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Business unusual in Africa and problematization of decision-making without adequate information! Is the basic philosophy of management accounting appreciated and embraced by Small and medium enterprises in Botswana?

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Abstract

Management accounting offers a good best opportunity for firms to compete in the market in order to offer best quality products and services at affordable prices to consumers. The Judgmental and convenience sampling methods were applied to come up with the sample size, since the population in different firms was considered heterogeneous, implying that a simple random sample was going to be unrepresentative. The data collected was both quantitative and qualitative. Analysis was done using thematic analysis and Statistical Package for Social Sciences (SPSS), allowing the researcher to present the information in form of tables and figures where desirable. The study concludes that Small and medium enterprises at large have not moderately adopted the use of management accounting practices despite this being at various stages of the firm life cycle. The most prominent practices are costing, information for decision-making for budgeting and aspects of performance evaluation, practiced unconsciously and latently. This study recommends that an integrative and committee system be put in place in the Small and Medium enterprise sector to spear head, promote and advance the adoption and use of modern accounting practices. In the same endeavor, there is need for a comprehensive awareness campaign in using management accounting approaches in decision making for sustainable development of the sector. Further research is proposed from a longitudinal perspective across the whole SMEs sector in Botswana.

Key words: Management accounting, costing, budgeting, performance evaluation, Small and medium enterprises, Sector performance

1.1 Introduction

Small and Medium enterprises are important for present and future economic development. They also play a critical role in today's evolutionary knowledge based economy (Beck, 2010; OECD, 2006, 2016). The viability of SMES in the developing economies has been a cause for concern for many decades given their presumed 'carefree approach' to financial management. Lack of management accounting knowledge and innovative culture seems a major setback to SMES progress and success. Firms use management accounting techniques to assess their operations. These include budgeting, variance analysis and breakeven analysis. It is vital to understand the dynamics in the management discipline within large enterprises in order to be able to cascade such changes in either a simplified or similar manner to the SMEs sector. Understandably such dynamics are influenced by both the internal environmental factors as well as the external environmental factors. The management of SMEs has more control to the management of the internal environments and this is where the aspect of management accounting adoption becomes a crucial consideration if the dream of sustainable success and escaping failure has to be attained (Chenhall & Lanfield, 2007; Ahmed & Zabri, 2012). This paper is interrogative and investigative as it is set to explore on the adoption of Management Accounting practices in the small and medium enterprises. The paper is more phenomenological as it tries to understand why players in the SMEs adopt or have not adopted the basic and fundamental principles of management accounting in managing their enterprises. The paper further investigates whether this discipline ever exists in the management vocabulary of SMEs and attempts to create a breakdown of the problematization process leading to the current status quo. While the phenomenological route pre-occupies the whole paper, in getting firsthand experience from the lived experiences of those in the industry, it also includes statistical data on the same subject area under discussion as a way of complementing the- 'whats and whys' of management accounting in Botswana with special reference to SMEs in Francistown.

1.2 Background

Small and Medium Enterprises have grown in importance and occupies a very key position in the growth of global (Mephokee, 2004; Yazdanfar & Ohman, 2014; Uwonda & Onkello, 2013). The growth of small businesses in the last decade in Botswana is a result of the major restructuring of the Botswana economy through instituting positive policies that promote young and upcoming entrepreneurs. Given his level of support coming from Government through for example organizations such as LEA and CEDA, there is need to undertake in-depth research on small and medium enterprises to check on their ability to manage their entities successful through management accounting systems as is practiced elsewhere. That it is commonly held and believed-financial information is a function of good control and higher chances of success-act as a pull and push factor in developing interest to add on to existing knowledge on how best the small and medium enterprises can forge ahead by escaping anticipated failure if they fail to utilize management accounting best practices relevant to their businesses (Ashton et al., 1991; Liaqat, 2006; Adler et al., 20000). SMEs are not only the principal drivers of economic development and growth but also act as sustainable economic catalysts in many economies (Garikai, 2011, Ittner & Lascker, 2002; Choe, 2004). The ever-changing business environment of today forces SMEs to revamp the way they do their things, including financial management practices for them to survive and compete effectively. According to research done by Hilton, Maher and Selto (2006), lack of financial resources and financial management systems affects the viability of SMEs. Among various problems faced by SMEs, financial challenges appear domineering and are cause of business failure in the sector (OECD, 2004, 2006, and 2016). The small and medium enterprise in Botswana has been a very important entity of the economy of the country since the attainment of independence in 1966. Due to their origins and other circumstances under which they are founded, most SMEs run without proper frameworks, unqualified staff, and owner assuming all key positions and sometimes no structures and decisions made sometimes in the corridors (Maphosa, 1998). This background, in addition to the development of a knowledge based society and globalized business environment demands a shift in the way business accounts are managed, hence the study's intention to explore on the management accounting best practices an area that most researchers devote to large enterprises. What makes this study more unique is its attempt to impress upon on discipline not so commonly talked about in Botswana small and medium enterprise given that the pace of adoption of modern

management accounting techniques has been slow by many organizations, mostly SMEs (Nandan, 2010). This process has led to the diminishing relevance of management accounting as an important and fundamental aid to decision making processes and systems. In business this gap is referred to as 'relevance loss' where management accountants have not totally abandoned concepts of conventional and modern management accounting despite advancements in the firm's environments. A new management engineering thrust underpins and attempts to bring a new management accounting dimension which does not limit management accounting to the traditional practice of focusing more on information needed for decision making purposes but moves a step further to look at innovative and inventive ways that SMEs can adopt for sustainable management accounting (Elkan, 1993; Islam and Kanter, 2005; Ittner and Larker). A number of remarkable innovative factors have emerged over years signaling the necessity for continued innovations and inventions in terms of systems approach to management accounting (Wong, 2005; Rebeiro & Scarpens, 2006; Smith, 2009; Wong, 2005). These include among others: Activity based accounting approaches, strategic management accounting such as activity based costing, just-in-time, life-cycle costing and contemporary performance measurement systems such as the balance scorecard. As alluded to earlier on, this study's pathway is inclined to explore on the present and future position taken by players in the Small Sector industry in their appreciation, adoption and management of accounting for effective performance and sustainable development.

