

Strategic Management Accounting: Historical Business Performance, Owner-Management Characteristics, Innovation Culture

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Abstract: Strategic management accounting is essential in modern business management. For this reason, this study aims to examine whether historical business performance, owner-management characteristics, and innovation culture are the key factors influencing MSME owner-management in Palembang City in using strategic management accounting techniques in their companies. Using a sample of 114 (76 per cent) respondents from MSME entrepreneurs in the city of Palembang, the research hypothesis was tested using structural equation modelling (SEM) and partial least squares (PLS) analysis with Warp PLS software version 5.0. The study found that historical business performance, owner-management characteristics, and innovation culture positively affected strategic management accounting techniques in MSME management in Palembang City.

Keywords: Use Of Strategic Management Accounting; Historical Business Performance; Owner-Management Characteristics; Culture Of Innovation.

Abstrak: Penggunaan akuntansi manajemen strategis merupakan hal penting dalam pengelolaan bisnis modern. Untuk itu, penelitian ini bertujuan untuk menguji apakah kinerja bisnis historis, karakteristik pemilik – manajemen, dan budaya inovasi merupakan faktor kunci yang mempengaruhi para pemilik – manajemen UMKM di kota Palembang dalam penggunaan teknik akuntansi manajemen strategis pada perusahaan mereka. Menggunakan sampel 114 (76 per cent) responden pengusaha umkm di kota Palembang, hipotesis penelitian diuji menggunakan analisis structural equation modeling (SEM) partial least squares (PLS) dengan perangkat lunak Warp PLS versi 5.0. Hasil penelitian menemukan bahwa kinerja bisnis historis, karakteristik pemilik – manajemen, dan budaya inovasi berpengaruh positif pada tingkat penggunaan teknik akuntansi manajemen stratgis pada pengelolaan umkm di Kota Palembang.

Kata Kunci: Penggunaan Akuntansi Manajemen Strategis; Kinerja Bisnis Historis; Karakteritik Pemilik – Manajemen; Budaya Inovasi.

INTRODUCTION

Strategic management accounting related to the increasing role of the accounting function within the company and the use of increasingly sophisticated management accounting tools as well as the reliability of business information are vital factors that must be considered by every business manager (Setiawan et al., 2017; Setiawan et al., 2019a; Setiawan, 2020). Strategic management accounting also needs to be optimally implemented by MSMEs oriented towards a competitive strategy (Setiawan et al., 2021 b). This is because the use of effective strategic management can have an impact on improving the company's business performance (Turner et al., 2017).

Strategic management accounting is developed to set performance standards and company progress (Ma et al., 2022). Management accounting provides organisational



management with useful and relevant financial and non-financial information for planning, controlling, performance measurement, and decision-making purposes (Alsharari, 2019). Strategic management accounting in several aspects of company performance and adopting strategic management accounting techniques are essential for decision-makers (Rashid et al., 2021). Innovative management accounting techniques can provide more and better information to improve organisational performance (Varzaru et al., 2022).

However, the intention to implement and develop strategic management accounting for companies often depends on the strategic orientation of business owners (Setiawan et al., 2020). This is also supported by the views of (Setiawan et al., 2019b), who state that a company's strategic decisions in implementing strategic matters often depend on the owner's power. In addition, According to (Nguyen and Le, 2020), a company's adoption of strategic management accounting is influenced by a variety of factors, including the size of the business, manager management accounting awareness, the cost of implementation, the level of business competition, the qualifications of the accountants, and the just-in-time concept. Therefore, the culture built into a business entity will have a role in directing the company's strategic choices, including implementing strategic management accounting (Setiawan et al., 2021b).

Strategic management accounting is essential for many companies because strategic management accounting directs management to not only see the financial aspect as the focus of control and to pay attention to the non-financial side (Setiawan et al., 2020). Previously, (Setiawan et al., 2019a) explained that strategic management accounting is a concept regarding the provision and analysis of management accounting data relating to businesses and their competitors, which play a role in developing and monitoring business strategy. Therefore, management accounting has shifted from traditional management accounting, which only focuses on cost, to strategic management accounting, which looks at the financial, customer, and even competitors in an integrated manner.

However, the implementation of strategic management accounting often depends on a variety of supporting factors. The owner or management is considered a critical factor in deciding whether or not to implement strategic management accounting. At least this is explained by the findings of (Setiawan et al., 2019b), who found that the owner's characteristics, who has more power, can influence the decision to implement strategic management accounting in his company. On the other hand, (Palvatos and Kostakis, 2018) show that the characteristics of top management, which are identified based on age, length of service, level of education, and level of creativity, are predicted to be critical factors that can influence decisions on implementing strategic management accounting in their companies. Based on these two significant findings, revisiting the owner's or management's characteristics regarding the decision to use management accounting in MSMEs would be interesting.

