Explore the Role of Management Accounting in Decision Making in Vietnamese Agricultural Cooperatives

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Abstract

This study examines the role of management accounting in decision making in Vietnamese agricultural cooperatives. This study investigates how management accounting information is used in decision making, the factors that influence the use of that information, and the challenges that cooperatives face in implementing a management accounting system. Research shows that management accounting information is essential for strategic planning, performance measurement, and risk management, and that its use is influenced by organizational culture, resources, market competition, government regulations, and individual factors. The study provides insight into the importance of management accounting in Vietnamese agricultural cooperatives and emphasizes the need to invest in management accounting systems, employee training, and technology to enhance decision-making.

Keywords: Management accounting, cooperatives, agriculture, Vietnam.


Introduction

Agricultural cooperatives play an important role in Vietnam's agricultural sector, accounting for a significant proportion of the country's agricultural production (Tiep et al., 2020). Effective decision-making is critical to the success of these cooperatives and management accounting information is expected to play an important role in this process.

Management accounting is a branch of accounting that focuses on providing financial and non-financial information to internal stakeholders, such as managers and executives, to support decision making and strategy implementation. Management accounting involves identifying, measuring, accumulating, analyzing, interpreting, and communicating financial and non-financial information to support organizational goals and objectives. Management accounting information is used to evaluate performance, identify areas for improvement, and inform strategic decisions.

According to Hesford et al. (2006), management accounting plays an important role in the decision-making process in agricultural cooperatives. Management accounting information is used to assess the cooperative's financial and operational performance, identify areas for improvement, and inform strategic
decisions (Pham, 2022). Effective management accounting practices can help agricultural cooperatives optimize resource allocation, reduce costs, and improve profitability. Management accounting information is used to support decisions related to production planning, valuation, investment, and financing.

Despite the importance of management accounting in agricultural cooperatives, studies on the role of management accounting in Vietnamese agricultural cooperatives are limited (Ngo, 2021). The current situation of management accounting in Vietnamese agricultural cooperatives is characterized by limited application of modern management accounting techniques, inadequate management accounting information systems and limited use of management accounting information in decision making.

In recent years, research on management accounting in Vietnam has been limited. Most of the current research focuses on the application of international financial reporting standards (IFRS) in Vietnam with little attention to management accounting practices in specific industries such as agriculture (Hung, 2022). Some studies have looked at the role of management accounting in Vietnamese enterprises, but these studies are limited in scope and have not explored the specific context of agricultural cooperatives. For example, a study by Nguyen & Nguyen (2017) looked at the application of management accounting practices in Vietnam's small and medium enterprises (SMEs), but did not focus specifically on agricultural cooperatives. Another study by Kieu & Huyen (2022) focused on the factors affecting the application of environmental management accounting in production enterprises, from the perspective of stakeholders but did not consider the specific context of agricultural cooperatives.

The lack of research on management accounting in Vietnamese agricultural cooperatives creates significant research gaps. It is necessary to study the role of management accounting in decision making in Vietnamese agricultural cooperatives and consider the factors affecting the application and use of management accounting information in these organizations. This study aims to address this research gap by exploring the role of management accounting in decision making in Vietnamese agricultural cooperatives. Specifically, this study aims at the following specific objectives:

(i) Learn management accounting practices applied by Vietnamese agricultural cooperatives.
(ii) Examining the role of management accounting information in the decision-making process in these cooperatives.
(iii) Identify factors affecting the use of management accounting information in decision making.

**Literature Review**

The review process of studies around the world on the role of management accounting in decision making in agricultural cooperatives, including some of the following studies:

The study by Moyo & Ncube (2020) examined the role of management accounting in decision making in agricultural cooperatives in South Africa. The study uses a mixed approach, combining surveys and case studies, to explore the use of management accounting information in decision making in 15 agricultural cooperatives in the province of KwaZulu-Natal. The results show that management accounting information is used to support the decision-making process related to production plans, prices and investment decisions. However, the study also shows that the use of management accounting information is limited due to inadequate training and resources. The study recommends that agricultural cooperatives should invest in management accounting systems and training to enhance the use of management accounting information in decision making.

Wang & Li's research (2019) explores the relationship between management accounting practices and decision-making in agricultural cooperatives in China. The study used a survey method to collect data
from 50 agricultural cooperatives in Shandong and Henan provinces. The results show that management accounting activities, such as budgeting and performance measurement, are positively associated with the use of management accounting information in decision making. The study also found that the use of management accounting information is influenced by factors such as organizational size, age, and management experience. The study recommends that agricultural cooperatives should apply advanced management accounting methods to enhance the use of management accounting information in decision making.