1.3 Research Problem

The dynamic environment and business global trends are posing stiffer challenges, hence the need for the SMEs to reorganize themselves for them to be able to succeed. The financial efficiency factor calls for the need to be SMART in adopting management accounting best practices. A 'carefree-laissez free management accounting approach, from the peripheral seems to prevail in a number of SMEs. The presumed non-existence of a sound management accounting framework across the SMEs sector in the developing economies is a cause for concern. SMEs may have constraints in adopting and utilizing fully developed management accounting systems due to their relatively small size and resource limitations-like their counterparts in the large firms they face complexities, uncertainties and are more prone to failure. This is further compounded by a general tradition of lack of innovative approaches to

sustainable management accounting practices as is propounded in many literature(s) on SMEs management accounting practices. The study intends to explore on the neglected but much fundamental area of business success-best practices in management accounting adoption by SMEs for sustainable success. The study's main focus is to promote the adoption and use of management accounting best practices as is applicable to small and medium enterprise and reduce rate of failure both in the short and long run-thus promoting sustainable development of the sector.

1.4 Research Questions

Given the above problem statement, the study posits the following research questions:

- What are the key management accounting best practices adopted and used by SMEs?
- Can management accounting be left to management accounting managers alone?
- Does the adoption and use of management accounting practices improves SMEs overall performance

1.5 Justification of the paper

The study provides a new philosophical platform for the SMEs sector to develop an interest in professionalizing their accounting decision making for sustainable success. The study presents some of the management accounting best practices adopted by SMEs. In the process the worst practices are self-articulated. The paper does provide an optional menu and benefit policy makers and government of Botswana and other stakeholders-direct or indirectly connected to the operations. Focus has been more on the traditional management of accounting and ignoring the need to create techno-management accounting experts within the SMEs sector especially in the context of emerging economies. The field of management accounting is less talked about, written about and shared among emerging small and medium companies and even among seasoned and emerging researchers. There are few studies, and in some regions within the Botswana none, conducted to explore on management accounting in specific sectors of the economy-hence this paper is within its level of significance, an additional piece of contribution [both to literature and practice] to the growth of the discipline.

1.6 Theoretical framework and literature Review

There are different types of theories focusing on management accounting issues. Not all the theories will be the focus of this paper but a few closely related ones are chosen. Otley (1990) propounded on a theory named contingency theory to management accounting. In the theory it is assumed that there is no single generally applicable accounting practice that can effectively be applied to all organizations. The argument is that each enterprise has its own management accounting practices that will best suit its conditions. The theory further focuses on influential factors that will aid management to take decisions on appropriate management accounting practices-where upon the factors can be technological and or infrastructural based. The other theory at play in this study is the New Institutional Theory (NIS).The foundations of this theory were laid by Meyer and Rowan's (1977) seminal paper, which emanated as a result of puzzling observations made in the 1970s by a group of researchers studying the educational sector in USA. The key contention of NIS is that some organizations exist in highly institutionalized environments. In this case environments included the cultural rules and social norms that are reflected in specific formal structures and procedures of the organization (Rebeiro &Scarpens, 2006). The theory therefore aligns itself 'to certain ways of doing things' in this case 'certain ways of management accounting being institutionalized'' hence being different from one organization to another. The theory on finance has made significant advances in understanding how SMEs are managed as well as dealing with the risks associated with businesses. SMEs capacity to acquire information is a cause for concern in this instance (Emery et al, 1991; Reynolds & Lancaster, 2006). About a few decades the Signaling theory, had no clear significance to SMEs operations but have of late begun to gain prominence. Keasy et al (1992) argues that the ability of small and micro enterprises top signal their value top potential investors, only the signal of the disclosure of an earnings forecast was found to be positively and significantly related to the firm value –focusing on net proceeds raised by an issue, percentage of equity retained by owners and underpricing of an issue among others. These and other theories provides the contextual discussive approaches underpinning this paper on management accounting in the Small and Medium Enterprise in Botswana.

Literature on Management Accounting Practices and the brief history of its origin

Management accounting evolution is traceable from certain historical developments aligned to cost management. Initially it was first known as cost accounting. This origin was reflected in the earlier title for practitioners of cost or works accountants (Wilson and Chua, 1988). Previous and current Accounting historians have long endorsed the view that cost accounting is a product of the industrial revolution (Johnson, 1981). It is on record that cost accounting was practiced by the mechanized, multi process, cotton textile factories that appeared in England and United States around 1800 (Wilson and Chua, 1993). Arguable, the traditional view contends that cost accounting arose due to the increased and repetitive use of fixed capital driving accountants and industry during the industrial revolution to graft cost accounting onto the double-entry system (Johnson, 1981). According to Johnson (1981), cost accounting is equated to direct costing 'designed' to provide financial information for management decision-making and control. An interesting report is obtained from Garner (1947) who argues that the practices and theories of cost accounting origins are traceable to the fourteenth century.

