


Chapter 15

Improve Financial Performance of Vietnamese Manufacturers by Combining the Characteristics of Top Manager, Strategy, and Management Accounting System

Vo Tan Liem

 <https://orcid.org/0009-0001-0457-8534>

Van Hien University, Vietnam

ABSTRACT

Management accounting system has positive support in providing information for decision-makers. Based on Upper Echelons Theory, this study examines the impact of top managers's characteristics (age, education background, managerial risk-taking propensity) on the choice of prospector strategy, using management accounting system information and financial performance. The use of Partial Least Squares Structural Equation Modelling (PLS-SEM) to test hypotheses. The analysis based on a sample of 218 medium and large manufacturing enterprises in Vietnam showed that all hypotheses are statistically significant, except for the influence of top managers 's age and the managerial risk-taking propensity on financial performance. This study applied upper echelons theory in management accounting field, it presented the significance in the compatibility between the characteristics of top managers, strategies and using management accounting system information will improve the financial performance of the organizations.

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1. INTRODUCTION

Managers primarily employed accounting information to enhance their management efficiency in the production and distribution functions in accordance with national plans during the centrally planned economy (Chow, Duh, & Xiao, 2007). Liberalization and integration into the global economy have been among the numerous activities that have emerged since 1986 (Farber, Nguyen, & Vuong, 2006). Vietnamese organizations are confronted with competition from both domestic and foreign sources in light of the implementation of new laws and regulations that are intended to promote diversified business (Zhu, 2002). For instance, the level of fierce competition has increased as Vietnam has joined numerous global organizations, including the World Trade Organization (WTO) and the G20 (N. P. Nguyen, 2018). Additionally, the 4.0 industrial revolution has introduced numerous breakthrough technologies that have significantly altered the Vietnamese industry. The US-China trade war has also had a significant impact on Vietnam in terms of economics and politics, necessitating that businesses adjust to a rapidly changing and dynamic environment (Le, Nguyen, & Phan, 2019; Liem & Hien, 2020a). The national economy in general and the manufacturing industry in particular are both impacted by the aforementioned trends, which present both opportunities and challenges (Tran & Nguyen, 2020). In order to navigate this environment, top managers at Vietnamese manufacturers require a variety of information sources to make decisions, including information from management accounting system (Al-Hattami & Kabra, 2024; Liem & Hien, 2020a).

The management accounting system (MAS) is considered a subsidiary control system within the “overall organizational control system” (Otley, 1980, p.421). MAS is used by top managers to make more effective decisions during the implementation of the chosen strategy (Saleh & Al-Nimer, 2022). Therefore, examining which demographic or psychological characteristics of top managers influence the use of MAS information in strategy implementation is necessary to achieve an effective strategy (Pedroso & Gomes, 2024). In accounting research in general and the behavior of using MAS information in particular, demographic characteristics such as age and education background are two traits that have a strong impact on managerial behavior and are the easiest to observe, yet have not received much attention (Hambrick & Mason, 1984; Hiebl, 2014). In addition, in many studies in the field of strategic management, the managerial risk-taking propensity among managers has been a focus of research (Abu Afifa & Nguyen, 2023), however, this psychological trait of the manager is still limited in the field of accounting (Liem & Hien, 2020a). Prospector strategy is one of the four strategies that Miles et al., (1978) indicated and in the current competitive environment, implementing prospector strategy with innovative characteristics is a trend among manufacturing enterprises. Furthermore, studies based on upper echelon theory (UET) regarding the level of MAS usage have not yet focused on the financial performance achieved by the organization (Naranjo-Gil & Hartmann, 2006; Wijesinghe & Samudrage, 2016). Therefore, studying the influence of demographic characteristics (age, education background) and psychological traits (managerial risk-taking propensity) on the choice of high-risk strategies such as prospector strategy and the level of MAS information use to implement the prospector strategy chosen by top management is a research gap that needs to be addressed in empirical studies in Vietnam. At the same time, the alignment between the characteristics of top managers and the choice of prospector strategy, as well as the level of MAS information usage, will significantly impact the organization's financial performance. Therefore, examining the role of financial performance in the research model is also a highlight of this study.

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