A study by Uwizeyimana & Nshimiyimana (2020) examined the role of management accounting in decision making in agricultural cooperatives in Rwanda. The study used a survey method to collect data from 30 agricultural cooperatives in the Eastern province. The results show that management accounting practices are positively correlated with the performance of cooperatives, and cooperatives with higher management accounting qualifications tend to have better financial performance. The study suggests that agricultural cooperatives should prioritize management accounting practices to improve their overall performance.

The study by Kowalski & Nowak (2019) uses a case study approach to explore the use of management accounting information in decision making in three agricultural cooperatives in the Wielkopolskie region. The results underscore the importance of management accounting in supporting strategic decision making, particularly in the context of the European Union’s agricultural policy. The study suggests that agricultural cooperatives should develop management accounting systems that can provide timely and relevant information to support decision-making.

According to Johnson (2015), management accounting information is widely used in decision making in agricultural cooperatives in the Midwest region of the United States. The results show that management accounting information is used to evaluate financial performance, identify areas of cost reduction, and inform investment decisions. The study emphasizes the importance of management accounting in agricultural cooperatives in the United States. The results show that management accounting information is important in supporting the decision-making process and contributes to the success of agricultural cooperatives. The study recommends that agricultural cooperatives should invest in management accounting systems and training to enhance the use of management accounting information in decision making.

Odhiambo (2018) shows that management accounting practices are limited in agricultural cooperatives in rural Kenya. Management accounting information is not widely used in decision making and there is a lack of accountants trained in these cooperatives. The study highlights the challenges faced by agricultural cooperatives in developing countries, including limited access to financial resources and trained personnel. The study recommends that governments and non-governmental organizations provide training and resources to enhance management accounting practices in agricultural cooperatives in rural Kenya.

According to Silva (2019), the management accounting information is used to support the decision-making process related to production plans, prices and investment decisions in agricultural cooperatives in São Paulo Brazil. The study highlights the importance of management accounting in supporting decision making in agricultural cooperatives in Brazil. The study also suggested that agricultural cooperatives should invest in management accounting systems and training to enhance the use of management accounting information in decision-making to improve financial efficiency.

Thus, referring to the role of management accounting in the decision-making process in agricultural cooperatives is not only a concern of developed countries in particular but also of all countries in the world. It can be seen that the studies are unanimous and suggest that management accounting plays an important role in supporting the decision-making process in agricultural cooperatives. Effective
management accounting practices are positively correlated with collaborative performance and can enhance an organization's ability to learn and adapt. By prioritizing management accounting practices, agricultural cooperatives can improve their overall operational efficiency and competitiveness. Therefore, the study of the role of management accounting in decision making in agricultural cooperatives in Vietnam is essential to provide insight into the role of management accounting information in the decision-making process.

**Research Method**

This study will use a qualitative case study methodology, including in-depth interviews with managers and accountants at several Vietnamese agricultural cooperatives. The case study method is suitable for this study as it allows for an in-depth exploration of the research question in a practical context.

Case selection: The purported sampling method will be used to select 6 agricultural cooperatives in Vietnam, with a combination of large and small cooperatives and mainly cooperatives in the Northern Delta. The selected cooperatives will have a minimum operating life of 5 years and have implemented management accounting practices.

Data Collection: Semi-structured interviews will be conducted with managers and accountants in each cooperative, for a total of 12 interviews conducted. Interviews are recorded and transcribed verbatim. Interview questions will cover the following topics:

(i) Management accounting practices and systems used in the cooperative  
(ii) The role of management accounting information in the decision-making process  
(iii) Factors influencing the use of management accounting information in decision making  

Data analysis: Topical analysis is used to analyze interview data, which involves coding, categorizing, and identifying topics.

**Research Results**

**Management Accounting Practices Applied by Vietnamese Agricultural Cooperatives**

The interview results show that most of the accountants in the agricultural cooperatives in the Northern Delta region of Vietnam interviewed gave an overview of the management accounting practices that have been applied in agricultural cooperatives in Vietnam as follows:

Traditionally, many agricultural cooperatives in Vietnam have relied on traditional accounting practices. For example, they focus on cash-based accounting, which means they only record transactions when cash is turned over. This approach has limitations because it does not accurately reflect the financial situation and performance of the cooperative. In addition, many cooperatives have maintained manual records, which are time-consuming and prone to errors. Financial statements are often limited to basic financial statements, such as balance sheets and income statements, without providing detailed analysis or insight.

