

## Generic Strategy and Strategic Management Accounting Practices: Case Study of a Sri Lankan Telecommunication Company

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### Abstract

Organizations depend on different generic strategies to gain competitive advantage (Porter, 1980). Usage of a particular generic strategy is always associated with a set of rules, practices, and procedures within an organization. Amongst them, Strategic Management Accounting (SMA) practices play a vital role in supporting and monitoring the performance of generic strategies pursued by an organization. However, organizations may change the generic strategies they use over time due to various changes taking place in the environment which include the changes in business environment, technology, competitors, regulation and global economy (Wickramasinghe & Alawattage, 2007). A change in the strategy is expected to lead to changes in existing policies and practices to match the new strategy (Langfield – Smith, 2007). Thus, SMA practices used by the organization should be no exception. Such changes in practices are important for effective implementation of the new strategy. Otherwise, the new strategy is expected to fail. However, studies, which examine the changes in generic strategy and associated changes in SMA practices are scarce in the Sri Lankan context. Hence, the purpose of this paper is to examine whether the change in generic strategy leads to changes in SMA practices used in Alpha Telecom PLC, which is a leading telecommunication company in Sri Lanka. Also, the study expects to find out other factors contributing to the changes in SMA practices in this company.

This study adapted qualitative research methodology and used single case study method to conduct an in depth analysis of SMA practices of Alpha Telecom. The data were collected through semi- structured interviews with senior managers and a survey questionnaire distributed among middle level executives. Management Accounting (MA) reports and annual reports of the company were used as secondary sources.

The study found that when generic strategy moved from cost leadership to differentiation, the traditional MA practices based on costing shifted to SMA practices such as Balanced scorecard (BSC), Competitor analysis, Quality costing etc. Further it was found that changes in ownership, culture of parent company, and nature of competition also had an impact towards the usage of new SMA practices within the company.

**Key words:** Strategic Management Accounting Practices, Generic Strategy, Differentiation, Cost Leadership

## INTRODUCTION

Considering the rise in competition within the corporate world, as an effect of globalization and development of technology the success or failure of any business depends on developing and maintaining a Sustainable Competitive Advantage. This crucial factor is now considered the heart of a company's performance and survival in the ever-changing market. After several decades of vigorous expansion and growth many firms lose the sight of this key component, during their scramble and pursuit for growth, expansion, and even diversification. Today, a company's continuous focus on gaining a competitive advantage could hardly be greater than any other concerns it faces. The firms are using generic strategies (Porter, 1985) to gain competitive advantage. The main generic strategies are cost leadership, differentiation, and focus. The generic strategy of the business may be changed due to the changes in business environment, technology, competitors, regulations and global economy (Wickramasinghe & Alawattage, 2007). Further there is significant relationship between Management Accounting (MA) and business strategies (Simmonds, 1981). MA practices are developed from traditional aspects to strategic aspects due to the changes in external environment and internal environment (Burns & Scapens, 2000). Hence a new MA discipline is coined by Simmonds (1981). He defined it as "The provision and analysis of management accounting data about a business and its competitors, for use in developing and monitoring business strategy" (Simmonds, 1981, p. 26). Roslender and Hart (2003, p. 272) defined that SMA is about making MA more strategic. But, Langfield – Smith (2008) stated that there is no agreed definition of SMA in the literature and recognized SMA as accounting information about competitors, suppliers, and customers. Further, Nixon and Burns (2012) pointed out that Simmonds (1981) has developed the concept SMA by considering the generic strategies of Porter (1980). Hence the firms practice SMA techniques than traditional MA to provide more strategic information for strategy formulation. By considering above findings of prior studies, the study aims to examine whether the change in generic strategy leads to changes in Strategic Management Accounting (SMA) practices in a selected telecommunication company in Sri Lankan context. The eleven SMA practices (under cost perspective, customer perspective, competitor perspective and performance perspective) used by Cinquini and Tenucci (2010) are applied for the current study to identify SMA practices.