The current established and claimable position is that the first evidence of cost accounting found was-job order, costing of the carding of wool in Italy (Abs et al., 1954). Parker (1969) also cites the accounts of Francesco di Marco Datini, merchant of Prato, who in 1390 kept double entry; records which show evidence of job cost accounting, accrual accounting and depreciation.

In 1531, another example of cost accounting appeared in the accounts of Raffello di Francesco de'Medici, cloth manufacturers of Florence (Parker, 1969). It can be argued with some high degree of confidence that cost accounting evolved further in the nineteenth century and through the middle of twentieth century due to greater industrialization and the increasing size of corporations (Garner, 1947).

The term of cost accounting started to change into management accounting later in the 20th century. Reports coming from studies conducted by Johnson and Kaplan (1987) indicate that that by 1925 almost all management accounting practices that we use today were fully developed. While this area needs further research, it should be done bearing in mind the technological revolution that has taken the accounting profession by storm. Arguments flying from different researchers and academics show that there is a bit of exaggeration on these assertions. The cost accountant's main mission might have been depicted as the pursuit of absolute truth, where truth

was defined in terms of getting as accurate or precise costs as possible...(While in management accounting) the theme of different costs for different purposes 'was stressed- a preoccupation with finding conditional truth (Horngren, 1975, pp. 9-10).

General meaning of SMEs and Management Accounting

Small and medium enterprises (SMEs) have been identified as critical instruments for a nation to achieve its industrial and economic objectives. Study conducted by Murphy (2009), reported that most SME's are currently the cornerstone of economic growth in both developed and developing countries and hence must be treated with respect and due diligence. In 2009, SMEs contributed to an average of nearly 50% of national GDP globally (Clifford and Baumbach, 2012). Defining SMEs is quite challenging, even though several attempts have made to define it. Different jurisdictions and economies classify a firm as SME or otherwise considering a varied number of factors; mainly the size of the economy and its micro and macro development indicators. Some of the definitions are based on the capital employed, level of technology among others. SMEs in Africa are defined according to the economic activities within a specific geographical (Beyene, 2000; Hallberg, 2004; Binnarsley, 2008). For the purpose of this study the operational definition of small and medium enterprises are those that have less than 100 employees and have an average annual turnover of not more than P5million.(Ministry of industry and Commerce,1999). Further elaboration on the definition shows a clear breakdown of Small and Medium. It states that a small enterprise is that which employs less than 25 employees and has an annual turnover of between P60 000 and P1 500 000, and a medium enterprise being a firm that employs less than 100 employees and has an annual turnover of between P1, 500,000 and P5,000,000.

Management Accounting explained

Management accounting should be regarded as an integral part to the overall organization strategic business plan and orientation. Effective use management accounting aspect leads to proper decision making on the overall business performance (Yaser & Amir, 1996). Good management accounting practices results in increased chances for success and wealth maximization in the firm. It is recognized that management accounting practices are important to the success of the organization (Horngren, et al., 2009; Barton and Gordon,2008; Alleyne &

Marshall,2011). The management accounting Practice Committee [MAPC] of the National Accounting Association [NAA] in the United States of America also defines management accounting as the process of identification, measurement, accumulation, accumulation, analysis, preparation, interpretation and communication of financial information used by management to plan, evaluate and control within an organization and to ensure appropriate use of the accountability of its resources”. Another definition version is articulated by Sizer (1996) where he explains that management accounting is the application of professional skills in the preparation and presentation of accounting information in such a way as to assist management in the formulation of policies and in the planning and control of the operation of the undertaking.” It can also be viewed as the application of appropriate techniques and concepts in processing the historical and projected economic data of an entity to assist management in establishing a plan for reasonable economic objectives and in the making of rational decisions with a view towards achieving these objectives.

From the above definitions and explanations, the current study concurs and consolidates the definitions and view managerial accounting, or management accounting, as a set of practices and techniques aimed at providing managers with financial and non-financial information to aid them make decisions and maintain effective control over corporate resources.

Management accounting aspects and issues

The size of most SMEs makes it difficult for them to engage a full time manager accountant despite the need for such (Uwonda & Onkello, 2013; Boeh-Ocansey & Osei, 1995; Myers, 1998). Management accounting information has an important role to play in respect to planning, monitoring and controlling of the activities of SMEs (Nandan, 2010; Abdulasaleh & Quadir, 2012; Bates 1971). SMEs just like larger firms also require adequate and sophisticated management accounting techniques and systems to better manage scarce resources and enhance their value. The major focus of management accounting is primarily to do with firm’s internal information needs. It is oriented toward evaluation of performance and development estimates of the future as opposed to traditional financial accounting which emphasize historical data (Elka, 1993; Carrington & Aurelio, 1995). Flexibility in management accounting is an essential tool since it pre assumes and presupposes that careful attention has been given to determine the

fundamental needs of management, most of which cannot be determined in advance (Parker,2002; Binks et al,1992; Beck,2010). The institute of Management accounting (IMA) defines management accounting as ‘the process of identifying, measurement, accumulation, analysis, preparation, interpretation and communication of financial information used by management to plan, evaluate, and control within an organization and to assure appropriate use of and accountability for its resources’’. The basis of this paper is conceptually hinged on the adoption, application, synthesis and hybridization of the management accounting function from an SMEs context.

Research to date shows that the pace of adoption and implementing of modern management accounting techniques and practices has been slow by many organizations, mostly SMEs; and this has led to the diminishing relevance of management accounting as a vital aid to managerial decision-making. (Nandan, 2010;Abdel-Kader,2006,2008).