In addition, strategic management accounting is also predicted because of past business performance achievements and observed this. However, they focus on business performance factors as measured by financial performance. According to some, measuring performance solely on financial metrics is not comprehensive. However, it would be best if you had an adequate budget allocation to implement strategic management accounting. For this reason, One of the variables impacting the implementation of strategic management accounting is a historical business success from a financial standpoint, according to (Palvatos and Kostakis, 2018). This study also needs to demonstrate the link



between prior business performance and the application of strategic management accounting.

However, the decision to implement strategic techniques such as strategic management accounting will also depend heavily on the culture that develops in a company. (Hadith and Al-Sayed, 2021) identified that a culture of innovation has a role in companies' decisions to use management accounting. Previously, (Setiawan et al., 2019) found that the cultural dimension of the owner's ethnicity positively impacts the successful implementation of strategic management accounting. These two findings provide another perspective on the factors affecting a company's strategic management accounting performance.

The innovation culture has become an essential concern in the development of practice and literature regarding business decision-making (Al-Khatib et al., 2022). A culture of innovation is critical in improving company performance (Gupta and Gupta, 2019; Afriyie and Musah, 2019; Muafi et al., 2020; Latifah et al., 2021; Todorovic et al., 2022). Innovation activity will depend heavily on management's ability to create an environment that supports a culture of innovation (Dabić et al., 2021). The ability to innovate will work if the company can utilise and disseminate knowledge within the organisational environment (Lita et al., 2018). Innovation is also crucial in gaining a competitive advantage (Chi, 2021; Liu and Si, 2022).

The culture of innovation within a company is believed to encourage increased internal and external productivity because a culture of innovation can facilitate rapid adaptation to changes in the external environment and create integration within the organisation (Ryu et al., 2021). Innovation indicates creativity contributing to organisational development, which can be the key to successful business management (Azeem et al., 2021). (Donbesuur et al., 2020) identify innovation processes and activities as essential safeguards for companies in maintaining performance. Innovation can also compensate for potential difficulties that may arise in anticipating changes in the business environment (Ibarra et al., 2020). For this reason, a culture of innovation is a factor that will also be proven in this study regarding the use of strategic management accounting for MSMEs in Palembang City.

Based on the background above, many companies, including MSMEs, must face the increasingly dynamic level of business competition. The development of literature and research in the accounting field has led to the concept of strategic management accounting. Strategic management accounting is essential in helping every company achieve its strategic goals. However, the employment of strategic management accounting frequently has to be determined by some factors. These factors include the company's historical performance, the characteristics of the owner or management, and the company's culture of innovation. Therefore, it is reasonable if some of these things are the focus of this study.

THEORETICAL REVIEW

Strategic Management Accounting. To handle externally focused financial and non-financial measurement data and a comprehensive system that supports strategy implementation, every organisation has to use strategic management accounting methodologies (Petera and Soljakova, 2020). The main objective of strategic management accounting is to provide organisational management with useful and relevant financial and non-financial information for planning, controlling, performance measurement, and



decision-making purposes (Alsharari, 2019). Therefore, there are two essential perspectives in implementing strategic management accounting in a company: implementing strategic management accounting techniques and the performance of the role and involvement of corporate accounting in strategic decision-making (Setiawan et al., 2019b).

A set of strategic management accounting techniques that are important to implement for companies, including costing, planning, control, and performance measurement techniques, strategic decision-making, competitor accounting, and customer accounting (Setiawan et al., 2020). Strategic management accounting is significant in achieving the success of a firm's business performance in a highly competitive business environment (Petera and Soljakova, 2020).

Strategic management accounting techniques are essential due to changes in the competitive business environment (Petera and Soljakova, 2020; Cescon et al., 2019). Accounting management is an integral part of organisational processes, and management accountants, as strategic partners in corporate teams, contribute to creating value for organisations in managing resources (Alshaari, 2019). Therefore, the emphasis on the strategic approach in practising management strategy accounting is deliberately directed at shifting management's focus from a perspective oriented to internal and external organisations (Alamri, 2018).

The positive impact of implementing strategic management accounting for companies is directing management to have a more competitive strategy (Turner et al., 2017). On the other hand, (Turulja and Bajgoric, 2019) explain that innovation will positively impact achieving business performance. This further reinforces that implementing strategic management accounting can positively affect customer performance and company financial performance (Turner et al., 2017).

Strategic management accounting plays a role in analysing accounting data about businesses and their competitors, which helps develop and monitor business strategies (Petera and Soljakova, 2020). Hence, a change in accounting's function in a market context led to the development of strategic management accounting. One must also consider the accountant's involvement in putting into practice strategic techniques for making strategic decisions because strategic management accounting cannot be understood solely in terms of accounting techniques (Setiawan et al., 2019b).

Historical Business Performance. Academics and professional managers employ the fundamental idea of business performance to frame their analyses of strategic management research (Selvam et al., 2016). Due to this, business performance is frequently viewed in terms of financial and non-financial or operational performance (Campos et al., 2020). Business performance is linked to innovation performance as well as to financial and operational performance. Every firm must adopt innovative management accounting tools to cope with an increasingly competitive environment, address economic and political challenges, improve economic performance, and ensure organisational sustainability (Varzaru et al., 2022).