The findings of the study generate a valuable insight in the SMA literature as little is known in the discipline of SMA. Further, Nixon and Burns (2012) suggested conducting more studies in this

discipline as there is a lacuna in SMA literature. The findings generate sound contribution in SMA research studies in Sri Lankan context as Langfield-Smith (2007) suggested conducting studies on practice of SMA techniques in specific organizational contexts. Except to above mentioned contribution to the literature, there is a considerable relevance of the findings towards to practical usage as managers can learn how to use SMA techniques as a strategic information tool for crafting strategies and deciding their generic strategy to gain competitive.

The paper is organized as follows: the first section gives a brief review of SMA practices, generic strategy and prior studies on business strategy and SMA. Then, next section explains the case unit (Alpha Telecom PLC) and research methodology. Subsequently, research findings and discussion on the findings will be explained. The final section is dedicated to explain the conclusion of the study.

## **LITERATURE REVIEW**

### **Strategic Management Accounting (SMA) Practices**

Simmonds (1981) first coined the term Strategic Management Accounting. He defined it as “The provision and analysis of management accounting data about a business and its competitors, for use in developing and monitoring business strategy”. Bromwich (1990) defined SMA in financial perspective as “the provision and analysis of financial information on the firm’s product markets and competitors’ costs and cost structures and the monitoring of the enterprise’s strategies and those of its competitors in these markets over a number of periods”. Bromwich and Bhimani (1994) stated that SMA requires that accountants embrace new skills extending beyond their usual areas and co-operate much more with general management, corporate strategies, marketing and product development. Coad (1996) stated that SMA is “an emerging field, whose boundaries are loose and yet, there is no unified view of what it is or how it might develop. Broutcher and Roozen (1999) argued that SMA provides information on environmental analysis, strategic alternative generation, strategic alternative selection, planning the strategic implementation, implementing the strategic plan and controlling the strategic management process. According to them, strategic management information is mostly non-financial and future focused. The Chartered Institute of Management Accountants in UK (2005) stated SMA as “A form of management accounting in which emphasis is placed on information which relates to factors external to the firm, as well as non-financial information and internally generated information”. Roslender and Hart (2002) stated that SMA’s

defining characteristic is the MA interface with marketing management rather than strategy. But, in the accounting literature, there is no agreed definition of SMA (Langfield-Smith, 2008). This study has used the same SMA techniques, which are used by Cinquini and Tenucci (2010).

Category of SMA Technique	SMA Techniques
Costing	Activity Based Costing (ABC)
	Life cycle costing
	Quality costing
	Target costing
	Value chain costing
	Customer
Competitor	Competitive position monitoring
	Competitor Cost Assessment
	Competitor Performance Appraisal based on Public Financial Statements
Performance	Benchmarking
	Balanced Scorecard (BSC)

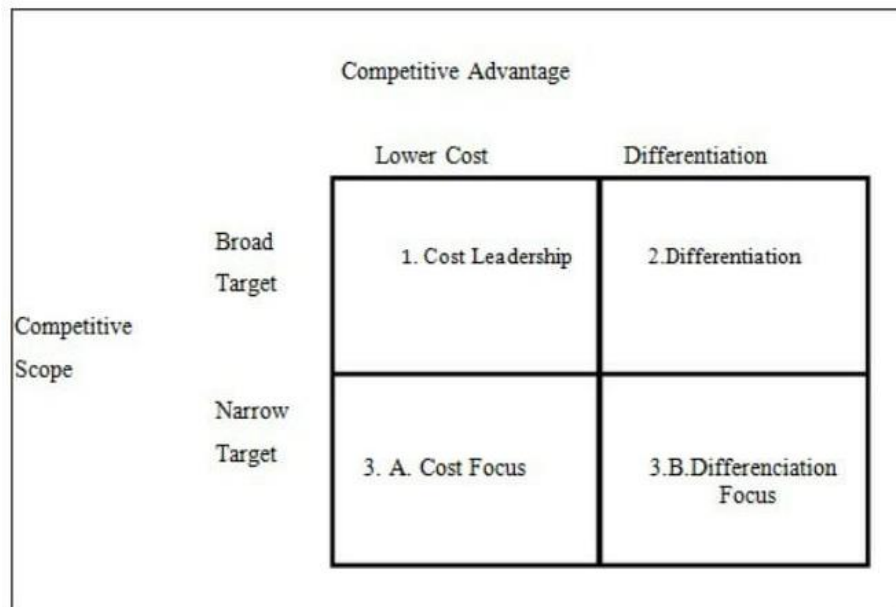
Source: Cinquini, L. and Tenucci, A. (2010), "Strategic management accounting and business strategy: a loose coupling?"

