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Improving Decision Making Through Management Accounting : Practical and Theoretical Perspectives

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Abstract. *This research aims to analyze the role of management accounting in decision making and improving company performance, with a focus on the application of main techniques such as Cost-Volume-Profit (CVP) Analysis, Activity-Based Costing (ABC), and Balanced Scorecard (BSC). Through a qualitative approach with in-depth interviews and case studies on several companies, this research found that management accounting techniques contribute significantly to optimizing costs, increasing operational efficiency, and planning long-term strategies. The use of CVP Analysis helps companies plan more profitable product costs and prices, while ABC provides more accurate cost allocation for each activity in the value chain. On the other hand, BSC helps companies to assess performance as a whole, not only from a financial perspective, but also from non-financial aspects such as customer satisfaction and service quality. However, this research also identified several challenges, including limited resources, insufficient understanding of these techniques, and resistance to change within organizations. Limitations in the research sample and observation time are also factors that need to be considered. Overall, this research confirms the importance of implementing management accounting in improving company performance, but also shows that internal and external factors need to be considered in its implementation.*

Keywords *Decision Making, Management Accounting, Perspective*

1. INTRODUCTION

In today's dynamic and global business environment, management accounting has developed into a critical tool for corporate success (Hertati et al., 2020). With increasing competition and demand for efficiency, companies must adopt a more strategic approach to managing their resources. Management accounting provides important insights to achieve company goals to not only survive but also thrive (Abbas et al., 2020) dalam (Sigalingging et al., 2024). Management accounting is the practice of collecting, analyzing, interpreting and communicating financial information for internal decision making (Butterfield, 2016). In contrast to financial accounting which focuses on financial reports for external parties, management accounting focuses on internal reports to assist managers in planning and controlling company operations. With the development of globalization, companies face wider and more complex competition. Management accounting helps companies identify and understand costs and revenues across various markets and international operations, enabling them to make strategic decisions based on accurate and relevant data (Nugroho & Takaliwuhang, 2022). In the information age, data-based decision making is becoming increasingly important. Management accounting provides financial and operational data that can be used to make more informed and timely decisions, from pricing to new product development. Technological advances

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have dramatically changed the management accounting landscape (Sigalingging et al., 2024). The use of advanced software enables faster and more accurate data analysis, improving a company's ability to respond to rapidly changing market dynamics. Professionals in this field need to have strong analytical skills, a deep understanding of business principles, and the ability to translate complex data into actionable insights. Communication skills are also important for explaining findings and recommendations to non-financial stakeholders (Sinaga et al., 2024).

Effective and efficient decision making is a fundamental aspect in the success of a company. The right decision can determine the company's direction in achieving its strategic goals, while the wrong decision can have a negative impact on the company's performance and reputation. In this context, management accounting plays a very important role. As a tool that provides information related to costs, income and operational performance, management accounting helps managers to plan, control and evaluate the decisions taken. By using relevant data, managers can make more informed decisions, which in turn will improve the company's financial performance and competitiveness (Rachmawati & Tamara, 2022).

Even though the benefits of management accounting in decision making have been widely recognized, in reality there are still many companies that have not fully optimized its implementation. Many companies still rely on traditional approaches and do not utilize available data to support their strategic decisions. This has the potential to reduce decision quality and slow response to dynamic market changes. Therefore, this research aims to dig deeper into how management accounting can play a role in improving better and more informative decision making (Yuniawati et al., 2023).

This research will focus on several main techniques in management accounting, such as Cost-Volume-Profit (CVP) Analysis, Activity-Based Costing (ABC), and Balanced Scorecard (BSC), to explore how these techniques can improve the quality of decisions made. taken by the manager. Through the application of these techniques, it is hoped that companies can minimize risks and maximize opportunities by making more timely and data-based decisions. Apart from that, this research will also identify the challenges faced by companies in implementing management accounting and how its implementation can have an impact on overall company performance.

Thus, the main aim of this research is to provide a deeper understanding of the role of management accounting in decision making, as well as to offer practical insights that can be applied by companies to improve cost management and operational efficiency. It is hoped that the results of this research can become a reference for companies in optimizing the use of management accounting to support more effective and efficient decision making, so that companies can achieve better and more sustainable performance.

2. LITERATURE REVIEW

This literature review will discuss various concepts, theories and previous findings that are relevant to this research, namely the role of management accounting in company decision making, as well as the techniques used in management accounting to increase decision effectiveness. The main focus of this literature review is on Cost-Volume-Profit (CVP) Analysis, Activity-Based Costing (ABC), and Balanced Scorecard (BSC), which are the main tools in management accounting that are often used by companies to support strategic decision making. and operational.