However, many companies see historical business performance as the basis for planning and making business decisions, such as implementing management accounting system innovations (Palvatos and Kostakis, 2018). Historical business performance can be measured based on financial performance reported in the company's annual financial reports (Palvatos and Kostakis, 2018). On the other hand, (Ayatse et al., 2017) note that traditionally, the quantification of organisational performance is based on financial criteria



with dimensions including annual sales, annual profit, number of clients, and revenue growth.

Owner-Management Characteristics. The attitude of company owners or managers towards making financial decisions is often influenced by several factors, such as environmental, social, and psychological factors; however, it is undeniable that the personal characteristics of owners or managers are also very influential in making strategic decisions in business (Rasheed and Siddiqui, 2018). (Palvatos and Kostakis, 2018) we have identified the elements of a company's top management based on age, length of time in office, educational background, and level of creativity.

The top management team within the company is a critical factor in implementing strategic changes (Zhou et al., 2022). The top management team has an essential role in improving communication and understanding among various groups, facilitating information sharing and supporting complex cross-functional enterprise processes (Plecnik and Wang, 2021). The top management team is also essential in producing quality company information (Rashid et al., 2021). Therefore, the top management team is often associated with their involvement in strategic decision-making (Krause et al., 2022).

(Blackburn et al., 2016) the characteristics of owners and management were examined based on the typology of entrepreneurial types. The typology of entrepreneurial kinds can show the elements of owners and management in understanding the growth of the business they are running. Furthermore, (Blackburn et al., 2016) identified a typology of entrepreneurial types in terms of the characteristics of entrepreneurial types, innovators, technology planners, and risk-takers. Based on the literature on the elements of owners and management, the aspects of owners and management reflect their intention to expand their business, profits, risks, controls, and relationships with their other business partners (Rasheed and Siddiqui, 2018).

Innovation Culture. Innovation is an essential part of achieving company competitiveness, and company competitiveness depends on the company's innovation capacity and business performance (Dabić et al., 2018). (Wang and Hu, 2020) found a positive relationship between collaborative innovation activities and firm innovation performance. The firm's internal innovation is the primary determinant of the firm's innovation performance (Hameed et al., 2018). Innovation-oriented organisational culture improves the firm's innovation performance (Al-Khatib et al., 2022).

On the other hand, innovation is essential for companies to adapt to and deal with changes in today's very dynamic business environment (Aboramadan et al., 2019). So it is reasonable to assume that every company must have high innovation characteristics to create and improve their business performance and productivity (Hanifah et al., 2019). Therefore, innovation is an essential factor and strategic choice to achieve company business continuity (Ghasmzadeh et al., 2019). A culture of innovation can be created by optimising knowledge sharing to develop and strengthen problem-solving strategies (Arsawan et al., 2020).

Innovation is a process that refers to the implementation of new methods or techniques that support process improvement and the quality of business products and services (Edeh et al., 2020). Organisational culture is a critical factor at the core of a company's innovation capability (Ramdan et al., 2022). On the other hand, a culture of innovation is a set of values, beliefs, and assumptions that can promote and encourage innovative practices within a group (Sols and Mora-Esquivel, 2020). Studying innovation in companies will still be an exciting theme today (Edeh and Acedo, 2021). This is because



innovation can support company efforts to make the best decisions for companies in a dynamic business environment (Ali et al., 2021).

The culture of innovation within a company is believed to encourage increased internal and external productivity because a culture of innovation can facilitate rapid adaptation to changes in the external environment and create integration within the organisation (Ryu et al., 2021). Innovation indicates creativity contributing to organisational development, which can be the key to successful business management (Azeem et al., 2021). (Donbesuur et al., 2020) identify innovation processes and activities as essential safeguards for companies in maintaining performance. Innovation can also compensate for potential difficulties that may arise in anticipating changes in the business environment (Ibarra et al., 2020).

Research Hypothesis. Historical business performance influences the use of strategic management accounting. Implementing a sophisticated system and tool will depend heavily on the company's ability to spend on the design and mechanism. This is supported by the findings of (Palvatos and Kostakis, 2018), who found that strategic management accounting highly depends on business operational performance. This shows that financial performance is essential to measure a company's ability to finance implementing a new system. Based on this description, the hypotheses that will be proven in this study are:

H1: Historical business performance influences the use of strategic management accounting.

Owner-management characteristics influence the use of strategic management accounting. Individual elements become a critical factor in making an important decision. This is no exception to business activities. It is undeniable that the personal characteristics of the owner or manager are also very influential in making strategic decisions in business (Rasheed and Siddiqui, 2018). (Palvatos and Kostakis, 2018) also show their findings that the characteristics of top management, which are identified based on age, length of service, level of education, and level of creativity, are predicted to be critical factors that can influence decisions on implementing strategic management accounting in their companies. This shows a potential for a decision to use strategic management accounting that differs among the different characteristics of owners or management based on their nature and background. Based on this description, the hypotheses that will be proven in this study are:

H2: Owner–management characteristics influence the use of strategic management accounting.

