


## Chapter 6

# The Management Accounting System and Enterprise Innovation Ability

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### **ABSTRACT**

*The chapter aims to explain the relationship between the management accounting system and enterprise innovation ability in the context of collaborative enterprise architecture. The study explains modeling the transformation process and outlining why and how the management accounting affects enterprise innovation ability through accounting information which is focused on the decision-making process. The study uses a survey designed and administered to accountants and managers who work in Turkish manufacturing enterprises as a data provider and decision-maker. The hypotheses were tested using multivariable data analysis techniques, and additional analyses were conducted for more details. The statistical findings show that management accounting affects innovation ability positively. Both product and process innovations are positively affected by managerial accounting. There is also a significant relationship between collaborative enterprise and innovation ability. The harmony between organizational architecture and management accounting increases the company's ability to innovate.*

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## **INTRODUCTION**

In business balance sheets, the increase in the ratio of intangible assets get changed the role of management accounting in the innovation process. Previous studies indicate that the management accounting system has an impact on the performance of innovative companies (Bisbe & Malagueño, 2009). Management accounting, as part of management control systems, helps businesses gain a competitive advantage. This advantage is achieved through innovation. Innovation is defined as the adaptation of new systems, policies, programs, processes, products or services produced internally or externally (Damanpour & Evan, 1984). In general, innovation can be explained as bringing new products or services to customers successfully. Product and process innovation complement each other and increase profitability (Athey & Roberts, 2001). In addition, product and process flexibility contributes to the development of strategies for more efficient manufacturing, thus reducing costs. The importance of innovation in today's competitive conditions is increasing. High technology and innovation open enterprises increase their competitiveness and dominate the market.

There are many internal and external factors in the enterprises affect the innovation. Innovation can be radical and modifying. It is basically a reaction against a similar one. Successful companies do innovate, and their leadership depends on their innovation-based activities. However, doing innovation is very difficult in small and medium-sized enterprises. At this point, the effect of management accounting occurs. Management accounting is primarily a decision support system which it helps the company to use its financial and economic resources efficiently. It contributes to the company allocating more resources for innovation. Managerial accounting contributes to the quantitative and qualitative performance of the enterprise. In particular, increasing resource efficiency increases economic performance. Researchers suggest that organizations can develop more efficient cost management processes by using internal and external knowledge (Adams & Zutshi, 2004). Information encourages the development of new products, the use of more advanced technology processes and the development of cost structures.

The effectiveness of the managerial accounting system is related to the fact that the firm has a collaborative enterprise architecture. The efficiency of the accounting function increases in a business with supportive architecture. The collaborative corporate architecture provides a regular system that reduces operational complexity. It prevents the occurrence of unnecessary processes that repeat each other and increases the communication between the units and provides cooperation. To establish the link between business units and information technologies helps to manage organizational changes. Therefore, collaborative enterprise architecture contributes to the enterprises' ability to innovate while avoiding unnecessary activities. The main objective is to ensure that the information systems and technologies in

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