Ittner and Larcker (2001) argued that due to the development of these new methods, the basic principles of management accounting has changed to a more superior one that adds value to various practices. The literature has also indicated that some practices such as absorption costing and marginal costing have not been highly favoured by most businesses. For example, Dugdale and Jones (2002) stressed that there is a limitation within these costing systems, since they do not provide an accurate method of recording costs to be exact in order to make sound management decisions. Studies in other countries have shown that despite the developments in management accounting theory, the practice has not changed as companies still prefer the use of traditional management accounting tools (Uyar, 2010).

Management accounting literature is abundant for formal enterprises. There is however a gap on literature for SMEs although researchers have been working on this area. A number of studies on management accounting and planning has been carried out (Leyes, 2006; Tibergien & Palaveez, 2001, Peaty, 2007; Veres, 2003 Scholp, 2004). The success or failure of small and medium enterprises is contingent and hinges on their ability to maintain good management accounting practices (Bolton, 1971). Generally there seems to be a gap between relevant management accounting and it being able to fulfill the managerial needs especially for SMEs (Ahmed & Zabri, 2012; Dawson, 1994; Helmsing & Kolstein, 1993; Myers,1988). Management Accounting must serve the strategic objectives of the enterprise and cannot exist as a separate entity. Results

and findings from the limited studies conducted elsewhere on MAPs, for example, Drury et al. (1993) found that small businesses generally reported using more simplistic techniques, and the use of techniques such as Sensitivity analysis, ABC, market research and advanced quantitative techniques tended to be limited to the larger business units only. This suggests that the gap between management accounting theory and practice may be particularly wide for small businesses.

Every firm faces its own challenges of management accounting, but the challenges facing SMEs are more significant due to their smallness and vulnerability to changes and fluctuations in cash flow and other activities (Welsh & White, 1981; Dawson, 1993, Myers, 1998, Beck, 2010). Decisions on cash flow management, sources of finance, budgeting, management accounting, cost accounting and other key business area underlines the need for an innovative and engineering approach to sustainable management accounting systems by SMEs in Botswana and beyond.

In a study conducted in UK by Reid & Smith (2002), it emerged that a few small firms-almost a third had a budget set, used payback as a common investment decision making technique. It was noted that the impact of the MAPS was greatest in those firms which are struggling to survive, where it can be used to monitor finances daily and can help to identify trends in key variables. One notable development in the management accounting field is its failure to address developments in the technological and competitive environments, with the result that internal accounting information is frequently inaccurate and misleading (Drury et al., 1993; Mitchell & Reid, 2000; Sousa et al..2006).

The level and degree of management accounting and innovation in the SME as sector is lagging behind, especially in emerging economies (Uwonda & Onkello, 2013; Yazdavar & Ohman, 2014). McChlery, Meechan & Godfrey (2004) did investigate the scope of the financial management systems-including management accounting in small firms and they found out that management accounting systems did not have the same level of use as financial accounting overall with the former having a reduced uptake compared to the latter.

Several studies conducted elsewhere show s the intensity of adopting management accounting. McChlery, Meechan, & Godfrey (2004) investigated the scope of the financial management systems (including MAPs) operating within small firms. The study findings showed that

management accounting systems did not have the same level of use as financial accounting overall with the former having a reduced uptake compared to the latter. These researchers and scholars found that smaller businesses were most likely to be dissatisfied with their management accounting systems. Sousa et al. (2006) later on studied SMEs management accounting systems and determined the current state of knowledge related to performance measures and their degree of implementation in SMEs in the U.K.

In a study that was conducted in U.S. by Demong & Croll (1981), they concluded that although most U.S. small businesses started without a cost accounting system, its usefulness became quickly apparent to the owner/managers. It emerged that a well-designed cost accounting system with its budgets, standard costs and break-even analyses will enable managers to make better decisions. The issue of training and development is of important research for SMEs to benefit. Available literature suggests that SMEs owner s need to be trained on management accounting practices for them to be able to execute their leadership mandate (Myers, 1998; Ocansey & Osei, 1995; Bates, 1971; Dawson, 1994)

1.7 Methodology

The paper draws on a case study survey in Francistown. Its focus is on the small and medium enterprise sector across Francistown industry. The case study design is preferred method when the main research question deal with; how' or 'why' issues, where the researcher cannot control the events they are studying, and where the phenomena they are investigating is contemporary (Yin, 2014). Hence for this very reason given by Yin, I am convinced that the case study method did provide an answer to the issue of management accounting practices in the small and medium enterprises in Botswana -addressing research questions raised earlier on. A number of scholars have interpreted research design differently and in many varied ways (Ghuri and Gronhaug 2005). Ghauri and Gronhaug (2005) define the research design as "the overall plan for relating the conceptual research problem to relevant and practicable empirical research'. Yin (1984, 2014) explains that a research design is a blue print for research-focusing on issues "from here to there". The paper, therefore in this context adopts a philosophical stance pivoted on the thinking that research design should match the purpose of the research and the scientific approach to obtain the best possible data to answer the research purpose. Out of the three major