**Table 1: SMA techniques from the literature**

### Generic Strategy

According to Porter (1985), Competitive Advantage is the attribute that allows an organization to outperform its competitors. This concept aims to build a strong relationship between strategy formulation and implementation. Further, it supports to establish a profitable and sustainable

position against the forces that determine industry competition. Porter (1985) defined two ways in which an organization can achieve competitive advantage over its rivals: cost advantage and differentiation advantage. The two basic types of competitive advantage combined with the scope of activities and form four strategies called “Generic Strategies”. They are Cost Leadership, Differentiation, Cost Focus and Differentiation focus. The cost leadership and differentiation strategies seek competitive advantage in a broad range of industry segments while focus strategies aim at cost advantage (cost focus) or differentiation (differentiation focus) in a narrow segment. This study is focusing only on cost leadership and differentiation. Cost leadership is a business' ability to produce a product or service that will be at a lower cost than other competitors. A differential advantage is the ability to differentiate its products or services from competitors (Porter, 1985).



Source; Porter, M. (1985), “Competitive Advantage”

Figure 1: Generic Strategies for Competitive Advantage by Michael E. Porter (1985)

## **Business Strategy and SMA**

Simmonds (1981) stated that Management accountants could assess the strategic impact of internal information and collect information about the position of competitors. Shank (1989) stressed the need for MA to support a firm's competitive strategies and illustrated how these different MA techniques support to different competitive strategies such as cost leadership and product differentiation. Using Porter's taxonomy, Shank (1989) and Shank and Govindarajan (1989) analyzed the relative importance of several MA methods depending on whether the firm was pursuing cost leadership or differentiation. They conveyed that companies choosing cost leadership would put the most emphasis on the traditional cost accounting applications. Simons (1990) investigated the role of management control systems (MCS) in creating competitive advantage and he has used strategic models of Miles & Snow (Defender, Prospector, Analyzer, Reactor), Mintzberg (Entrepreneurial, Adaptive, Planning mode), Porter (Cost leadership, Differentiation, Focus). The analysis showed that interactive management control processes can be used to manage emergent strategy, rather than focusing on what the organization already understands and does well, these systems direct organizational attention to emerging threats and opportunities. Rickwood et al. (1990) carried a case study to investigate SMA to gain competitive advantage and they pointed out that it is desirable to release MA from the factory floor to allow it to also aid directly new market challenges. Lord (1996) identified a specific characteristic of SMA. He stated that firm can gain competitive advantage by using SMA techniques which are analyzing a way to decrease costs and enhance the differentiation of a firm's product, through exploiting linkages in the value chain and optimizing cost drivers. Chenhall and Smith (1998) examined the relationship between strategic priorities, management techniques, and MA. Their results showed that high performing product differentiators are associated with MA techniques of quality systems, integrated systems, team-based human resource structures and MA practices incorporating employee-based measures, benchmarking, strategic planning techniques and activity-based techniques. On the other hand, high performing low-cost strategy firms are associated with MA techniques of improving existing processes, integrating systems, innovating manufacturing systems and activity-based MA techniques. Guilding et al. (2000) carried out an international comparison of SMA practices to identify the usage of SMA in New Zealand (NZ), United Kingdom (UK), and the United States of America (USA). They used 12 SMA techniques. These are attribute costing; brand value budgeting and monitoring, competitor cost assessment,