Innovation culture influences the use of strategic management accounting. The increasingly dynamic economic environment forces companies to adopt innovative management accounting tools to overcome external environmental upheavals by better managing costs and revenues (Varzaru et al., 2022). The culture of innovation encourages companies to implement new things. One of the unique things in accounting is strategic management accounting. (Hadith and Al-Sayed, 2021) identified that a culture of innovation has a role in companies' decisions to use management accounting. An innovation-oriented culture positively impacts the implementation of strategic

management accounting (Hadid and Al-Sayed, 2021). Based on this description, the hypotheses that will be proven in this study are:

H3: Innovation culture influences the use of strategic management accounting strategies.

Figure 1 shows the research model to be tested. There are three hypotheses to be tested in this research model, namely that historical business performance will have an impact on the level of use of strategic management accounting, the characteristics of owners and management will affect the use of strategic management accounting, and the culture of innovation will also have an impact on the level of service of strategic management accounting.

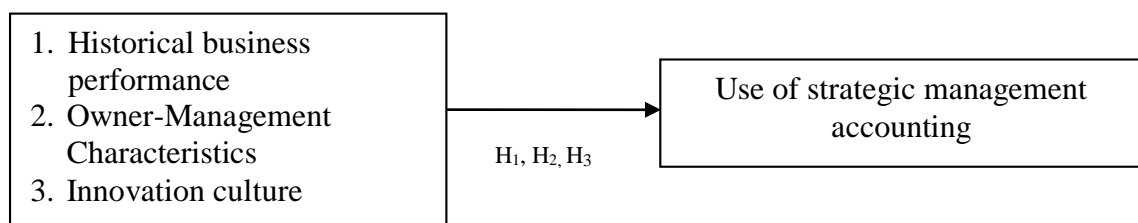


Figure 1. Research Model

Source: processed

METHODS

Population, sample, and data collection method. Owners and managers of small and medium-sized businesses in the Palembang city region make up the population and sample for this study. In this study, nonprobability convenience sampling was chosen as the sampling method. Data was collected through questionnaires, which were distributed to 150 selected respondents. However, the total number of respondents who participated in this study was 114, or a response rate of 76 per cent. Another 24 per cent of respondents did not return the questionnaire for various reasons, with an average age of 32.700 years or between 18 and 61 years. This data shows that Palembang's average entrepreneur or business manager is at an average productive age. Based on gender, there were 35 female respondents (30.700 per cent) and 79 male respondents (69.300 per cent). Based on the type of business run by the respondents, the majority of respondents run trading or retail businesses, namely 66 respondents or 57.900 per cent. There are 21 respondents (18.400 per cent) in the food and restaurant business. As many as 19 respondents (16.700 per cent) worked in the processing industry (manufacturing). Four respondents (3.500 per cent) came from the construction/development and transportation industries.

Data analysis method. The study of structural equation modelling (SEM) with partial least squares (PLS) is used to assess hypotheses. For SEM-PLS analysis, Warp PLS version 5.0 software was employed-testing theories based on the importance of the p-value and the path coefficient's value. The path coefficient must be positive with a p-value significance set at 5 per cent.

Variables. Use of strategic management accounting. The application of sophisticated management accounting techniques to support business operations is known as using strategic management accounting systems. The 11 instruments recommended are

used to measure the utilisation of strategic management accounting systems (Setiawan et al., 2020). The index of the amount of application of strategic management accounting systems is determined by variable measurement using 11 instruments. Each management accounting technique that had been used received a mark from respondents, and this was given a score. There are 11 strategic management accounting techniques: benchmarking, performance measurement integration, costing/activity-based management, life cycle costing, quality costing, cost targeting, value chain costing, customer accounting, and competitive position monitoring.

Historical business performance. Historical business performance is the company's historical financial performance in recent times. Historical business performance measures were adopted and developed from the measurements used by (Palvatos and Kostakis, 2018). Respondents were asked to provide information on the increase or decrease in the average profitability of their business.

Owner-Management Characteristics. Owner-management characteristics are the personal characteristics of the owner or management. The measurement of owner-management characteristics is adopted from (Blackburn et al., 2016). Respondents were asked to indicate whether they have the following entrepreneurial characteristics using a Likert scale: type of planner; type of technology; kind of risk taker; type not easily anxious or bored; type willing to share.

Innovation culture. Innovation culture is a culture that is formed within an organisation and that directs members of that organisation to innovate. The innovation culture measurement instrument was adopted from (Dabić et al., 2018), which used 6 Likert scales with 6 statement instruments.

RESULT

Descriptive statistics. Table 1, the descriptive statistics for the research variable data, can be seen. Data on the use of management accounting techniques show an average index value of 8.390 with a theoretical range of 0 to 11 and an actual range of 4 to 11. This indicates that the average business manager in Palembang City uses a higher proportion of management accounting techniques in his business management. This empirical data shows that MSME managers in Palembang have been oriented toward a differentiation strategy. This is as explained by (Petera and Soljakova, 2020), who say that companies that implement a differentiation strategy option will use more strategic management accounting techniques than companies that implement a cost leadership strategy.

