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FACTORS INFLUENCING THE ADOPTION OF MANAGEMENT ACCOUNTING PRACTICES AMONG ALBANIAN FAMILY BUSINESSES

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Enida Demiraj
[1]American College of the Middle East, Department of Business Administration, Kuwait.
[1]American University of the Middle East, Kuwait.
enida.demiraj@acm.edu.kw, ORCID: 0000-0001-9404-1812

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ABSTRACT

Purpose – This study focuses on family businesses, defined as enterprises owned, controlled, and managed by family members who are related by blood or marriage. Family businesses are of significant interest because they represent 65-80% of all enterprises in Europe and have a substantial impact on a country's GDP and employment levels. Since the adoption of Management Accounting Practices (MAPs) is a key factor in business success, the study aims to investigate how widely these practices are adopted among Albanian family businesses and identify the key factors that influence their adoption.
Methodology – To achieve the objectives of our study, primary data is collected through questionnaires sent to business owners/managers in Albania. The data is analyzed using qualitative methods to assess the adoption extent of MAPs in family businesses and quantitative methods (regression) to identify the key factors influencing this adoption.
Findings – The findings reveal a relatively low level of adoption of MAPs among Albanian family businesses. Their management accounting systems are predominantly informal and unsophisticated. Moreover, characteristics unique to family businesses significantly influence this adoption.
Conclusion – The state of MAP adoption among family businesses in Albania suggests a potential area for significant improvement. The unique characteristics of family businesses, which influence this adoption, highlight the need for tailored management accounting solutions that align with their specific management styles. Future initiatives and policies should focus on educating and equipping family businesses with the tools and knowledge necessary to implement more formal and sophisticated MAPs, thereby enhancing their decision-making processes and competitive advantage.

Keywords: Albania, management accounting practices, management accounting systems, family business
JEL Codes: M41, D22, L25

1. INTRODUCTION

Effective management accounting practices (MAPs) are crucial to ensure long-term success in Albanian family businesses. These practices help businesses to allocate resources, identify areas for improvement and offer insights into financial performance. Their adoption enhances a firm's performance and the accountability of its employees (AbRahman et al., 2016). Understanding the factors that impact the adoption level of MAPs is essential to enhance the business's competitiveness and increase growth opportunities. Different definitions of family business have been used in literature over the years. Birdthistle and Hales (2023) define a family business as one owned, controlled and managed by members of a family who are related to each other by blood or marriage. Family firms differ from non-family firms in many respects, such as corporate governance rules which impact the firm value (Afza Amran & Che Ahmad, 2009) financial reporting practices which is affected by the family business' long-term investment horizons, concerns for their reputation and effective control of managers (Tong, 2007), to mention just a few. Despite the significant impact of family business characteristics on accounting practices, this area remains underexplored in general (Salvato & Moores, 2010, Kapiyangoda & Gooneratne, 2021) and in Albania in particular. This study aims to fill this gap by exploring the adoption level of MAPs in Albanian family businesses and identifying the factors influencing their adoption level. To achieve its objectives this study relies on primary data collected through surveys, which is analyzed through qualitative and quantitative methods to provide a thorough understanding of the factors that influence the MAP adoption level.

2. LITERATURE REVIEW

Literature on family business accounting practices is diverse. Senftlechner and Hiebl (2015) highlighted the importance of MAPs in family businesses, underscoring that factors such as family trust, specific goals and central leadership/authority affect MAPs and management control. Vaia and Marco (2017) emphasized the importance of MAPs for the succession of family businesses arguing that accounting systems contribute to implementing new rules or regulations which help the decision-making process and guarantee leadership continuity during the succession phase. Ding, Qu, and Zhuang (2011) found that financial reporting in Chinese family firms is less informative, is characterized by higher discretionary accruals and tends to be less conservative. According to Stergiou et al. (2013) management control practices are impacted by the firm's founder's values and principles. Dzansi et al., (2019) revealed that a positive correlation exists between the interpersonal skills of managers and the performance in both family and non-family SMEs.

