# THE IMPACT OF ACCOUNTING INFORMATION ON CORPORATE GOVERNANCE WITHIN VIETNAMESE COMPANIES

# O IMPACTO DAS INFORMAÇÕES CONTÁBEIS NA GOVERNANÇA CORPORATIVA NAS EMPRESAS VIETNAMIANAS

# EL IMPACTO DE LA INFORMACIÓN CONTABLE EN EL GOBIERNO CORPORATIVO EN LAS EMPRESAS VIETNAMITAS

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Vu Thanh Long
Van Hien University, Ho Chi Minh City, Vietnam
Email: longvt@vhu.edu.vn
ORCID: 0009-0008-1368-054X

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**ABSTRACT**
Accounting information holds significant importance for administrators in strategic decision-making. However, many administrators fail to recognize its value. Hence, this study aims to explore the impact of financial and management accounting information on corporate governance within the strategic decision-making realm of administrators. Recommendations are proposed to enhance administrators' awareness of the significance of accounting information and its utilization in strategic decision-making processes. Employing a mixed research methodology, the author analyzed data using the latest SPSS software with a sample size of 298, showcasing the relevance of timely management accounting information in facilitating optimal strategic decision-making.

**Keywords:** Accounting information, corporate governance, strategic decisions, Vietnam

**RESUMO**
As informações contábeis têm importância significativa para os administradores na tomada de decisões estratégicas. No entanto, muitos administradores não conseguem reconhecer o seu valor. Assim, este estudo tem como objetivo explorar o impacto das informações contábeis financeiras e gerenciais na governança corporativa no âmbito da tomada de decisões estratégicas dos administradores. São propostas recomendações para aumentar a conscientização dos administradores sobre a importância da informação contábil e sua utilização nos processos estratégicos de tomada de decisão. Empregando uma metodologia de pesquisa mista, o autor analisou dados usando o mais recente software SPSS com um tamanho de amostra de 298, mostrando a relevância da informação contabilística de gestão oportuna para facilitar a tomada de decisões estratégicas ideais.

**Palavras-chaves:** informação contábil, governança corporativa, decisões estratégicas, Vietnã

**RESUMEN**
La información contable tiene una importancia significativa para los administradores en la toma de decisiones estratégicas. Sin embargo, muchos administradores no reconocen su valor. Por lo tanto, este estudio tiene como objetivo explorar el impacto de la información contable financiera y de gestión en el gobierno corporativo dentro del ámbito de la toma de decisiones estratégicas de los administradores. Se proponen recomendaciones para mejorar la conciencia de los administradores sobre la importancia de la información contable y su utilización en los procesos de toma de decisiones estratégicas. Empleando una metodología de investigación mixta, el autor analizó datos utilizando el último software SPSS con un tamaño de muestra de 298, lo que muestra la relevancia de la información de contabilidad de gestión oportuna para facilitar una toma de decisiones estratégica óptima.

**Palabras clave:** Información contable, gobierno corporativo, decisiones estratégicas, Vietnam

## 1. INTRODUCTION

Accounting information is indispensable for providing leaders with insights to manage and steer the company effectively, it serves as the bedrock for guiding both strategic and operational decisions made by enterprise leaders, it also serves as a crucial and indispensable resource for various stakeholders such as shareholders, banks, and tax authorities. As a company progresses, the importance of accounting information escalates proportionately. Accounting information includes financial accounting information and management accounting information, enabling executives to formulate optimal strategic decisions and ultimately enhance the operational efficiency of the company.

To adapt to the ever-changing and difficult business environment, enterprises consistently employ various methods to effectively support strategic decision-making by administrators, using accounting information assumes a vital role in assisting administrators in guiding and steering the company towards its objectives. Accounting information can influence administrators' decision-making in two primary ways: either directly as input into decisions or indirectly through its impact on administrators' behavior (Wall & Greiling, 2011). Both financial accounting and management accounting play an important role in how administrators use this information when making decisions, (Dănescu et al., 2015). The quality of accounting information is directly linked to strategic decision-making concerning market and production (Kariyawasam, 2016). Enterprises equipped with higher-quality accounting information tend to allocate capital more efficiently and enable better decision-making by administrators (Cho, & Kang, 2019). Moreover, accounting information significantly influences enterprise profitability (Bhavna, 20152015).

All studies emphasize the benefits of accounting information and focus on research on management accounting information, however, only a limited amount of research examining the impact of aspects of accounting information on strategic decision making to enhance the operational efficiency of companies. Administrators will be primarily responsible for managing risks to the enterprise. It is the administrator who will have to determine the appropriate time and method to make strategic decisions. Hence, systematically assessing the impact of accounting information in both financial and management contexts on strategic decision-making in Vietnamese companies is imperative. This enables administrators to have a more informed basis for making strategic decisions, ultimately fostering stable development within Vietnamese companies.

## 2. THEORETICAL AND RESEARCH METHODS

### 2.1. Theoretical basis

**Concepts in research:**

In the field of accounting, accounting information is clearly defined in accounting concepts. Accounting information is quantitative information, basically financial information, linked to economic entities for the purpose of being used to make economic decisions (needles et al., 1993) accounting information is considered relevant when it has the ability to influence the economic decisions of users by helping them evaluate past, present or future events and to confirm and correct their past assessments (IASB, 2001, p. 26).

Strategic decision-making is conceptualized as infrequent decisions made by the top leadership of an organization, which profoundly influence the organization's health and viability. (Eisenhardt et al., 1992). Strategic decision-making involves long-term planning for an organization's future, aimed at enhancing the probability of its success. It represents a distinct form of decision-making that holds operational significance, involving actions to execute established plans or adhere to precedents (Eisenhardt et al., 1992).