designs currently being talked about-quantitative, qualitative and mixed design-the study adopted a qualitative [phenomenology] philosophy heavily punctuated with the quantitative paradigm thus producing a mixed methodology design useful for this paper. The nature of the research topic and the questions raised to deal with the stated problems of practices in management accounting systems requires a mixed approach to be able to address the said issues. A total sample size of 29 Small and Medium enterprises-obtainable from a cross section of various industries partook in this study through a triangulation process. A questionnaire was designed and personally administered to get immediate feedback from the chosen firms, while 9 in-depth interviews were held on the premises of the selected firms. Precisely speaking, the questionnaire designed in this study comprised of two sectional disciplines. Part 1 included the demographic and operational characteristics designed to determine fundamental issues including the demographic characteristics of the respondent and part 2 was devoted to the questions on the management accounting practices on financial performance of SMEs in Botswana-Francistown. The paper also made use of document analysis thus complementing the above efforts. Research instruments used were questionnaires, interview guides and the main instrument was the researcher himself in this case. The total population was drawn from all registered SMEs in Francistown and a judgmental and snowballing sampling techniques was adopted bearing in mind that judgmental methods provides the advantage of choosing the right SMEs with relevant experiences and fit for purpose (Yin,2014,). The well-and carefully chosen participants were asked to provide detail to their fellow sector partners whom they perceive as possessing qualities needed to support the efforts of the paper. To ascertain and detect any ambiguities, questions that are complicated and those that are irrelevant or scary to the participants, a pilot study was conducted. The essence was to create tools that then provided and maximized constructive feedback based on the perceived truth from the participant's perceptions and experience. In terms of data analysis a thematic field approach and statistical analysis were used mainly to provide the information pool that informed the study from raw data. Data analysis is the process of bringing order, structure and meaning to the mass of information collected (Mugenda & Mugenda, 2003).

The advantage of adopting a triangulation paradigm is its ability a method to allow the weaknesses of one approach to be offset by the strength of another –validating and authenticating a given tenet at each stage of the research process.

1.8 Ethical Considerations

Good research must follow certain ethical channels (Densecomb, 1998). Hans (2005) noted that ethics are considered to deal with beliefs about what is wrong and good or bad. Robinsons (2008) suggested two general ethical considerations: informed consent and protection of participants' anonymity. A number of ethical issues were put into perspective and amongst these was the issue of participant consent, participant privacy and information confidentiality. The study went beyond Hans' perspective of anonymity by also maintaining good ethical practice in the actual study in terms of writing and writing the truth as emanating from the findings without bias. The consent of the selected firms was sought before the questionnaires were administered and the confidentiality of the feedback obtained from the respondents was guaranteed from the onset. The firms were guaranteed anonymity in terms of naming them in then study and all agreed not to have their names published.

1.9 Findings

The following section presents results and findings from the study. A total of 29 SMEs participated in the study and as already alluded to, the study was set to interrogate through an investigative methodology to find out the level of management accounting adoption and practice among the SMEs sector in Botswana-Francistown metropolitan region. The first part of this section presents profile data and information on respondents from which data was collected with specific reference to level of education and qualification, nature of activity, years in business, number of employees and average annual turnover.

Nature of firms

The firms that were surveyed and interviewed belonged to any of the following sub-sectors within the SMEs in Francistown.

Table 1 Nature of Business by Sector

Nature of Business	Total	%
Food and Beverage	8	28%
Financial services	3	10%
Communication industry	3	10%
Chemicals and chemical products	2	0.07%
Transport and logistics	5	17%
Kindergarten	4	14%
Manufacturing	2	0.07%
Beauty Parlour	2	0.07%
Total	29	100%

Source: Researched data

The majority of responding firms in this study belongs to food and beverage [28%], followed by transport and logistics [17%], Kindergarten [14%] and the rest constituted 0.07% apiece. There are only few firms in the beauty Parlour, manufacturing and chemical industry constituting 21% of the total respondents.

Table 2 Number of years in Business

Number of years	No of firms	%
1-5 years	7	24%
6-10 years	14	48%
11-15 years	5	17%
16 Plus years	3	10%

Source: Researched data

The results above, show that a greater number of respondents [48%], have been in their businesses for between 6-10 years. A few firms [24%] have been in existence for a period between 1-5 years while 11-15 years constitute 17% and those who have been industry for more than 16 years make up 10% of the total. The total number of years provides a basis upon which the projected use of management accounting can be estimated. The more the number of years in service the more are the expectations of adopting management accounting best practices.

Average Annual turnover

The study inferred from the studied firms their average annual turnover based on actual figures but most figures provided were based on general estimates as presented below.

Table 3 Average annual turnover

Average annual turnover[Pula]	Number of firms in the range	% frequency
0-50 000	-	
51 000-99 000	1	0.035%
100 000-149 000	2	0.07%
150 000-199 000	-	-
200 000-249 000	-	-
250 000-299 000	3	10%
300 000-349 000	6	21%
350 000-399 000	8	28%
400 000-449 000	2	0.07%
449 000-499 000	3	10%
500 000 plus	4	14%

Source: Researched data

The majority of firms [57%] indicated that their annual turnover was between 350 000-399 000 per year, a commendable figure given the limited market for their goods and services. This category is followed by 24% of firms who get P499 000 and more per annum. 4 % of the firms reaped more than half a million pula per annum. This later group could be linked to their size as they have been in business for more than 11 years and had a staff complement of more than 15. The other reason projected could be that the level of adopting management accounting practices is slightly higher as compared to other firms from different categories.

Higher qualification of owner Manager or Appointed Managers in charge of the entire firm

The study also took time to establish the present qualifications of the owners and or those who were in charge of the firms which participated in this study. Below is data to that effect.

Table 4 Respondents' qualification

Education qualification	Total with	% total by frequency
PhD	-	-
Master	3	10%
Degree	6	21%
Diploma	13	45%
Certificate	2	0.07%
BSCSE	3	10%
Junior Certificate of Education	2	0.07%

Source: Researched data

The majority owners of the studied firms were Diploma Holders [45%] in various disciplines, followed by Degree holders [21%], Master holders [10%] and BGCSE [10%]. The high numbers holding diplomas and being owner managers suggest that diploma holders seek their qualifications for business enhancement and not for employment seeking. With this level of education, it is expected that the firms led by these people have a moderate framework of management accounting.