Table 1. Research Variable Data

Variable	Theoretical Range	Actual Range	Mean	Standard Deviation
Use of strategic management accounting	0 to 11	4 to 11	8.390	1.485
Historical business performance	3 to 18	7 to 18	14.390	3.205
Owner-management characteristics	6 to 36	18 to 36	31.080	3.875
Innovation culture	6 to 36	12 to 36	29.000	5.460

Source: Primary data processed

The frequent use of management accounting techniques in business operations shows that management accounting is integral to organisational processes, and

management accountants are strategic partners in corporate teams. Both are believed to create company value by managing resources, activities, and human resources to achieve company goals (Alsharari, 2019). On the other hand, (Alamri, 2019) explains that the high frequency of companies implementing strategic management accounting techniques indicates that company management requires a lot of strategic information. This is in line with the thinking of (Cescon et al., 2018) that, in response to the challenges of global competition, companies need to express strategic goals and identify strategic options relevant to their business. For this reason, it is necessary to define the scope and competitive advantage of the company, as well as the ability to present business strategies relevant to the challenges and complexities of the business being faced, all of which can be done by implementing strategic management accounting techniques.

The many strategic management accounting techniques applied by MSMEs in Palembang also confirm (Hadid and Al-Sayed's, 2021) conclusion that the primary role of strategic management accounting is to assist management in developing competitive strategies and implementing strategic planning, which will ultimately encourage company staff to increase awareness and concern about the need for high-level analysis and strategic thinking about strategic information needs. Empirical data in this study also supports the explanation of (Ma et al., 2022) that strategic management accounting supports companies in developing cost strategies and solid economic forecasts to help companies increase their market share in the economy and marketplace. In addition, companies can also create competitive advantages that are different from competitors and encourage the achievement of more profits, thereby increasing opportunities to expand their business operations or enter new business markets.

The average historical business performance level is 14.390, with a theoretical range of 3 to 18 and an actual range of 7 to 18. This shows that the historical performance achievements of the respondents' average business are relatively high. Several indicators are used in collecting data on this historical level of business performance: the level of business profit calculated from the level of investment development, the level of acceptance of business sales, and the level of additional capital. The three leading indicators of historical performance measurement instruments are adopted from (Ayatse et al., 2017), who state that traditionally, financial performance criteria will be seen based on dimensions including annual sales, annual profit, and revenue growth. If raised, it will be operationalised in the three historical business performance indicators used in this study.

Based on the empirical data found in this study, the relatively high historical business performance of MSMEs in Palembang can indicate that MSME business managers have been able to implement the right strategy in operating their businesses. This has been widely explained in several previous studies, which prove the choice of appropriate methods can positively impact achieving company performance (Setiawan et al., 2021c; Selvam et al., 2016; Latifah et al., 2021). The ability of MSME managers to produce a business performance based on indicators of the level of investment development, the level of sales receipts, and the rate of capital increase also show that they have succeeded in optimising their business processes by managing effective business costs. Still, on the other hand, they can maximise revenue growth from their sales.

As a result, the research findings are intriguing to see the profile of MSME entrepreneurs in Palembang because the business performance data in this study can show how the strategies they choose are implemented. This is as described by (Selvam et al., 2016), who say that business performance is a core concept used by academics and



professional managers to view studies in strategic management. Apart from that, this historical business performance data also shows how MSME entrepreneurs in Palembang struggled and tried during the COVID-19 pandemic to still get relatively high business performance after the COVID-19 pandemic.

Owner-management characteristics are also in the relatively high actual average range, namely at a value of 31.080 with a whole range of 18 to 36 and a theoretical range of 6 to 36. This data shows that the characteristics of business owners and managers in Palembang City are similar to those of people with a business vision, are strategic, and have a positive mindset when managing their business. This empirical data shows that the owner-management team of MSME in Palembang has positive characteristics and is ready to develop a strategic business climate and strategy. Positive characteristics are essential factors in the company's business development. Individual characteristics and quality will be important in changing company strategy (Wang, 2016). The various unique characteristics of business managers can contribute to multiple strategic choices (Rong and Wang, 2021).

It will be reflected in formulating and implementing strategy; top management will take on a role of responsibility in initiating, implementing, managing, and supervising based on knowledge, experience, skills, perspectives, and styles that may also differ (Zhou et al., 2022). As added by (Zhou et al., 2022), based on a holistic perspective, the personal characteristics of top management can be seen based on age level, individual values, educational background, work experience, and emotional intelligence, and all of these aspects can have an impact on changes or choices in corporate strategy.

Indicators of emotional intelligence are reflected in an individual's ability to monitor and manage their emotions and the emotions of others, discriminate between them, and use this information to guide their thoughts and actions that can reflect a person's characteristics (Bjornali et al., 2016). The superior emotional intelligence of a manager allows members to work more coherently and consistently, work together better, and communicate more empathetically, which will ultimately impact the quality of business decisions and intellectual output and create higher efficiency (Zhou et al., 2022). The characteristics of business managers with high emotional intelligence will create a harmonious organisational atmosphere, create strong leadership, foster flexible management, and ultimately positively impact company development (Su et al., 2021).