competitive position monitoring, competitor appraisal based on published financial statements, life cycle costing, quality costing, strategic costing, strategic pricing, target costing and value chain costing. Competitor accounting and strategic pricing appear to be the most popular SMA practices in three countries. Target costing is highly used in NZ and U.S. Further, Companies in NZ and UK make greater use of value chain costing, competitive position monitoring, and competitor performance appraisal based on published financial statements while the U.S. uses them to a relatively low degree. N.Z. companies showed a great tendency for SMA. Finally, they found that there is negligible use of the term 'SMA' in organizations. Cravens and Guilding (2001) pointed out that there are significant relationships between SMA usage and competitive strategy by considering research and development and market coverage aspects. Roslender and Hart (2002) stated SMA as the interface between marketing and MA to pursue competitive advantage through market positioning strategies. Wickramasinghe and Alawattage (2007) stated that MA is influenced by environment factors such as technology, competition, global effects, economic uncertainty, social and cultural influences and political influences. Further they have mentioned SMA can be used to gain sustainable competitive advantage via strategic market position. Cadez and Guilding (2008) carried out an investigation of an integrated contingency model of SMA. 16 SMA techniques have been identified for analysis in this study based on sub categories (costing, planning, control and performance measurement, decision-making, competitor accounting and customer accounting). They found that accountants' participation in strategic decision making is positively associated with prospector strategy. Cinquini and Tenucci (2010) carried out a study to identify whether business strategy influences SMA usage. They stated that competitor analysis, competitive position monitoring, competitor performance appraisal based on published financial statement and quality costing are widely used in Italian companies. Further, they have stressed that differentiators are more interested in SMA techniques to address customer, competitor, and performance information. Cost leaders are interested in SMA techniques based on cost information. Lachmann et al. (2013) conducted a study to examine the dissemination of SMA techniques in hospitals under competitive market environments. They stated that firm's structure and ownership is affecting the usage of SMA techniques as publicly owned hospitals are more interested in cost and risk based SMA techniques. Abdullah and Said (2015) have stated that SMA techniques provide information about competitive strategy, firm development, market changes, and corporate strategic program, strategic implementation and strategic control.

## **CASE STUDY COMPANY**

### **Evolution of the company**

Alpha Telecom PLC (hereafter referred as Alpha) is a key player in telecommunication industry in Sri Lanka. The ownership of Alpha is started as a government ownership organization and presently owned by a Netherlands company. Alpha is more strategic oriented as there is a vigorous competition in the telecommunication industry. Alpha was started as a government organization in 1980's and it was operated with lots of red tapes. Considering the emerging competition in the industry, the government decided to privatize the firm. Then, Alpha was acquired by a Japanese company for five years. In 2003, Alpha became a public limited company. In 2008, the ownership of Japanese company sold to a Netherlands company. Currently, The Chairman of the company is appointed by Government and the Chief Executive Officer (CEO) is appointed by the Netherlands ownership. Alpha is operating as a group of companies, which includes ten subsidiaries in telecommunication infrastructure, mobile communication, broadband, human resource management, etc. Currently Alpha provides services in voice, data, broadband, wholesale, enterprise, cloud, international and TV.

In 1993, a French consultation company developed a strategic plan for Alpha. But it did not succeed due to the political influences. Then, in 1997, Japanese management developed a strategic plan with a new vision and a mission, which were more cost and technical oriented. There was a highly hierarchical organization structure until privatization. The structure was highly static. After the privatization, the Japanese management introduced an expanded structure. Further, the Japanese management identified the need of customer care. They opened flag ships for customer care and organized many training programmes islandwide on customer care. After that the Netherlands management has changed existing vision and mission which is aligned with customer and competition aspects. The Netherlands management has also implemented some changes in the structure based on their transformation program by adding new positions to suit market orientation and customer focus. Further, they have established a committee called "Customer Complaint Committee" to solve customer complaints.

Before privatization there were few accountants and financial activities. The accounting process was carried out manually. After Japanese Management took over the management, they introduced a computer based accounting system in 2000 which generated financial statements. After Alpha



became a public quoted company, it was mandatory for them to provide quarter and annual reports to Colombo Stock Exchange. Further, Japanese management introduced new MCS such as 5S, Kaizen, and cross functional teams into the system.