Management accounting is a branch of accounting that focuses on providing information to managers to assist them in planning, controlling, and evaluating business decisions that can affect company performance. According to Horngren (2015), management accounting provides information that is not only useful for financial reporting, but also provides important insights into costs, operational efficiency, and long-term strategy. This information allows managers to make more informed decisions, such as budget management, pricing, cost control, and production and distribution planning.

The decision-making process in management accounting involves analyzing the costs and benefits of various alternatives. Atkinson et al., (2015) emphasizes that effective decision making in an organization requires timely and relevant information regarding variable costs, fixed costs, as well as the potential profits that can be obtained from each decision. Therefore, management accounting is not only concerned with cost calculations, but also about how this information is used to design strategies that can bring the company to maximum profits.

Several studies have shown that implementing good management accounting can contribute significantly to improving company performance. Usman et al., (2022) in his research found that companies that use management accounting information to support strategic decision making tend to be more efficient and better able to adapt to market changes.

3. METHODS

This research uses a qualitative approach with a descriptive research type which aims to describe in depth how management accounting is applied in decision making in companies. A qualitative approach was chosen because it allows researchers to explore richer data regarding existing practices in the field and gain a more holistic understanding of the challenges companies face in using management accounting. Data collection techniques used include in-depth interviews, participant observation, and case studies (Sugiyono, 2019). Interviews were conducted with financial managers, accountants, and staff who are directly involved in making management accounting-based decisions, in order to gain information related to the application of techniques such as Cost-Volume-Profit (CVP) analysis, Activity-Based Costing (ABC), and Balanced Scorecard. (BSC). Through these interviews, researchers can gain in-depth insight into how these techniques support strategic and operational decisions in companies.

In addition, participatory observation was carried out in several companies to directly understand the decision-making process based on management accounting information. Researchers are involved in company activities, such as budget planning meetings and performance evaluations, to see how cost and performance information is used in decision making. Case studies are also used to explore the application of management accounting in companies that have successfully implemented these techniques effectively. This research uses qualitative analysis techniques, where data collected from interviews, observations and case studies are analyzed using a thematic approach. The categorized data will be processed to identify main patterns related to the role of management accounting, implementation challenges, and its impact on company performance. Data triangulation was carried out to ensure the validity of the findings by comparing information obtained from various sources, such as interviews and observations.

Although this research relies on a limited sample, it is hoped that it can provide in-depth insight and practical relevance regarding the application of management accounting in decision making. Researchers also ensure that research ethical principles, such as informed consent and data confidentiality, are strictly followed to maintain the integrity and accuracy of this research. With this methodology, it is hoped that research can make a significant contribution to the understanding of how management accounting plays a role in improving the effectiveness of decisions and company performance.

4. RESULTS

Descriptive Analysis of Research Results

This research reveals the significant role of management accounting in supporting appropriate decision making and improving company performance. Through interviews with managers and company administrators, as well as in-depth analysis of the accounting practices implemented, we found that management accounting has a clear impact in several key operational and strategic aspects. On the other hand, its implementation is also faced with several challenges that need to be considered to optimize its function.

The Role of Management Accounting in Decision Making

One of the main findings of this research is that management accounting functions as more than just recording financial transactions, but as a very important tool in making strategic and operational decisions. Management accounting provides the information needed to determine more effective steps, from budget planning to long-term decisions.

For example, engineering Cost-Volume-Profit (CVP) Analysis used to help companies plan costs and determine the break-even point. CVP allows companies to see the relationship between fixed costs, variable costs, and sales volume, so they can determine profitable selling prices. A manufacturing company that implemented this technique revealed that they could more precisely plan production and set selling prices, thereby reducing costs and increasing profit margins.

Apart from that, the use of Activity-Based Costing (ABC) is also very helpful in making more accurate decisions. In larger distribution companies, ABC techniques are used to calculate more precise costs associated with each activity in the supply chain, from procurement of raw materials to distribution of products to consumers. In this way, companies can find out which activities absorb more costs and develop strategies to reduce waste. For example, they discovered that distribution and packaging costs were costing more than expected, so the company reorganized these processes to reduce costs.

On the long-term decision making side, the Balanced Scorecard (BSC) provides a more holistic view of company performance. This technique is used by companies to not only look at financial profits, but also to evaluate other aspects such as customer satisfaction, internal processes, and learning and growth. Companies that use BSC feel better able to manage performance in a balanced and sustainable manner. One financial services company, for example, succeeded in improving service quality and customer satisfaction through non-financial indicators measured in the BSC, which ultimately contributed to increasing annual revenue.

Application of Management Accounting Techniques

In this research, various management accounting techniques were found to be applied by the companies that were the object of study. The most frequently used techniques are Cost-Volume-Profit (CVP) Analysis, Activity-Based Costing (ABC), and Balanced Scorecard (BSC), each of which contributes to more strategic decision making and more efficient resource management.