Finally, for the culture of innovation, the average value among respondents is 29, with an actual range of 12 to 36 and a theoretical range of 6 to 36. This shows that the average innovation culture of business managers in Palembang is relatively high. The high culture of innovation owned by many business managers in Palembang shows that the characteristics of entrepreneurship and innovation have a symbiotic relationship of mutualism, which both produce value creation (Roos, 2017). Entrepreneurship is often associated with identifying opportunities to create products and services for society using available resources (Dabić et al., 2021); meanwhile, innovation is an indicator of creativity that contributes to organisational development related to improving the services and products produced (Azeem et al., 2021).

In addition, the high culture of innovation that many business managers in Palembang have can indicate that they view innovation as achieving a sustainable competitive advantage (Arsawan et al., 2022) because innovation also plays a role in creating superior business performance values (Aboramadan et al., 2019). The primary keys to sustainable competitive advantage are organisational learning and innovation



(Ahmad, 2018). Innovation contributes to efforts to create a competitive advantage for companies in their market environment as it leads to the introduction of new technologies, products, and services (Botelho, 2020). Therefore, it is why a culture of innovation has developed in many MSMEs in Palembang. This is as explained by (Hanifah et al., 2019), who state that the development of a culture of innovation in the context of MSMEs aims to develop companies, build infrastructure and support systems, promote behaviour to influence markets, create value orientations, and understand the environment as part of an effort to implement innovation. Innovation is also the key to the growth and development of today's business companies (Zhang et al., 2020).

Table 2. Data Validity and Reliability Test Results

Research variable	Loading	Composite Reliability	AVE
Historical business performance	0.898		
HBP 1	0.967		
HBP 2	0.931	0.952	0.869
HBP 3			
Owner-management characteristics			
OMC 1	0.802		
OMC 2	0.906	0.932	0.695
OMC 3	0.819		
OMC 4	0.857		
OMC 5	0.850		
OMC 6	0.761		
Innovation culture			
IC 1	0.897		
IC 2	0.792		
IC 3	0.879	0.946	0.746
IC 4	0.915		
IC 5	0.903		
IC 6	0.874		

Source: Primary data processed

Table 2 shows the results of the validity and reliability of the research data. Validity and reliability tests were only carried out on historical business performance variables, owner-management characteristics, and innovation culture because these three variables were on an interval scale. At the same time, management accounting techniques were not included in the validity and reliability tests because they used an index data scale. For each construct, the composite reliability values on the test findings can be greater than 0.700. Likewise, the value of convergent validity (average variance extracted) for each construct is more than 0.500. For the reliability indicator (loading) value of all constructs more than 0.700. Therefore, all indicators of the research construct can be used.

Table 3. Research Data Discriminant Validity

	HBP	OMC	IC
HBP	0.932		
OMC	0.357***	0.834	
IC	0.205***	0.112***	0.863

Source: Primary data processed

Diagonal elements: square root of AVE, off-diagonal elements: correlation between constructs

*** significant on p less than 0.010

Table 3 shows the results that meet the acceptance criteria for discriminant validity. Therefore, the research data is valid and reliable.

Table 4. Model Fit and Quality Indices

Fit Model Items	Value	Standard	Conclusion
Average path coefficient (APC)	0.313 P less than 0.007	P less than 0.050	fit
Average R-squared (ARS)	0.497 P less than 0.001	P less than 0.050	fit
Average block VIF (AVIF)	1.389	less than 3.300	fit

Source: Primary data processed

Each ARS displays a value that meets the criteria based on **Table 4** model fit and quality indices, APC values. The APC 0.001 and ARS 0.007 significance values are below the 5per cent threshold (Kock, 2011). Values of the AVIF are less than 3.300. As a result, this research model is appropriate for further testing.

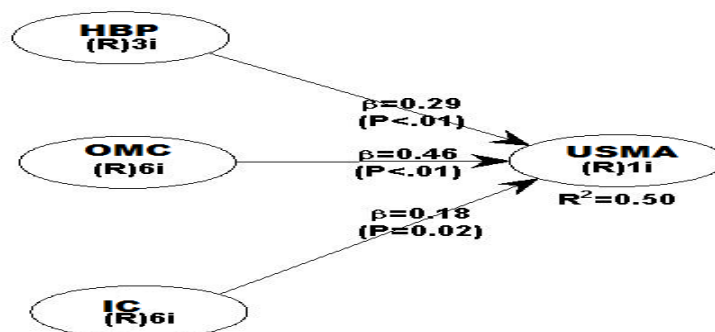


Figure 2. Research Model

Source: Primary data processed

Figure 2 shows the results of testing the research model. Based on the p-value, all hypotheses in the research model can be supported, namely that historical business performance has an impact on the level of use of strategic management accounting, owner and management characteristics affect the use of strategic management accounting, and a culture of innovation also has an impact on the level of service of strategic management accounting.