Ekanayake and Kuruppuge (2017) found that family ownership and involvement in the management is beneficial to firm performance, while El Masri et al. (2017) suggest that a family business can become more professional and have a stronger firm identity if it uses family-focused, systematic control technologies. These findings are contradicted by Yopie and Itan (2016) who found that firms managed by a non-family member CEO have a higher value, Hiebl et al., (2013) who concluded that a lower family influence is linked to a more intensified use of accounting practices and higher professionalization, and Hiebl et al. (2014) who suggest that the adoption level of MAPs is increased by the inclusion of non-family members in top management. In a later study, though, Hiebl and Mayrleitner (2019) revealed that family members can encourage the professionalization of MAPs under specific conditions. Rieg et al., (2022) discovered that the impact of family on professionalization is more evident in smaller firms and Samuelsson et al. (2016) concluded that small-sized family firms use less formal planning techniques than non-family firms.

Huerta et al., (2017) examined the role of the firm's owner in controlling and implementing the MAPs. Family members can suggest accounting practices to use. Their influence does not rely only on family relationships but mainly on the owner's perception of the competence of the family member. This conclusion highlights the link between competence, family relationships and experience in shaping the MAP used by a family firm

Based on the literature review, the following hypotheses are formulated:

H1: The adoption level of MAPs is low among Albanian family businesses.

H2: Family member involvement negatively influences the use of MAPs in Albanian family businesses.

H3: Family business characteristics and other contingent factors influence their adoption level of MAPs.

3. DATA AND METHODOLOGY

This study relies on primary data collected through a structured questionnaire with closed-ended questions, a method commonly used in Management Accounting studies. The respondents to the questionnaire are business managers or accountants who were instructed to fill out the questionnaire only if they identified as a family business. The questionnaire was sent by email to 400 randomly selected businesses out of which 204 responses were received. To achieve a high response rate and mitigate the non-response bias constant reminders were sent to the recipents, and the questionnaire was kept fairly simple. The questionnaire comprised 19 questions in total, six of which were multichoice questions and the remaining 13 Likert scale questions.

To evaluate the adoption level of MAPs is low among Albanian family businesses a qualitative analysis is used, relying on descriptive statistics. However, to test whether family member involvement or family business characteristics influence the use of MAPs in Albanian family businesses, quantitative analysis is used relying on regression analysis.

4. FINDINGS

To test the first hypothesis the respondents were asked whether they have a proper cost collection system, cost calculation system and budgeting system, and to what extent do they use these systems on a scale of 1 to 5, where 1 represents no use at all, and 5 represents the highest use possible.

	Cost Collection System	Cost Calculation System	Budgeting System
Mean	2.35	2.59	2.55
Median	2	3	2
Mode	1	1	1
Confidence Level (95.0%)	0.2	0.2	0.2

From the descriptive statistics, it is observed that the mean values for the use of management accounting systems in Albanian family businesses are 2.35 for cost collection systems, 2.59 for cost calculation systems, and 2.55 for budgeting systems. These mean values, all below the middle value of 3, indicate low-to-moderate usage of these systems by Albanian family businesses. More insights are provided by the median values. A median value of 2 for cost collection systems and budgeting systems indicates that half of the businesses use these systems at an even lower level than the above mean values imply. The median of 3 for cost calculation systems indicates that half of the businesses use these systems at a moderate level. Furthermore, the mode value of 1 for all three systems shows that a significant number of family businesses either do not have these systems or do not use them at all, highlighting a trend of underutilization of these essential management tools. Finally, the confidence level (95%) of 0.2 in all three systems reveals that the mean values are a reliable representation of the broader population mean (i.e. 2.35 ±0.20; 2.59 ±0.20; 2.55 ±0.20). These results and the above analysis show that overall Management Accounting Practices are used at best at a moderate level in Albanian family firms.

To test the second and third hypotheses, I relied on inferential statistics using regression analysis. Specifically, the second hypothesis on whether family member involvement influences the use of MAPs in Albanian family businesses is tested through the OLS regression models presented in Table 1.

Table 1: OLS Regression Models - Hypothesis 2

Model 1	Model 2	Model 3
Dependent Variable: Use of a proper COST COLLECTION SYSTEM	**Dependent Variable:** Use of a proper COST CALCULATION SYSTEM	**Dependent Variable:** Use of a proper BUDGETING SYSTEM
Independent Variable: Percentage of family members in business		
Control Variables: Business Type Business Age Business Size		

Table 2: OLS Results–Family Members Percentage influence on Cost Collectıon, Cost Calculatıon and Budgetıng Systems

	Model 1 **Cost Collection Systems**	**Model 2** **Cost Calculation Systems**	**Model 3** **Budgeting Systems**
Family_Members_Percentage	***-0.315**	***-0.363**	****-0.182**
Intercept	***2.230	***2.398	***2.065
Business_Type	0.242	0.082	0.137
Age	-0.132	-0.123	-0.134
Size	***0.542	***0.840	***0.727
R Square	0.138	0.238	0.118
Adjusted R Square	0.120	0.223	0.100