## **RESEARH DESIGN**

This study adapted qualitative research methodology and used single case study method (Yin, 2003) to conduct in depth analysis of SMA practices of Alpha. As Denzin and Lincoln (2000) mentioned the qualitative studies are conducted to find the answer for how social experience is created and given meaning. Yin (2009) further elaborated that case study method addresses the "how" or "why" questions in any context. Hence, Alpha was selected as the case unit because it has been managed by different companies with different strategic intentions and the main objective of the study is to conduct an in depth analysis of SMA practices of Alpha.

During the data gathering process, primary and secondary data were collected through several sources. Primary data mainly collected from interviews with top and middle level managers. Interviews were carried out with Deputy chief corporate officer, Deputy general managers in Marketing, Customer services, Procurement divisions, Head of finance, Quality engineers, Project engineers and Senior executives. There were nine interviews carried out with covering related departments with SMA practices. All the interviews were semi-structured interviews and based on a pre-set interview protocol. The interview protocol was updated as the interviews progressed from one person to the other person. Interviews were limited to a maximum of one-and-half hours and certain executives could be followed up for more details. In addition to face to face interviews, data were gathered through several follow-up telephone interviews. All the interviews were voice recorded with the permission of the respective interviewees. These voice records were subsequently transcribed. Further a survey questionnaire was distributed among fifty middle level executives to verify the findings of interviews. As secondary sources the company web site, MA reports, annual reports of the company, published articles of Alpha were studied in detail.

The analysis of data was carried out based on thematic analysis of Braun and Clarke (2013). Accordingly, the conducted interviews were transcribed into the notes. Then the transcribed notes of interviews and documents were analyzed to identify the answers for the research questions. The researchers used both interviews and questionnaire survey method to enhance validity and reliability through methodological triangulation.

## **FINDINGS AND DISCUSSION**

### **Evolution of MA practice in Alpha**

The origin of accounting practice of Alpha was a legacy of colonial relationships. They followed financial accounting practices in the early stages in keeping with the state regulations and the accounting environment was highly bureaucratic. The management did not pay attention to customer satisfaction, quality of service, and market conditions. A senior manager stated the reason for the above narrow practice of accounting,

“The strategic direction and focus were different. Because there was no competition. We enjoyed a monopoly situation”

When Alpha Telecom was acquired by a Japanese company, the accounting practices were expanded to MA. A senior manager stated:

“Gradually Japanese management developed the infrastructure of the company and changed the attitudes of employees. They eliminated the red tapes. They were interested much on MA and control systems”

A comment of a senior executive in accounting division implied that MA practice was started in Japanese management period.

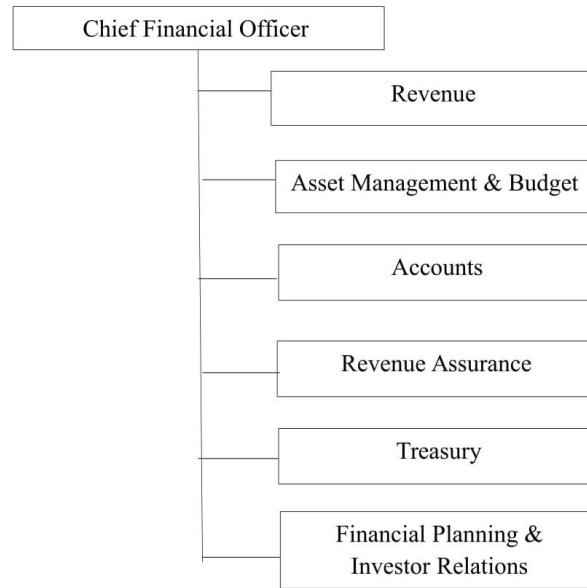
“Around 2000, we developed MA practice in relation to Japanese management. During this period, MA practice was in initial stage. Now it is advanced and its quality is high”

The interest for MA was increased after Netherlands management took the control as they see more on marketing perspective. A senior manager supported:

“Netherlands management is interesting in management accounting a lot. They demand reports like cost analysis, revenue analysis, segment analysis and monthly performance reviews etc.”