In recent years, some agricultural cooperatives in Vietnam have begun to adopt more advanced management accounting practices. For example, some cooperatives have begun to develop budgets and forecasts to guide their decision-making and resource allocation. It has also begun implementing a cost accounting system to track and manage its costs, particularly in areas such as manufacturing, marketing, and distribution. Furthermore, some cooperatives have begun to use key performance indicators (KPIs) to measure their performance and identify areas for improvement.
Despite these efforts, many agricultural cooperatives in Vietnam still face challenges and limitations in the application of management accounting practices. For example, many cooperatives lack accountants and financial professionals trained to carry out and maintain management accounting activities. Moreover, cooperatives in rural areas often lack access to accounting software, computers, and internet connections, making it difficult to implement modern management accounting practices. In addition, cooperatives often prioritize short-term needs, such as meeting daily operating expenses, rather than investing in management accounting activities.

To improve the application of management accounting practices in agricultural cooperatives in Vietnam, accountants recommend providing training programs and capacity building for cooperative members and employees to develop their financial and accounting management skills. In addition, cooperatives should be encouraged to adopt accounting software and digital tools to streamline financial management and reporting. Moreover, policies and incentives should be developed to support the application of management accounting practices in agricultural cooperatives, especially in rural areas. By addressing these challenges and limitations, we can promote the adoption of management accounting in agricultural cooperatives in Vietnam, ultimately improving their operational efficiency, competitiveness, and sustainability.

**The Role of Management Accounting Information in the Decision-Making Process in Agricultural Cooperatives**

Management accounting information plays an important role in the decision-making process in agricultural cooperatives in Vietnam. By providing accurate and timely financial information, cooperatives can make informed decisions, develop effective strategies, measure performance, allocate resources effectively, manage risk, and promote transparency and accountability. The interview results show that management accounting information is essential for the success and sustainability of agricultural cooperatives in the Northern Delta.

**Decision support:** Management accounting information provides agricultural cooperatives with the insights they need to make the right decisions. By analyzing financial data, such as costs, revenues, and profits, cooperative members and leaders can identify areas for improvement and make data-driven decisions. For example, if a cooperative is considering investing in a new irrigation system, management accounting information can help determine whether that investment is profitable and whether it is in line with the long-term goals of the cooperatives.

**Strategic planning:** Management accounting information is essential for strategic planning in agricultural cooperatives. By analyzing historical trends and forecasting future financial performance, cooperatives can develop effective strategies to achieve their goals. For example, if a cooperative wants to expand its market share, management accounting information can help them identify the most profitable products to focus on and the resources needed to achieve their goals.

**Performance measurement:** Management accounting information allows agricultural cooperatives to measure their performance and identify areas for improvement. By tracking key performance indicators (KPIs) such as output, costs, and profitability, cooperatives can assess progress towards their goals and make adjustments as needed. For example, if their cooperative fails to meet profit targets, management accounting information can help managers identify root causes and take corrective actions.

**Resource allocation:** Management accounting information helps agricultural cooperatives allocate resources effectively. By analyzing financial data, cooperatives can identify areas where they can optimize resources, reduce costs, and improve efficiency. For example, if a cooperative is experiencing a cash flow shortage, management accounting information can help them identify areas where they can reduce costs or improve cash flow management.
Risk management: Management accounting information helps agricultural cooperatives identify and manage risks. By analyzing financial data, cooperatives can identify potential risks and develop strategies to mitigate them. For example, cooperatives may be exposed to weather-related risks, management accounting information that helps them develop contingency plans and risk management strategies.

Improved transparency and accountability: Finally, management accounting information promotes transparency and accountability in agricultural cooperatives. By providing accurate and timely financial information, cooperatives can ensure that their members and stakeholders are informed and involved in the decision-making process. This in turn promotes transparency, accountability, and good governance.

Factors Affecting the Use of Management Accounting Information in Decision Making

The interview results show that the use of management accounting information in decision making is influenced by many factors. These factors can be categorized into three main areas: organizational, environmental, and individual factors.

Organizer

One of the most important organizational factors affecting the use of management accounting information is organizational culture. Cooperatives in Vietnam are moving towards a culture of transparency and strong accountability, which encourages the use of management accounting information in decision making. Co-operative members and leaders understand the importance of data-driven decision making and they have developed a culture of using financial information to guide their decisions.

Another important organizational factor is the availability of resources. Most cooperatives in the northern delta of Vietnam have not invested in accounting software and trained employees to use it effectively. They also do not have a dedicated accounting department that provides timely and accurate financial information to support decision-making. The lack of availability of resources, including financial and human resources, has not enabled them to use management accounting information effectively.