Table 5 Number of employees employed

Number of employees by range	Total per given sector	% frequency
0-5	4	14%
6-10	10	30%
11-15	12	41%
16-20	2	0.07%
21 plus	1	0.035%
Total	29	100%

Source: Researched data

A total of 41% of the studied firms had an average number of 11 employees, followed by 30% of the firms with an average number of between 6 and 10 employees. Only 1 firm [0.035%] had more than 21 employees. The number of employees had a general impact on the firm profitability and hence limited numbers could explain that phenomenon. Adopting management accounting could also have a bearing directly or indirectly to the numbers employed. A high staff presents could call for key performance evaluation from a non-Financial perspective to keep abreast with employee needs and requirements.

Total number of employees

Adopting certain financial and accounting practices can also have inference on the size and nature of business, size here referring to the number of employees employed on full time basis to drive the business operations.

Table 6 Number of employed employees in each firm

Number of employees	Total firms in the category
0-5	6
6-10	12
11-15	5
16-20	4
21 plus	2

Source: Researched data

The majority of firms constituting 41% of the selected firms have an average workforce of between 6 to 10, and 17% of the firms' employees between 11 to 15 employees. 14% of the firms' sampled, have employed between 16 to 20 employees. Only 21% employed from 0 to 5 employees. The less number of employees employed is in tandem with the size of the firms –as they jostle to reduce the wage bill.

Adoption of management accounting practices

For the purposes of this study, I regrouped various management accounting activities into various categories. The categories that were investigated in terms of the adoption and implementation written and non-written framework within the SMEs sector in Botswana are show in the table below.

Table 7 Management Account practice

Nature of practice	Total Firms	Numbers adopted the practice	% frequency
Costing	29	29	100%
Performance Evaluation	29	7	24%
Budgeting	29	29	100%
Decision-support systems	29	11	38%
Strategic Management Accounting	29	3	10%
Source : Researched data			

The results showed a significant uptake of the management accounting practices [costing-100%], Budgeting-100%] and performance evaluation [24%] by SMEs despite low levels of uptake in areas such as decision support systems [14%]. However, not all costing methods were employable in the process of costing. A number of firms made use of variable costing and process costing. Methods such as ABC costing were rarely used. A study conducted by Abdel-Kader (2008) produced similar results in terms of uptake of management accounting practices by Small and Medium enterprises. Shields et al., (1991) and Wijewardena and De Zoysa (1999) studied Japanese and Australian firms respectively and discovered that over 50% adopted process costing. Shields et al.,(1990) noted the dominant use of absorption costing and variable costing among firms in SMEs . The use of performance evaluation is not dominant [24%] as indicated by the results above. In this practice, at least the financial measure of performance is dominant as opposed to the adoption of non-financial measures. The use of financial measures of performance is highly consistent with studies conducted elsewhere [Josh, 2001; Abdel-Kader & Luther, 2006; Josh & Parnell, 2008]. The low use of decision-making support systems is moderately represented in the sector with only 38% representation. This moderate level of representation is indicative of a positive tomorrow although more need to be done. Uniquely, the highest factor-practice falls in this category [product profitability analysis. In the same category is breakeven analysis which is ranked number 10 as shown in the table of ranking below. There were significant variations, of course sub- sector by sub-sector in terms of uptake depth. The results also indicated that use of traditional methods [costing systems and budgeting systems and performance evaluation systems] surpassed the more sophisticated and modern practices that involve decision support system and strategic management accounting to some extent. Studies conducted by Lazaridus (2004) as well as those done by Drury and Tayles(2006) reported product profitability uptake at 80% in SMEs sector. Strategic Management Accounting is a rare phenomenon, possibly due to the complications and or short planning periods adopted by most firms in the sector. What it implies is that issues such as strategic costs, life cycle costs and competitor analysis are not a priority, at least at the time of this study as shown by the low level of adoption [10%]. However reports coming from other studies are contrary to these findings-where Guilding et al., 2000 showed that strategic pricing was commonly used in UK, New Zealand and USA.

To support the above classification of the management accounting practices, a detailed breakdown of sub-activities in management accounting was created and respondents were asked to indicate the extent of adoption and use of these practices. A summary of the responses using the high, moderate, low and none uptake measurement(s) is shown below.

Table 8 Full breakdown of management accounting practices

Nature of practice	High	Moderate	Low	None	Total
Cash flow budget	2	10	15	2	29
Sales growth measure	15	10	4	-	29
Operating income	-	18	11	-	29
Annual budget	4	12	10	3	29
Financial position budget	1	16	8	4	29
Production budgets	-	2	2	25	29
Product profitability analysis	26	3	-	-	29
Purchasing budget	5	17	3	4	29
Strategic pricing	-	5	6	18	29
Number of customer complaints	3	5	10	11	29
Target costing	4	7	8	10	29
Survey customer satisfaction	2	6	4	17	29
Payback	5	16	8	-	29
Accounting Rate of Return	-	-	5	24	29
Variable costing	1	15	4	9	29
Incremental budgeting	3	17	-	10	29
Target costing	2	7	5	15	29
Process costing	4	12	9	4	29
Variance analysis	4	6	9	10	29
Value chain	2	7	4	16	29
Breakeven analysis	4	9	2	14	29
Competitor positioning	2	4	6	17	29
Inventory control	10	14	5	-	29
Return on Investment	2	5	12	10	29
Employee turnover	1	4	7	17	29
Customer profitability analysis	-	2	4	23	29
Absorption costing	3	11	-	14	29
Flexible budget	2	11	13	3	29

