 illustrates and compare the data presents the assessment of respondents on the perception on strategic management accounting to small medium-sized enterprises in the Kingdom of Bahrain

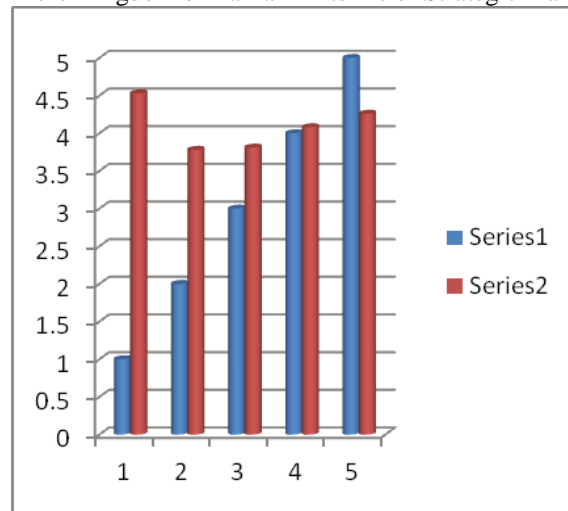
in terms of decision making. From the overall weighted mean of 4.15 means agree.

Figure 3. What is the respondent’s perception on the strategic management accounting to small medium-sized enterprises in the Kingdom of Bahrain in terms of Control Process?



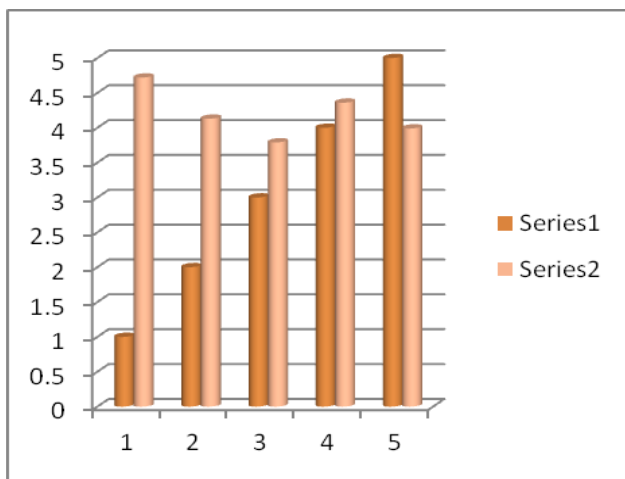
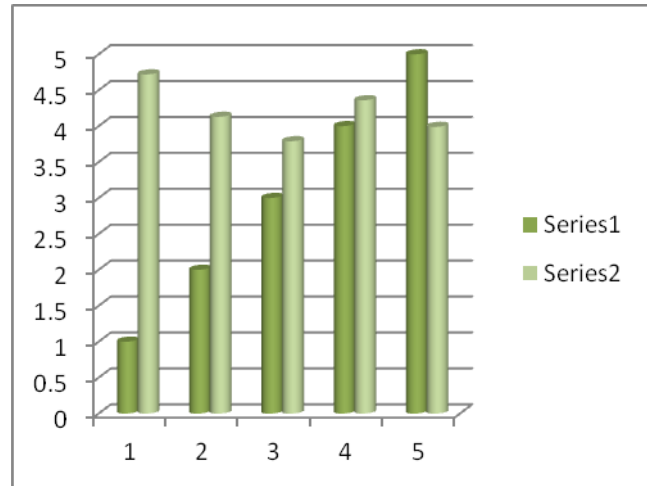
In series 1 represents the indicator of the variables while series 2 the composite mean. Chart 3 illustrates and compares the data of the assessment of respondents on the perception on strategic management accounting small medium –sized enterprises in the Kingdom of Bahrain in terms of control process. From the overall weighted mean of 4.12, means agree.

Figure 4.What is the level of awareness on the strategic management accounting of small medium-sized enterprises in the Kingdom of Bahrain in terms of Strategic Planning?



In series 1 represents the indicator of the variables while series 2 the composite mean. Chart 4 illustrates and compares the data of the assessment of respondents on the level of awareness on the strategic management accounting of small medium-sized enterprises in the Kingdom of Bahrain in terms of strategic planning. Based from the overall weighted mean of 4.09, respondents are very aware on the level of awareness on the strategic management accounting of small medium-sized enterprises.

Figure 5. What is the level of awareness on the strategic management accounting of small medium-sized enterprises in the Kingdom of Bahrain in terms of Decision Making?



In series 1 represents the indicator of the variables while series 2 the composite mean. Chart 5 illustrates and compares the data of the assessment of the respondents on the level of awareness on the strategic management accounting of small medium-sized enterprises in the Kingdom of Bahrain in terms of decision making. The overall weighted mean of 4.11, respondents are very aware.

Figure 6. What is the level of awareness on the strategic management accounting of small medium-sized enterprises in the Kingdom of Bahrain in terms of Control Process?

In series 1 represents the indicator of the variables while series 2 the composite mean. Chart 6 illustrates and compares the data of the assessment of the respondents on the level of awareness on the strategic management accounting of small medium-sized enterprises in the Kingdom of Bahrain in terms of control process. From the overall weighted mean of 4.19 means very aware.

Conclusions

On the basis of the significant findings of the study, the following conclusions are drawn: First respondents are very aware with the overall implementation of on strategic management accounting in SMEs. Second the capitalization of SMEs in the Kingdom of Bahrain relied on loan capital and the added services/branches have grown considerably due to establishment new towns and expansion of other existing business. Third develop local sourcing practices would benefit the economy in manufacturing business to produce sourcing materials especially in small-medium enterprises. Fourth the contribution of the SMEs to the economic development of the Kingdom of Bahrain can be see through reduction in unemployment rate, increase in family income and improvement of Gross National Product and Fifth SMEs encountered problem in the application of training technologies, high cost of maintenance and high cost of expert salaries are very serious.

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An Assistant professor of College of Administrative and Financial Sciences and formerly a Department Head of the E- Commerce in AMA International University-Bahrain, and formerly Department Head of Accounting and Control. He is teaching in the undergraduate and also in the Graduate Studies, several international research publications and attended local and international conferences.

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