The Netherlands management has changed the organizational structure. Preparation of MA is assigned to new department called “Finance Planning” and Budgeting is under Assets Management division. Further some MA related reports are produced by other departments such as Marketing, Quality Assurance, and Project etc.

The hierarchy of finance division under Netherlands management familiar as below,



According to the survey conducted, there has been a high pace of development of MA during the period of Netherlands management as questionnaire respondents also supported the finding with 72%.

### **SMA practices in Alpha**

Authors identified the extent of SMA techniques in Alpha by referring the same identification used by Cinquini and Tenucci (2010).

Around 2008, Activity Based Costing (ABC) has been introduced to the firm. They tried to use it for new product cost calculation. But it did not succeed. A senior corporate officer commented that:

“The management tried to introduce ABC. But they were unable to implement it properly”

Hence ABC method is still in initial stage. But they want to enhance the usage of it. They used ABC to identify cost for new products and in the planning stage of products. Life cycle costing is not being used by finance department. But marketing department uses it for identification of costs of new product in different stages. Corporate department also uses this technique to decide strategies on products based on life cycle. Hence life cycle costing is being used by Alpha but it is not widely adapted. The quality costing practice is under quality assurance department. The quality costing is based on continuous improvement, which was introduced by the Japanese management. This technique was heavily used in the time of Japanese management than Netherlands management. Alpha pays considerable attention on quality costing as they are awarded with

quality management awards such as ISO certificate. But they didn't disclose the process of preparing the quality costing. In Alpha, they use similar cost allocation methods to target costing in project division to a certain extent. But they are not familiar with target costing. Alpha is not practicing value chain costing. But their pricing strategies are based on value adding concept. Multinational corporations, Small medium entrepreneurs, and domestic users are the main customers of Alpha. Marketing division identified revenue generation and cost incurred for each customer. Even quality department mentioned that they are identifying the customer satisfaction and recording it. A corporate officer stated that corporate division prepares and uses customer analysis based on situations. It conveyed that Alpha is preparing customer analysis in three departments separately based on their special requirements. Marketing department of Alpha is preparing competitor position monitoring report monthly. This is directly sent to the CEO and called it as "market situation report". Further they prepare a weekly report on market position which is called "Market Intelligent report". Competitor performance report based on financial reports is prepared by financial department. This report is prepared to compare revenue and cost items with competitor. A senior manager in marketing division stated that:

"Our finance division is doing a comparison of finance statements of our main competitor with us. But monthly statement is compulsory. In our monthly report, there is a section called "market situation report" under it there are two sections as customer analysis and competitor analysis"

Balanced scorecard (BSC) is introduced to Alpha by Netherlands management. Hence it is at initial stage. The senior management tries to apply BSC in every department. Currently it is used by Corporate, Finance Human Resource, and Marketing Departments.

SMA Perspective	SMA Technique	Participants Respond	
		Practicing	Not practicing
Cost	Activity Based Costing	58%	42%
	Life cycle costing	34%	66%
	Quality Costing	50%	50%

	Target costing	46%	54%
	Value chain costing	20%	80%
Customer	Customer Analysis (CA)	66%	34%
Competitor	Competitive position monitoring	89%	11%
	Competitor Cost Assessment	24%	76%
	Competitor Performance Appraisal based on Public Financial Statements	94%	06%
Performance	Benchmarking	17%	83%
	Balanced Scorecard	65%	35%

Source: Survey data

**Table 02: Findings of questionnaire survey among executive staff**

According to the questionnaire survey among executive staff, It also proved that Alpha highly practices customer analysis, competitor position monitoring, competitor performance appraisal based on public financial statements and BSC. Further they practice ABC and quality costing to a certain extent. Survey findings are also confirmed the interview findings that life cycle costing, target costing, value chain costing, competitor cost assessment and benchmarking are not familiar with Alpha.