DISCUSSION

Historical business performance influences the use of strategic management accounting. **Figure 1** shows that the variable use of management accounting techniques has a coefficient of 0.290 with a p-value of 0.010 and 1 per cent for the variable historical business performance. This proves that there is a positive influence between the achievements of the company's historical business performance and the level of use of management accounting. This finding can explain that the higher the company's

performance achievements, the more it encourages owners and management companies to increasingly utilise management accounting techniques to support their business management processes, significantly assisting in managing business information and evaluating their business performance achievements.

This study succeeded in confirming the effect of achieving historical business performance on the level of management accounting usage. This finding explains that the higher the company's historical performance achievements, the more it will encourage business owners and managers to increasingly utilise management accounting techniques to support business information management in other strategic business decisions. This supports the findings of (Setiawan et al., 2021c), who proved that a company's financial performance is essential for companies to implement strategic management accounting. This also supports the findings of (Palvatos and Kostakis, 2018) that strategic management accounting is highly dependent on business operational performance.

Empirical data also supports this finding, which shows that respondents who participated in this study reported relatively high average historical business performance achievements. Increasing historical business performance will provide additional motivation for business managers to strive to improve their performance in the future. Efforts to achieve improved performance in the future require reliable management of information. Strategic management accounting techniques are an essential choice to get the needed information. For this reason, it is reasonable to assume that the increase in historical business performance motivates business managers to use strategic management accounting techniques (Palvatos and Kostakis, 2018).

On the other hand, as explained in the previous section, the findings of empirical data showing relatively high historical business performance achievements in this study also indicate that the company has optimally chosen a business strategy that suits the company. This is explained by the findings of (Setiawan et al., 2022), which demonstrate that a relevant strategic orientation is a factor in achieving a company's business performance. Therefore, it is reasonable to expect companies that have implemented competitive strategy choices to obtain positive business performance results. This success will encourage the owner and management of the company to think about implementing more sophisticated techniques and methods to support the achievement of even higher business performance in the future. This adds to (Setiawan et al., 2021c); (Palvatos and Kostakis, 2018) analysis that the performance of business operations affects the company's ability to implement strategic management accounting techniques.

This analysis is also strengthened by (Selvam et al., 2016), who argue that business performance is an essential factor seen as the basis for strategic management implementation decisions. (Varzaru et al., 2022), On the other hand, note that the company's financial and operating performance are crucial factors in producing innovation performance. One of the achievements of innovation performance is how companies apply new methods and techniques in their business operations. Strategic management accounting techniques are one of the implementations of an innovation strategy in managing a company's business. This is because strategic management accounting is a tool for creating a competitive advantage (Setiawan et al., 2021b), which ultimately plays a role in improving the company's business performance (Turner et al., 2017).

Owner–management characteristics influence the use of strategic management accounting. Figure 1 also shows that for the use of management accounting techniques, the elements of the company's owner-management have a coefficient of 0.460 with a p-

value of 0.010 or a value of 1 per cent. This confirms that there is a positive influence on the characteristics of entrepreneurs with a strategic vision and a positive mindset in managing their business. They will tend to utilise management accounting techniques in managing their company. This further reinforces the finding that the characteristics of visionary entrepreneurs will encourage the use of modern management accounting techniques in running and developing their businesses.

The findings of this study also support the hypothesis of the influence of owner-manager characteristics on the level of management accounting usage. Empirical data support, which shows that most of the owners and managers of companies participating in this study show visionary characteristics in managing a business and have a positive mindset, are reasons that support why the use of strategic management accounting in their companies is also relatively high. This supports the findings of (Palvatos and Kostakis, 2018), who concluded that top management characteristics are key factors that can influence decisions on implementing strategic management accounting in businesses. Therefore, it is undeniable that the personal characteristics of the owner or manager are also very influential in making strategic decisions in business (Rasheed and Siddiqui, 2018), including in choosing management accounting techniques relevant to the company's business management needs.

The role of business owner characteristics in influencing the implementation of strategic management accounting techniques has also been described by (Setiawan et al., 2019): the owner's factors with more substantial power can influence the decision to implement strategic management accounting in his company. The attitude of company owners or managers towards making financial decisions, including the use of management accounting techniques, is also explained by (Rasheed and Siddiqui, 2018), who argue that the personal characteristics of owners or managers are undeniably very influential in making strategic decisions in business, including when they decide to implement various strategic management accounting techniques.

The findings of this study are also very reasonable because the decisions of company owners and management to implement competitive strategies and methods in their business operations will be significantly influenced by their characteristics. According to (Zhou et al., 2022), personal management characteristics based on individual values, educational background, work experience, and emotional intelligence can influence corporate strategy changes or choices. On the other hand, (Su et al., 2021) explain that the characteristics of business managers with high emotional intelligence will create a harmonious organisational atmosphere, create strong leadership, foster flexible management, and ultimately positively impact company development. Once again, it makes sense because individual characteristics and quality will matter. The personal factors of various business managers can contribute to the choice of corporate strategy (Rong and Wang, 2021), which includes the decision to implement strategic management accounting techniques.

