

## Modeling of Management Accounting Innovations Implementation in Iranian Manufactures<sup>1</sup>

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Research Paper

### INTRODUCTION

Information plays an important role in Accounting (Okab et al., 2014, p.240). Accounting information is pivotal for understanding the correct financial situation of organizations and is used as a base for making strategic decisions (Ullah, 2014, p.74) as well. The accounting information system is one of the essential information resources. That is why managers rely on the information prepared by management accounting. Management accounting gives reliable information to high-level managers and results in an improvement in the financial performance of organizations. Nowadays, companies are searching for updated information on the organization process to analyze and make timely decisions for the future. Management accounting can prepare this kind of information. Management accounting includes lots of methods called “innovations”. Balanced Score Cards, Activity Based Costing, Activity Based Management, just in Time, Value Engineering, Capital Budgeting, etc. are some of the management accounting innovations. In this research, management accounting innovations could equal all methods in management accounting that are new for organizations, can make useful information for management, can improve organizational performances, and are flexible to changes in organizations (Askarany, 2016, p.455).

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There are no models to implement management accounting innovations for Iranian companies. Recently, some researchers have become interested in some management accounting innovations such as Activity Based Costing and Balanced Score Card. However, researchers have presented no model for companies to implement these innovations.

Although Iranian companies need some management accounting innovations, because of lacking knowledge about essential infrastructures and the way of implementation innovations, they are not able to either apply those innovations or utilize them efficiently.

The purpose of this research is to present the management accounting innovations implementation modeling in Iranian manufacturers. The first question this research would tackle is which management accounting innovation is needed for Iranian manufacturers. The second question that should be answered is how the Iranian manufacturers can implement these innovations.

## **MATERIALS AND METHODS**

### **1. Research design**

This research is a functional one. Qualitative data have been used. There are some steps to carry out the research which are as followed:

1. Literature review: the researchers have studied the related works to extract helpful points and also have tried to learn how to answer the research questions.
2. Discovery interview: the researchers do some semi-structured interviews to discover the current and ideal situation of Iranian manufacturers in the management accounting innovations context.
3. Main interview: the researchers again have done some semi-structured interviews to determine the necessary steps through implementing those management accounting innovations which are the result of the second step.
4. Preparing the model: the researchers have presented a comprehensive model to implement management accounting innovations for Iranian manufacturers.

### **2. Analysis procedures**

The thematic data analyzing method has been used for analyzing the interviews. The thematic analysis also called “thematic coding”, is a type

of qualitative data analysis that finds themes in the text by analyzing the meaning of words and sentence structure. This method includes three steps which are descriptive coding, interpreting coding, and integration.

### **3. Population and sample**

In this research, the population is the academic staff of the Iranian state universities, Ph.D. graduates and students, people who have three years of accounting experience, and Iranian companies' managers. To do the interviews, the snowball method has been utilized and the researchers have done the interviews until they have achieved theoretical saturation.

## **RESULTS AND DISCUSSION**

### **1. Interviewees personal information**

The research includes 20 interviews and the results are based on the thematic analysis of the interviews. 55% of the interviewees are holding an accounting Ph.D. degree, 25% are accounting Ph.D. students and 20% are holding a master's of accounting. 35% of them have less than 10 years of work experience, 35% have between 10 to 15 years of work experience, and 30% have more than 15 years of work experience.

### **2. Findings**

Analyzing the discovery interviews has shown that Iranian manufacturers are suffering from a lack of an integrated system, resulting in the difficult availability of accurate information. Therefore, the ideal situation for these companies is to use Enterprise Resource Planning at all levels and also justify the processes of companies based on the ERP. In this ideal situation, all reliable financial and non-financial reports are prepared on time.

Also, this research has shown that some Iranian manufacturers use costing systems and others do not. However, the former does not utilize this system properly. It means that they do not update the costing system or they do not use sufficient human resources and do not spend proper time to work with and keep this system updated. The latter determines the cost of products traditionally and has a lot of weaknesses in tracking and distributing of costs.

Therefore, the ideal situation for companies is to use Activity Based Costing. Utilizing this innovation results in accurately determining and reporting the cost of products on the one hand and the ability of cost in case of production changes on the other hand.

To sum up, analyzing the discovery interviews has shown that Iranian manufacturers essentially need ERP and ABC. So, the main interviews are about illustrating how companies could use these innovations.

Thematic analysis declares that implementing ERP and ABC consists of six steps which are as followed: making a team, needs assessment, mapping all activities and processes, training, launching the innovation, and guaranteeing.

The first step, making teams, includes making three kinds of teams which are a) the information technology team- which includes programmers, computer engineering, and consultants- b) the system main users team- which includes managers of departments and divisions- and c) system final users team- which includes people who work directly with the system. In the second step, needs assessment, all of the company necessities should be determined based on their importance. The final user's team reports operational necessities to the main user team. The main user's team prioritizes these necessities and reports them to the IT team. Based on the main team report, the IT team determines the information currents and infrastructures and then evaluates soft wares, and finally chooses the best option. In the third step, mapping all activities and processes, all teams together determine all processes and activities of the company by describing and designing flowcharts. In this step perhaps some of the activities would be deleted, merged with some other activities, or justified. After mapping all of the activities, the primary data should be imported into the system. In the fourth step, training, all staff of the company should participate in training classes to learn how to work with the new system. In these classes, first of all, coaches present the benefits of the new system and the weakness of the old system. This causes people not to resist the new system. In the fifth step, launching the innovation, two things should be done carefully and properly to avoid any kind of failures: changing management and testing the system. At the sixth step, guarantee, system

users may have some questions otherwise the system may need to be updated.

## **CONCLUSION**

There has been a lot of research about management accounting innovations in Iran, but there is none about what innovations the Iranian companies need or how to implement these innovations. It means that there is no research about modeling the implementation of management accounting innovations in Iranian companies, especially in Iranian manufacturers.

This research has shown that Iranian manufacturers need ABC and ERP the most. Some Iranian manufacturers use the traditional costing system and others utilize the new one, but the latter does not update the system properly. In both cases, costing is not accurately done. So, if these companies use the ABC, they can track all costs properly and they can finally determine the correct cost of production even in case of production changes.

This research also has shown that there is no integrated system in the Iranian manufacturers. This causes so many problems such as the difficult availability of accurate information, duplicated activities, unnecessary activities, etc. So, if the companies use the ERP, all these problems can be solved.

Results of this research have shown that implementation of ERP and ABC consists of six steps which are making a team, needs assessment, mapping all activities and processes, training, launching the innovation, and guaranteeing.

The results also showed that using ERP results in access to accurate, updated, and more reliable information. Also using ABC results in more accurate product costing, and therefore more accurate production decision-making.

This article also suggests research for the future in the field which are as followed:

- a) Modeling of management accounting innovations implementation in Iranian non-manufactures companies.

- b) Implementation of management accounting innovations in Iranian manufacturing companies: a case study.
- c) Earning, market share, and production quality comparison in the companies before and after using the innovations.
- d) Presenting the methods to improve the effectiveness of environmental and preventive factors in implementing management accounting innovations.

**Keyword:** Management Accounting Innovations, ERP, ABC, Theme Analysis, Modeling

**JEL Classification:** L60, M41, O21.

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