## **The Relationship between Competitive Advantage and SMA Practices**

### **Under Government Ownership (before 1997):**

During the period under government control the main objective of Alpha was social welfare. Alpha was the only telecommunication provider and they had the monopolistic power. Hence Alpha was not aware of competitive advantage. Few investors came to the market in early 90's. But Alpha was able to maintain their monopoly due to the ownership structure. They kept accounts to identify revenue of government. Further, Alpha was not concerned about competitive advantage. Hence the management was not interested in MA techniques and MCS at that time.

### **Under Japanese Management (1998-2007):**

After the privatization, the objective was changed. The profit maximization came in to the stage. The effectiveness and efficiency became important. The Japanese management was futuristic and strategically focused. From time to time new telecommunication firms entered the telecommunication industry and created competition. The customers were becoming powerful as they got alternative companies other than Alpha. So, Alpha identified "customer satisfaction" as an important concept. They positioned their service in the competitive market as a "reliable service" because of remaining government ownership with reasonable price. They used both low cost strategy and differentiation strategy in different services to gain competitive advantage. International direct dialing (IDD) was based on low price strategy. The wireless phone service was based on differentiation through technology and reliability of the service. When demand for fixed phone service went down due to mobile service, Alpha went for low price strategy for fixed phone offering different payment plans and services. They differentiated their services from "quality and advanced technology". The Japanese management was interested in MA in higher degree level and they established new division for MA under CFO. They used MA techniques to achieve their objectives of cost reductions, quality improvement, and customer satisfaction. Most of MA techniques used during that time were based on cost. But they were concerned about customers and competitors. It is evident that during this period Alpha was using mainly MA practices introduced by Japanese management.

**Under Netherlands Management (2008-Present):**

In 2008, Alpha introduced a new service package in mobile service through its subsidiary. The new package targeted government employees with low price plan. In 2010 the situation was changed as TRC implemented regulations on price strategies. Hence low-price strategy became unusable. In 2009, there was a transformation program in Alpha and they changed their vision and mission based on new strategic focus. The strategic focus was “customer centric and market oriented”. The generic strategies for gaining competitive advantage also depend on their strategic focus. Alpha has 4 main products. There are Wire line fixed service, IDD, wireless fixed line phone, mobile service, and broad band. Alpha uses lower price for IDD as their technology is highly advanced and enjoys economical scale. Alpha offered “bunch of services” through combination of wire line with broad band service and has differentiated their service from others. A senior executive commented that:

“The way of presenting our broadband facility is now unique. We provide our fixed line connection with broadband service. It is a bundle of different requirements of public. Our strategy is differentiation.”

Alpha has been moving towards from conventional MA to SMA practices. They have been measuring quality of services through MA practices. The customer satisfaction is also measured from the time of Japanese management. These practices are being improved. Around 2008, Alpha has started to practice competitor performance analysis using annual reports, when main competitor entered into the Colombo stock exchange. Alpha uses competitor position analysis, Competitor performance analysis in significant stage, the life cycle accounting is also practiced to a little extent in marketing and project divisions. Alpha is trying to implement ABC and BSC because of strategic focus changed. As the competition is increased, the environment of telecommunication industry becomes more dynamic. Alpha has changed their strategic focus to survive in this dynamic environment. Based on that, they are interested in SMA practices. A senior executive said that:

“In 2000 it was not so much important, because at that time as we were the market leader. But now there is a huge competition. We have to consider cost, quality. We can't just go for low cost end or high quality. We have to craft strategies by scanning the dynamic

environment. So, we need more information. That is why there is a big demand for MA and control systems”

In summary, the findings of the study convey that traditional MA techniques are expanded to SMA due to change of generic strategy from cost leadership to differentiation as dynamic business environment is changed. The business environment has converted to more challengeable due to vigorous competition, high bargaining customers, and government regulations comparing to the early days of Alpha. These changes force them to move from cost leadership to differentiation. The need for external oriented information is gradually increased with strategic change. Therefore traditional MA practices have been shifted to SMA based not only cost perspective but also customer, competitor, and performance perspective.