Source: Researched Data

The above table provides a summary of the levels of adoption and practice of the detailed elements of management accounting by SMEs in Francistown. While this list is not exhaustive, it provides a general picture of the grounding provided for management practices in the sector. A snap shot of the practices shows that there is a moderate uptake of management accounting practices in the sector with instances of high adoption and implementation. By zeroing on the results, it is indicative that the traditional methods of management accounting still dominate the practice –focusing on sales growth, operating income, costing , budgeting, Return On Investment, and product profitability[with varying percentages of between 51%-70%] of adoption across the divide. The table below provides the 10 most dominant practices chosen from the above elements according to the results of the study.

Table 9 Ten most practiced management accounting elements

Management Accounting practice	Total number of firms	Rank	%
Product profitability	29	1	100%
Sales growth	25	2	86%
Inventory control	24	3	83%
Purchasing budget	22	4	76%
Pay back	21	5	72%
Incremental budgeting	20	6	69%
Operating income	18	7	62%
Financial positioning	17	8	59%
Process costing	16	9	55%
Breakeven analysis	13	10	45%

Source: Researched data compilation

The table above presents a crystal clear profile of what the selected firms endorsed as their main practices. According to the ranking SMEs puts product/service profitability [100%] at the core of their business, followed by sales growth [86%], inventory control [83%], purchasing budget [76%] and payback [72%] with breakeven analysis [45%] at the bottom of the top ten activities. These results are unique in terms of the order of priority as there is to date, in Botswana no similar study with this ranking. However, the study is akin to other studies conducted elsewhere on the adoption and use of management accounting practices where it was found out that sales growth, budgeting and costing topped in SMEs[Shields et al.,1991; Zoyga,1999;Ahmad et al.,2003;Josh and Parnell,2008].

Mini Regression Analysis

In order to determine the predictive power of the management accounting practices on the performance of SMEs in Francistown, I conducted a multiple regression analysis. In general regression analysis is defined as a statistical technique which categorically identifies the relationship between two or more variables that are quantitative in nature and: a dependent variable, whose value can be predicted, and an independent or explanatory variable (or variables), about which knowledge is available. It should be remembered that multiple regressions gives an equation that predicts one variable from two or more independent variables. I conducted the analysis in order to provide clarity on the relationship between variables, mostly independent on the performance of the SMEs in Francistown –using the populist SPSS in creating codes and processing the results. The key variables [independent] were budgeting for finance, Performance evaluation of SMEs, Costing, Strategic decision management accounting. The model adopted for this study is presented here as:

$$Fp_t = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e_t$$

Table 10 Summary of the regression model results where:

R square and adjusted R square as well as standard error of estimate are shown

R square	R Square	Adjusted R	Std. Error of the estimate
.664a	.567	.719	3.23114

Source: Research compiled

The r value of .664a clearly provide for a functionality in which various [put together] the management accounting practices selected for this study had a synergical effect and impact on the performance of the SMEs in Botswana. With an R squared of .567, it amounts to the fact that the variables[independent] contributed hugely[estimate of 65% or more to the performance[whether by default or by design] of SMEs especially from a management accounting decision making perspective with regard to the traditional accounting methods highlighted in the study.

Table 11 ANOVA Results-Model Fitness through the F Statistic and the associated probability

	Sum of Squares	df	Mean	F	Sig.
Regression	119.396	10	21.744	1.991	.014b
Residual	214.173	13	7.003		
Total value	331.456	29			

Source: Research tabulated

According to these results, the F statistics is 1.991. Thus at the fit of 5% significant level, it can be concluded that the F statistic is significant. Conclusively I am at liberty to, with a reasonably degree of certainty, say that all the independent variables including budgeting, costing, strategic management accounting –provides a justification for the significance [holistically] of the used model.

Results of in-depth interviews

A total of seven [9] firms were selected judgmentally, to get first hand experiences in terms of management accounting practices. The questions asked were mainly centered on the degree of adoption, use and practice, challenges faced and how these lead to improved decision making. Out of the 9 firms 5 were owner managers, 2 were accountants and the other two were branch managers. From the selected 9 firms only 4 had qualifications closely related to finance and accounting while the other 5 had generic qualifications. The feedback obtained from the ten interviews is provided in the table below

Key statements recorded from in-depth interviews held on adoption and use of management accounting practices in Francistown