**** p < 0.01; ** p < 0.05*

The OLS results reveal that Family members percentage in Albanian firms is inversely related to the use of Cost Collection Systems, Cost Calculation Systems, and Budgeting Systems. This relationship is statistically significant at 1% in the first two models and 5% in the third model. These results suggest that a higher involvement of family members in business matters leads to a lower use of formal accounting practices in Albanian firms. The relatively low observed R2 indicates that the models do not explain all of the variation in the values of the dependent variable, which is to be expected since there are multiple other factors (internal and external) that influence the use of MAPs in business firms.

The third hypothesis on whether family business characteristics and other contingent factors influence the adoption level of MAPs is tested through the OLS regression models presented in Table 3.

Table 3: OLS regression models - Hypothesis 3

Model 1	Model 2	Model 3
Dependent Variable: Use of a proper COST COLLECTION SYSTEM	**Dependent Variable:** Use of a proper COST CALCULATION SYSTEM	**Dependent Variable:** Use of a proper BUDGETING SYSTEM
Independent Variables: Owner Main Decision-Maker Family Business Succession Risk Avoidance Debt Avoidance Non-financial indicators priority in decision-making Privacy Concerns Market Competition Accountant Qualifications Technology (Accounting Software) Tax Regulation		

Table 4: OLS Results–Family Business Characteristics influence on Cost Collectıon, Cost Calculatıon and Budgetıng Systems

	Model 1 Cost Collection Systems	Model 2 Cost Calculation Systems	Model 3 Budgeting Systems
Intercept	0.261	0.797	**0.859
Owner_Decision	-0.109	-0.068	***-0.420
Family_Succession	0.136	-0.039	-0.048
Risk_Avoidance	***0.416	**0.198	***0.385
Debt_Avoidance	0.092	0.154	***-0.280
Non_Fin_Priority	0.004	***-0.256	***0.324
Privacy_Concerns	-0.159	**-0.182	-0.046
Market_Competition	**-0.187	0.136	-0.057
Accountant_Qual	***0.270	***0.205	***0.190
Acc_Tech_Use	**0.184	***0.496	0.089
Tax_Regulation	-0.034	-0.121	***0.442
R Square	0.261	0.797	**0.859
Adjusted R Square	-0.109	-0.068	***-0.420

**** $p < 0.01$; ** $p < 0.05$*

From the OLS results, we can conclude that some of the family firm characteristics in Albania influence the use of cost collection systems, cost calculation systems, and budgeting systems. More specifically, risk avoidance, or the tendency of family firms to avoid risk, positively influences the use of all three major components of MAPs, suggesting that the more the firms try to avoid risk the more they tend to use MAPs. Debt avoidance, or the tendency of family firms to avoid borrowing, negatively influences the use of budgeting systems, suggesting firms with less debt rely less on budgeting and financial planning. Non-financial priority, or the tendency of family firms to prioritize non-financial factors, in decision-making negatively influences the use of cost calculation systems, suggesting that those firms rely less on financial information. However, the relationship is positive with the use of budgeting systems, suggesting that firms that value more non-financial factors are long-term oriented and tend to rely more on budgeting and financial planning. Privacy concerns regarding internal confidential information affects negatively the use of cost calculation systems, suggesting that family firms entrust these tasks to close family members who do not possess the required qualifications to maintain a proper cost calculation system. Other external factors such as market competition, accountants' qualifications, accounting technology available and tax regulation have a significant influence to various degrees.

5. CONCLUSION

In conclusion, the results suggest the MAPs are generally utilized at a low level within Albanian family firms. A higher percentage of family members in the business is associated with less formal use of accounting practices. The tendency of family firms to avoiding risk motivates them to use MAPs more extensively. Conversely, firms that avoid debt use budgeting systems less, indicating possible underutilization of financial planning resources. Firms prioritizing non-financial factors for decision-making rely less on financial information hence using less formal cost calculation systems. However, being long-term oriented they rely more on budgeting for strategic planning. Confidentiality concerns negatively impact the use of cost calculation systems, potentially due to reliance on unqualified family members for MA tasks. There's a significant opportunity in Albania to enhance the understanding and skills of family members in formal accounting practices to improve overall business management.

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