The study examined the usage of SMA techniques with the changes of generic strategy in a telecommunication company in Sri Lanka. The findings elaborated that the ownership of the company was compelled for the usage and development of MA techniques. First it was owned by government and they did not practice MA. Then it was acquired by Japanese management and for the first time they introduced the MA function to the organization. Subsequently, when Netherlands management took over the management, they further developed MA techniques towards SMA. The study showed that Japanese and Netherlands managements are more concerned about the SMA techniques than government ownership. Similar findings have been made by Lachmann et al. (2013) regarding the usage of SMA techniques in hospitals under competitive market environments. This study further elaborated that the nature and characteristics of management affect for the usage of MA and SMA techniques. Because the Japanese management more used traditional MA techniques and SMA techniques based on cost and customer such as quality costing and customer analysis. The Netherlands management took initiative steps to introduce SMA techniques not only in cost perspective but also competitor perspective and performance perspective. The findings explain that Alpha widely uses quality costing, customer analysis, competitor position monitoring and competitor performance analysis on financial statements. The use of ABC and life cycle costing are at initial stage. But they are not familiar with target costing, value chain costing, and competitor cost analysis. Guilding et al. (2000) also mentioned competitor costing is the most popular practice in NZ, UK and USA. It is revealed that Alpha was not entitled with any generic strategy in early stages due to monopolistic power they



enjoyed. When competition was gradually increasing, they first moved to cost leadership strategy and then shifted to differentiation strategy due to the vigorous competition and government controlling regulations. Wickramasinghe and Alawattage (2007) also mentioned that generic strategy is changing to align with changes in business environment, technology, competitors, regulations and global economy. The study suggested that there is a significant relationship between generic strategy and usage of SMA techniques (Shank, 1989; Shank & Govindarajan, 1989; Lord, 1996; Cravens & Guiding, 2001; Roslender & Hart, 2002; Abdullah & Said, 2015). Alpha practices traditional MA techniques on costing and SMA techniques in cost and customer perspective in the time period of following cost leadership. Further, they have started to use SMA techniques in competitor perspective and performance perspective while they are practicing SMA techniques in cost perspective and customer perspective in the time period of differentiation strategy. Hence the study pointed out that when generic strategy is moved from cost leadership to differentiation, the adaptation rate of SMA practices also increases. (Chenhall & Smith, 1998; Cinquini & Tenucci, 2010).

<b>Time</b>	<b>Before 1997</b>	<b>1997 - 2007</b>	<b>2008 to present</b>
Ownership	Fully Government	Government 65% Japanese Com. 35%	Government 52% Netherlands Com. 45% Public 03 %
Management	Government	Japanese	Netherlands
Competitive Advantage	NO	high cost leadership & moderate differentiation	high differentiation & low cost leadership
SMA practices	NO	Traditional MA Quality costing Customer Analysis	ABC (Initial stage) Life cycle costing (Initial Stage)

			Quality Costing (High usage)
			Customer Analysis (High Usage)
			Competitor position monitoring (High usage)
			Competitor performance analysis on financial statements (high usage)
			BSC (Initial Stage)

Source: Interviews and survey data

**Table 03: Generic Strategy and SMA practices in Alpha**

## CONCLUSION

The study was carried out to explore whether the change in generic strategy leads to changes in SMA practices. The findings revealed that there is a significant relationship between cost leadership strategy and SMA techniques from cost perspective. Further it elaborated that SMA techniques in competitor and customer perspective are more practiced with differentiation strategy. The findings of the study contribute to development of literature in SMA as there is a lacuna in SMA literature (Nixon & Burns, 2012). Further it generates valuable insight in SMA research studies in Sri Lankan context as Langfield-Smith (2007) suggested to conduct studies on practice of SMA techniques in specific organizational contexts. In practice, organizations can use SMA techniques to align with their generic strategy to gain competitive advantage. Further, the finding of the study will support to the managers to use SMA techniques as a strategic management tool in the process of crafting strategies. The main limitation of current study is that the findings cannot be generalized as it is a

case study. The study creates opportunities for future studies to conduct a similar study in different industries and the same study by devising the quantitative methodology.

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