CVP Analysis is very useful in financial planning, especially for companies that rely on large sales volumes. In manufacturing companies that use this technique, they are able to calculate the break-even point more precisely and plan production more efficiently. They can also adjust product prices to achieve optimal profits, considering the fluctuations in fixed and variable costs that occur during a certain period.

Activity-Based Costing (ABC), which is used mainly in companies that have complex production processes, helps in determining more accurate costs for each activity. This technique provides a clearer picture of the costs associated with specific activities in the value chain. For example, a distribution company found that packaging and distribution processes were the largest cost contributors, and they succeeded in optimizing these processes to reduce operational costs.

Meanwhile, Balanced Scorecard (BSC) used by companies to evaluate their overall performance, from financial to non-financial aspects. In this research, it was found that companies that adopted BSC were better able to manage quality and efficiency aspects in their operations. One of them is a service company that experienced an increase in customer satisfaction levels after utilizing non-financial indicators in the BSC to measure the quality of their services.

Challenges in Implementing Management Accounting

Even though the benefits obtained are quite large, the application of management accounting is also faced with several significant challenges. One of the main challenges companies face is a lack of understanding and competence in applying techniques such as ABC and BSC. In this research, it was found that some managers find it difficult to understand how these techniques work, especially in small companies that do not have adequate resources or training.

Resistance to change is also a major obstacle to implementation. Many companies that are used to traditional accounting systems, such as calculating costs manually or using simpler systems, find it difficult to switch to more complex systems. One respondent mentioned that although they know that new technology can help them, most employees are reluctant to adapt to newer methods due to discomfort with the change.

Apart from that, limited resources are another problem. Small companies, especially MSMEs, often do not have the funds or ability to purchase sophisticated management accounting software or to train their employees in such techniques. Some companies expressed that they could only implement simpler techniques, such as Cost-Volume-Profit (CVP) Analysis, because the costs required to implement other techniques, such as Activity-Based Costing (ABC) or Balanced Scorecard (BSC), were too high. .

The Impact of Implementing Management Accounting on Company Performance

The impact of implementing management accounting on company performance is very positive. Companies that successfully implement these techniques report significant improvements in several key areas. One of them is operational efficiency. The use of Activity-Based Costing (ABC) allows companies to identify and reduce waste in the production process. One manufacturing company that implemented ABC reported a reduction in production costs of up to 10% in one year thanks to improvements made in the raw material procurement and shipping processes.

Company profitability also increases thanks to the use of Cost-Volume-Profit (CVP) Analysis. In this research, many companies were able to optimize the selling price of their products and calculate the break-even point more accurately, which resulted in an increase in net profit. A retail company, for example, reported that by using CVP, they managed to increase net profit by 15% in the first six months after implementation.

On the other hand, companies that use the Balanced Scorecard (BSC) report significant increases in customer satisfaction and loyalty. By assessing performance from multiple perspectives, companies can focus more on service quality, which in turn increases customer satisfaction. A financial services company, for example, managed to increase customer satisfaction levels by 20% in one year after implementing BSC.

5. DISCUSSION

This research reveals the important role of management accounting in supporting company strategic and operational decision making. Through the application of management accounting techniques, such as Cost-Volume-Profit (CVP) Analysis, Activity-Based Costing (ABC), And Balanced Scorecard (BSC), companies can manage costs more effectively, identify efficiency opportunities, and plan more mature strategies for long-term growth.

Cost-Volume-Profit (CVP) Analysis

One of the most widely used techniques is CVP Analysis, which focuses on the relationship between fixed costs, variable costs and sales volume. This technique allows companies to calculate the break-even point and plan a more profitable selling price. This research shows that companies that use CVP Analysis can make more strategic pricing decisions, so they are able to optimize profitability. For example, a manufacturing company found that by slightly increasing the selling price of their products, they could break even more quickly, without significantly losing customers. Besides that, CVP Analysis also helps companies to predict the impact of changes in sales volume on profits, which is very important in budget planning and financial forecasting.

Activity-Based Costing (ABC)

The next technique that has been proven to be effective is Activity-Based Costing (ABC), which helps companies allocate costs more accurately based on the activities carried out in the production or service process. With ABC, companies can identify activities that absorb high costs, such as raw material procurement, packaging, or distribution, and look for ways to reduce waste in those areas. In this research, it was found that companies that implemented ABC succeeded in increasing their operational efficiency, especially in the supply chain. For example, a distribution company identified that the cost of missed or delayed deliveries was very high, so they optimized distribution routes and improved coordination with logistics partners, ultimately reducing operational costs by up to 12%.