Why the choice to use strategic management accounting is a reflection of the individual characteristics of the owner and company management As explained in the previous section, the primary role of strategic management accounting is to assist management in developing competitive strategies and implementing strategic planning, which will ultimately encourage company staff to increase awareness and concern for the need for high-level analysis and strategic thinking about strategic information needs (Hadid and Al-Sayed, 2021). Therefore, the owners and managers of companies that think

like that show they use intelligence, experience, and other essential aspects of their abilities to choose strategies relevant to their business operations.

Innovation culture influences the use of strategic management accounting.

Finally, **Figure 1** shows that the use of management accounting techniques has a coefficient of 0.180 with a p-value of 0.020 or a value of 5per cent in a culture of innovation. This shows a logical relationship between the innovative mindset of a high culture of innovation and the urge to utilise modern management accounting techniques. This finding further reinforces that the vision of innovation encourages business owners and managers to use various management accounting techniques that can provide complete information in managing their businesses. Such complete information can be obtained by implementing modern management accounting techniques.

The findings of this study also support the hypothesis of the influence of innovation culture on the level of management accounting usage. The research findings support the conclusions of (Hadith and Al-Sayed, 2021) that a culture of innovation has a role in the decision to use management accounting in companies. These findings further clarify that companies with an innovation-oriented vision and a high culture of innovation will be encouraged to use modern accounting techniques to help business managers obtain reliable information for making business decisions.

This study's empirical data supports the notion that owners and management companies with a strategic vision and a positive mindset in business management have encouraged them to use and implement strategic accounting techniques. This is a type of innovation culture implementation in their company. A culture of innovation is essential to achieving company competitiveness, which depends heavily on the company's innovation capacity and business performance (Dabić et al., 2018). Therefore, using strategic management accounting techniques is a key always considered by entrepreneurs who think strategically and with vision. This also further strengthens the findings of (Setiawan et al., 2019a) that the cultural dimension in the owner's ethnicity positively impacts the implementation of strategic management accounting.

The findings of this study are very reasonable because the culture of innovation in a business company shows the characteristics of business organisation leaders to be oriented towards developing the company, building infrastructure and support systems, promoting behaviour to influence the market, creating value orientation, and understanding the business environment (Hanifah et al., 2019). This is an important thing that must be developed if companies want to achieve a competitive advantage because competitive advantage can be achieved if business organisations develop organisational learning and innovation in a sustainable manner (Ahmad, 2018; Aboramadan et al., 2019; Arsawan et al., 2022). On the other hand, innovation is also the key to the growth and development of today's business companies (Zhang et al., 2020).

For this reason, a culture of innovation and implementation of the strategy has a role in encouraging the owner-management of the company to implement strategic management accounting techniques because strategic management accounting is believed to be a tool that can support companies in developing cost strategies and strong economic forecasts to help them increase their market share in the economy and marketplace (Ma et al., 2022), as well as contributing to the creation of value for the company by managing resources, activities, and human resources to achieve company goals (Alsharari, 2019), which in turn has a positive impact on achieving positive business performance, customer performance, and company financial performance (Turner et al., 2017).



CONCLUSION

This study concluded that historical business performance achievements are essential in using strategic management accounting for MSMEs in Palembang City. The second finding of this study is that the characteristics of MSME owner-management in Palembang City are also an essential factor in implementing strategic management accounting techniques in the companies they own or manage. The final finding of this study is that a high culture of innovation will also be an essential factor in influencing the owner-management of the company to further increase the use of strategic management accounting techniques.

Some of the findings of this research can have important implications for entrepreneurs, especially MSME entrepreneurs. Strategic management accounting techniques that integrate various techniques that support the identification and fulfilment of complete business information, both in the context of financial and non-financial information, will provide a reliable reference for MSME owners and management in making reliable business decisions. However, not all MSME owners and their leadership have an orientation to implement and utilise various strategic management accounting techniques.

Good historical business performance, owner-management strategic visionary characteristics, and a strong culture of innovation are key factors that can encourage SME owner-management to implement various strategic management accounting techniques. Therefore, the findings of this study also encourage MSME actors to build a culture of innovation and build visionary and strategic characteristics so that they can see the beneficial aspects of using strategic management accounting in the companies they own. This is significant because, to maintain good historical business performance, strategic management accounting techniques are required to provide strategic information in managing their business.

However, the findings of this study certainly still have various limitations, including research that has yet to look at the problems of business management based on the type of industry. Every industry, especially in industrial control on the MSME scale, has different problems and characteristics that can influence decision-making in management accounting techniques or are related to the company's innovation culture. This study also has not identified owner-management factors based on generation or age. This could also have a differentiating impact on the nature of their orientation in the practice of innovation and strategic thinking in managing the business.

For this reason, suggestions that can be considered in future research include identifying differences between industries or business fields and grouping entrepreneurs into generational or age categories. This needs to be done to obtain more robust research findings in explaining the differences in the characteristics of entrepreneurs in viewing a culture of innovation and motivation for using strategic management accounting techniques in the companies they own or manage.

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