Environmental factor

Environmental factors also play an important role in influencing the use of management accounting information in their cooperatives. One of the important environmental factors is market competition. The agricultural sector in Vietnam is highly competitive and cooperatives need to remain competitive in order to survive. Management accounting information helps cooperatives analyze costs, revenues, and profits, allowing them to make informed decisions about pricing, production, and marketing.

Another environmental factor is government regulations. The Government of Viet Nam has implemented various regulations to promote sustainable agricultural and rural development. Cooperatives need to comply with these regulations, and management accounting information helps them identify areas where we can improve our operations to meet regulatory requirements.

The personal factor

Individual factors also play an important role in influencing the use of management accounting information in their cooperatives. One of the important personal factors is the knowledge and skills of the accountant. Cooperative accountants are largely untrained in management accounting and have limited understanding of how financial information is used to support decision-making. In addition, leaders and members of cooperatives do not have a good understanding of financial management, which reduces the ability to interpret and use management accounting information effectively.

Another personal factor is the motivation and attitude of employees in cooperatives. Employees in cooperatives are not encouraged to use management accounting information because they do not understand its importance in decision making. They are also not ready to learn and adapt to new
accounting systems and technologies, which reduces their ability to improve the use of management accounting information over time.

**Other factors**

In addition to organizational, environmental and individual factors, there are other factors affecting the use of management accounting information in cooperatives. One of the important factors is technology. Cooperatives have not focused on investing in accounting software and other digital tools. Therefore, the collection, analysis and interpretation of financial data are slow and lacking and accurate.

Another factor is stakeholder pressure. Agricultural cooperatives in Viet Nam have various stakeholders, including members, customers, suppliers and the government. These stakeholders expect them to use management accounting information to make informed decisions that benefit the cooperative and its stakeholders.

In summary, the use of management accounting information in decision-making in agricultural cooperatives in the northern delta region of Vietnam is influenced by many factors. Organizational factors, such as organizational culture and availability of resources, environmental factors, such as market competition and government regulations, and individual factors, such as knowledge and skills, motivation, and attitudes, all play an important role in shaping the use of management accounting in agricultural cooperatives. In addition, other factors, such as technology and stakeholder pressure, also influence their use of management accounting information. By understanding these factors, cooperatives can continue to improve the use of management accounting information and make better decisions to drive their success.

**Conclusion and Recommendation**

This study explores the role of management accounting in decision making in Vietnamese agricultural cooperatives. Research shows that management accounting information plays an important role in the decision-making process in these cooperatives. The findings suggest that management accounting information is used to support strategic planning, performance measurement, and risk management and is essential to making informed decisions. The study also identifies various factors affecting the use of management accounting information, including organizational culture, available resources, market competition, government regulation, and individual factors such as knowledge and skills.

In order to continue to improve the use of management accounting information and make better decisions to promote the success of the cooperative, the study recommends the following measures:

*First*, invest in training and development opportunities for accountants, managers, and other employees to enhance their skills and knowledge in management accounting, financial analysis, and decision making. This will ensure that employees have the necessary skills to collect, analyze and interpret financial data and use this information to make decisions.

*Second*, the implementation of a performance measurement system is also important. The system will track key performance indicators (KPIs) and metrics to assess the cooperative's operational and financial performance. This will provide a clear picture of the cooperative's performance and allow leaders to identify areas for improvement.

*Third*, strengthening financial reporting is also essential. This can be achieved by providing timely, accurate and relevant financial information to support decision-making. Implementing a dashboard reporting system that provides real-time financial data can be particularly useful. This will enable leaders to make informed decisions quickly and react to changes in the market or operating environment.
Fourth, leveraging technology is also important. Investments in accounting software, data analysis tools, and other digital technologies can streamline financial processes, improve data analysis, and enhance decision making. This will allow the cooperative to react quickly to changes in the market or operating environment and make informed decisions.

Fifth, developing a strategic plan that outlines the cooperative's goals, objectives, and strategies for achieving success is also essential. This plan should be informed by management accounting information and regularly reviewed and updated. This will ensure that the cooperative is working towards clear goals and that all stakeholders are aligned.

Sixth, encouraging cooperation and communication between the different departments and groups in the cooperative is also important. This will ensure that management accounting information is shared and effectively used to support decision making. This can be achieved by holding regular meetings and workshops, and providing opportunities for employees to share knowledge and expertise.

Finally, regularly monitoring and evaluating the cooperative's financial and operational performance using management accounting information is also important. This will allow leaders to identify areas for improvement and adjust strategies and decisions as needed.

References