Balanced Scorecard (BSC)

Implementation Balanced Scorecard (BSC) gives companies the ability to evaluate performance from multiple, more holistic perspectives. This technique not only focuses on financial aspects, but also measures customer satisfaction, internal processes, and organizational learning and growth. The research results show that companies that adopt BSC more successful in maintaining a balance between financial and non-financial goals. For example, service companies that use BSC recorded significant increases in customer satisfaction and loyalty, which in turn contributed to long-term revenue increases. In this case, BSC allows management to monitor and evaluate aspects that may not be visible in traditional financial reports, such as service quality and employee engagement.

Implementation Challenges

Although the application of management accounting provides many benefits, this research also identifies several challenges faced by companies in implementing these techniques. One of the main challenges is lack of understanding and skills among managers and financial staff, especially in small and medium-sized companies that do not have the resources for intensive training. Some companies report that although they know these techniques theoretically, they find it difficult to implement them in daily practice due to limited knowledge or available tools.

Besides that, resistance to change constitute a major barrier to the adoption of these techniques. Many companies that are used to traditional accounting systems are reluctant to switch to methods that are more complex and require more time and investment. To overcome this, organizational culture changes are needed that support innovation and continuous learning, as well as a commitment from top management to provide full support for the implementation of more sophisticated management accounting.

Influence of External Factors

External factors, such as macroeconomic conditions, government policies, and industry regulations, also play a role in the application of management accounting. Although this research does not focus entirely on external factors, some companies reveal that they sometimes have difficulty adapting management accounting techniques to rapid regulatory changes or economic uncertainty. This suggests that the application of these techniques must be adapted to the broader market context and changing industry dynamics.

Implications for Business Practices

The results of this research show that the application of appropriate management accounting techniques can make a major contribution to better decision making and increased company performance. For companies that want to optimize the use of management accounting, it is very important not only to rely on technology and advanced accounting tools, but also to pay attention to the capabilities of existing human resources. Training and developing employees to understand and implement these techniques effectively is a critical investment. In addition, companies need to overcome challenges related to resistance to change and resource limitations, and adapt the application of these techniques to their company's specific context and needs.

Overall, management accounting not only serves as a tool for cost control, but also as a key driver in making smarter and more sustainable strategic decisions. Its proper implementation can help companies gain competitive advantage, increase efficiency, and achieve long-term goals more effectively.

6. CONCLUSION

Based on the results of the research conducted, it can be concluded that management accounting has a very crucial role in supporting strategic and operational decision making in companies. The use of management accounting techniques, such as Cost-Volume-Profit (CVP) Analysis, Activity-Based Costing (ABC), and Balanced Scorecard (BSC), has been proven to provide significant benefits in increasing efficiency, optimizing costs, and planning long-term strategies which is more precise.

Through CVP Analysis, companies can manage the relationship between costs and sales volume, making it easier to determine profitable prices and plan production more effectively. Activity-Based Costing (ABC) techniques, on the other hand, allow companies to allocate costs more accurately, identify high-cost activities, and optimize production and distribution processes. Meanwhile, the Balanced Scorecard (BSC) not only helps companies measure financial performance, but also provides a comprehensive view of non-financial factors that can influence business sustainability, such as service quality, customer satisfaction and operational efficiency.

However, implementing these techniques is not without challenges. Some of the main obstacles found in this research are a lack of understanding and skills related to management accounting, resistance to change, and limited resources, especially in small and medium companies. These challenges need to be addressed through increased training, investment in the right technology, and a shift in organizational culture that is more open to the adoption of new methods.

Overall, implementing appropriate and systematic management accounting can improve company performance significantly. For this reason, companies need to invest more in developing management accounting capabilities, both in terms of human resources and the systems used, so that the benefits obtained can be maximized and sustainable. Management accounting is not only a tool for managing costs, but also a key in making decisions that support a company's long-term growth and success.

Thus, management accounting must be viewed as an integral element in effective and efficient business planning and management.

7. LIMITATION

This study has several limitations that need to be noted. First, the sample used is limited to companies in certain regions, so the results may not fully reflect conditions in other regions or in smaller scale companies, such as MSMEs. In addition, this research was only conducted over a limited time span, which makes it difficult to assess the long-term impact of implementing management accounting techniques. Other limitations lie in access to sensitive data and difficulties in obtaining more in-depth information from the companies involved. This research also focuses more on three main techniques—Cost-Volume-Profit (CVP) Analysis, Activity-Based Costing (ABC), and Balanced Scorecard (BSC)—without exploring other techniques that may also be relevant. Variations in the level of understanding and implementation of management accounting in each company are also factors that influence the results, while external factors such as economic conditions and government policies are not fully considered. Lastly, this research relies heavily on qualitative data that can be influenced by the perceptions and experiences of individuals within the company, which may reduce the objectivity and generalizability of the research results.

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