Table 12 In-depth interview Results

<p><i>“We are quite aware of some key things that we are supposed to adopt and implement. One of our greatest challenges is that of size and we cannot separate accounting and function and management accounting function. As the owner-founder of this firm I personally do costing of our products and services in a way that satisfies our being and survival”</i></p> <p style="text-align: right;"><i>[Interview 07]</i></p>
<p><i>‘Indeed we do our budgets beginning of the financial year. Our current situation is that we cannot come up with an annual budget given our limited resources. We therefore budget according to needs although this poses serious challenges on our viability...’</i></p> <p style="text-align: right;"><i>Interview 04]</i></p>
<p><i>‘We use a lot of process costing and job costing perse...here and there we also do a bit of variable costing and absorption costing. I have trained my manager to utilize these approaches for easy of making progressive management decisions...for sustainable growth’</i></p> <p style="text-align: right;"><i>[Interviewee 01]</i></p>
<p><i>“I have a team of two employees –all with an accounting and finance background and are quite competent in preparing records of all our transactions..”</i></p> <p style="text-align: right;"><i>Interviewee 05]</i></p>
<p><i>“In terms of budgeting, we also prepare sales budgets, purchasing budgets and seldom prepare cash flow budgets. We have challenges in other areas where we are not able to really boil down to things like spending our time on non-financial management accounting measures. We have instances of dealing with customer complaints ...but apparently there is no proper system or framework put to deal with this area and other areas. I however, when time permits planning to draft a policy on management accounting practices-which is currently haphazardly practiced...”</i></p> <p style="text-align: right;"><i>[Interviewee 09]</i></p>
<p><i>“We do stock take on regular basis and we are very particular about stock management because of the nature of our beverage industry...”</i></p> <p style="text-align: right;"><i>[Interviewee 02]</i></p>
<p><i>“We do not currently have any capital project to talk about but we have never used all these methods you have just mentioned like IRR and ARR . Normally when we have a project to undertake we think of how long it will take to recoup our initial cost. I suppose that’s what you were referring to as-Payback period...”</i></p> <p style="text-align: right;"><i>[Interviewee 08]</i></p>
<p><i>“We are mainly concerned with the profits obtained from our services and products. You have just mentioned the issue of customer profitability but as far as we are concerned this is not a priority. The question we always ask is : How profitable is our service and how best can we exploit our approaches for continued gains...”</i></p> <p style="text-align: right;"><i>[Interviewee 03]</i></p>
<p><i>‘Information we obtain from the use of our accounting and finance information is critical for decision-making especially for planning and control purposes...’</i></p> <p style="text-align: right;"><i>[Interviewee 04]</i></p>
<p><i>“Some of the things we need to do for our record keeping needs use of computers. Not all our members of staff have computers hence work is manually generated. We have put a two year rolling budget for all members of staff to be afforded relevant technology for use in their offices...but for now, we are struggling...”</i></p> <p style="text-align: right;"><i>[Interviewee 06]</i></p>
<p><i>“We are moderately trying to use some decision support systems and performance evaluation techniques-especially non-financial measures of performance such as customer satisfaction, employee happiness index and so forth”</i></p> <p style="text-align: right;"><i>[Interviewee 07]</i></p>

<i>“Book keeping is critical to us. We do keep records of all transactions small or big. Our main concern is keeping costs low so that we are able to manage our pricing systems...”</i>	<i>[Interviewee 06]</i>
<i>“We sometimes take note of market-adjusted prices and adopt...”</i>	<i>[Interviewee 09]</i>
<i>“...we are not very much consistent and we have not fully adopted the use of standard costing”</i>	<i>[Interviewee 01]</i>
<i>“Yes most of our decisions are thumb nail based....”</i>	<i>[Interviewee 05]</i>
<i>“Not really, we have moderately adopted some of the management accounting practices...some of these things we do every day though we do not formalize them”</i>	<i>[Interviewee 08]</i>
<i>“Problem is that I do human resources tasks, finance Tasks , marketing tasks and operations. I only have three employees ...our annual turnover is very impressive though.</i>	<i>[Interviewee 02]</i>
<i>“We are quite happy as a firm with more than 15 employees and a very steady annual turnover”</i>	<i>[Interviewee 07]</i>

Source: Research feedback from in-depth interviews

1.11 Recommendations

The findings from this study suggest that a number of measures should be put in place to promote, advance the interest of SMEs in adopting and using management accounting practices. There is need to diffuse the myth of having a purely dedicated management accounting function in the Small and Medium enterprises sector. Fully fledged SMEs authority needs to be established at take the lead in spearheading the adoption and use of management accounting practices in conjunction with the general accounting practices that have a legal implication. Given that there is generally a moderate level of awareness and use of some of the practices, it will be noble to have institutions responsible for training and development to design short courses both at attendance and certificate levels and train SMEs on this area. This should be complemented by in-house training and refresher workshops across the sector and at individual company level. Individuals who work in this area must also take it upon themselves to develop themselves personally. Some form of competition on management accounting best practices and consistent adopters mere be muted to encourage players in the sector to appreciate the adoption and use of major management accounting key practices.

1.12 Conclusion

While this paper is not exhaustive on its attempt to interrogate and investigate the degree of adoption of management accounting practices in SMEs, and also validating whether it is just a luxury to do so, it has emerged that management accounting is an integral part of management within the SMEs and that it is useful in terms of strategy formulation, planning and controlling activities and tasks, decision making, optimization of resource usage and safeguarding firm assets. Thus it is far from being a luxury. There are of course variations in terms of the level of adoption and use depending on the age and size of the firm. Interestingly the general trend is that even young upcoming firms have an appreciation of the use of certain management accounting practices, and old firms also show an increased interest from moving from the traditional approaches to more modern and contemporary styles on managing businesses.. The study is clear on the importance of costing, budgeting, performance evaluation and strategic management accounting adoption. By adopting a management accounting framework, SMEs are able to create a profitable future and aid managers to make better and sustainable decisions. Thus in a continuum model, management accounting practices in Francistown can be said to be at its infant levels for some firms and at the other extremes very exciting to note that it is moderate to advance levels as evidenced from the study findings despite critical challenges of no qualified management accountants, lack of advanced mobile banking tools and very limited management of innovative processes and lack of properly designed Small enterprises development and growth models contextualized to the local environment and circumstances. Further research [longitudinal in nature] may need to be conducted across the whole Small and Medium Enterprise sector in Botswana in order to establish a proper, relevant guiding framework on management accounting.

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