Theory used in research:

The study employed useful information theory. This theory, originating in the 1960s, was advanced and promoted by entities involved in establishing accounting standards. It paved the way for directing the utilization of valuable economic information to facilitate accurate and appropriate decision-making. Many studies use useful information theory, a crucial concept crucial in corporate management and operations. Gray et al. (1996) contend that accounting serves as a potent source of information, offering pertinent insights to stakeholders within organizations. Therefore, how to support objects using useful information to determine whether it is judged useful or not. According to Owusu Ansah (2000), timely financial statements reduce leaks and rumors on the stock market, thereby eliminating insider trading. Staubus (2000) states that useful information theory serves as a basis for determining the use of financial information by information users. Karim (2005) for developing countries, timely provision of accounting information is more important than information sources such as newspapers, conferences, organizations, etc.

This theory shows that providing accounting information is the process of presenting appropriate information to information users. Thus, the usefulness of accounting information is evaluated on the basis of its speed in facilitating decision-making for users. This theory also shows that accounting information is an important tool for organizational management and control. For managers to determine the most suitable course of action for the organization, they require ample accounting information. When this information is varied, timely, and precise, the decisions formulated by the Management Board will be more apt.

## 3. RESEARCH METHODS

The study uses mixed research methods including qualitative research and quantitative research:

*Qualitative research methods:*

The questionnaire underwent adjustments through a process of back-translation from English to Vietnamese and subsequent modifications in translation to ensure alignment. This process aims to elucidate the scale's concepts from the respondent's viewpoint. Consequently, the observed variables were refined and referenced to enhance the interviewer's comprehension of the questions, thereby increasing the measurement coefficient's value. Following the meticulous translation of the original scale by Vietnamese, the author and 11 experts collaboratively refined it to align with the Vietnamese context. Moreover, this discussion enhanced the questionnaire's quality by rectifying any misleading questions to mitigate response bias (Diamoond, 2000).

*Quantitative research method:*

Quantitative research aims to collect data, evaluate scales, and test the research model. The research sample comprises 46 questions concerning components associated with accounting information, and strategic decision-making is gauged using a 5-point Likert scale question. The anticipated research sample consists of 300 respondents, expected to be drawn from a pool of 350 individuals across Ho Chi Minh City, Binh Duong, and Dong Nai. The author employed a method of randomly selecting survey participants from senior or mid-level leadership positions, such as members of the board of directors, chief accountants, and deputy department heads within companies.

Following the survey, the author received 298 valid responses, constituting 85.14% of the total. Prior to this, 43 surveys were deemed invalid upon review, as they involved duplicate survey subjects (where one company submitted two surveys). Consequently, 298 valid surveys were utilized for data analysis. The number of samples gathered for the official study exceeds the minimum threshold of 235, rendering this survey pool acceptable. The study encompassed 298 surveys meeting the criteria for analysis using SPSS 22.4 software, with the implementation process comprising the following steps: descriptive statistics of the sample, testing the scale's reliability, exploratory factor analysis, regression analysis, and hypothesis testing.

## 4. RESULTS AND DISCUSSION

### 4.1 Result

**Attributes of the survey sample**

The majority of respondents in public units possess experience ranging from 6 to 10 years, constituting 65.1% of the sample. Additionally, 40.27% have between 11 to 15 years of experience, while 28.52% have over 15 years of experience. These figures indicate that respondents possess adequate experience and practical knowledge to provide insightful survey responses.

In terms of job positions within the company, out of the 298 respondents, 107 are senior managers (representing 35.91%), while 191 are middle-level managers, including chiefs/deputies responsible for accounting, as well as chief/deputy heads of departments (constituting 64.09%). This distribution reinforces the reliability of the research sample.

**Evaluate the scale using Cronbach's Alpha reliability coefficient**

The test findings indicate that out of the 46 observed variables on the scales, only 41 demonstrate Cronbach Alpha reliability > 0.6. Five variables were excluded: three observed variables (PH3, TT4, PVR4) with a total variable correlation coefficient below 0.3, and two observed variables (SS3, DECISION MAKING10) with an Alpha coefficient greater than the total Cronbach's alpha when the respective question item is removed (Alpha if Item deleted). Therefore, based on the Cronbach Alpha analysis, all 41 observed variables on the scales exhibit reliability (Cronbach Alpha > 0.6), making them suitable for inclusion in the element factor analysis (EFA).

*EFA exploratory factor analysis*

The findings from the exploratory factor analysis (EFA) reveal that the 41 observed variables are still classified into 9 components within the scale, representing factors influencing strategic decision-making. The Kaiser-Meyer-Olkin (KMO) coefficient stands at 0.841, indicating a good fit of the data for EFA. Additionally, the Bartlett test's Chi-square statistic yields a value of 5647.575 with a significance level (Sig) of 0.000, signifying that the observed variables exhibit overall correlation. The extracted variance amounts to 76.913%, indicating that the 9 identified factors collectively explain 76.913% of the data's variability, with an Eigenvalue of 1.256. (*Appendix 04*).

Therefore, following the exploratory factor analysis (EFA), the scale concerning factors influencing strategic decision-making within the company maintains its original 9 factors, albeit now with 41 variables instead of the initial 47. All the extracted factors have demonstrated both reliability and validity.

**Multivariate regression analysis**

*Consider the correlation matrix between variables in the model*

The first step when conducting linear regression analysis is to consider the linear correlations between all variables (According to Hoang Trong and Chu Nguyen Mong Ngoc, 2018), meaning we must generally consider the relationship between each independent variable and the dependent variable and between independent variables. The purpose of this step is to test the close relationship between variables. Utilizing the linear correlation coefficient, we can discern if any variables exhibit significant overlap, with a standard consideration being that coefficients exceeding 0.85 warrant further scrutiny. The results from running the analysis in SPSS indicate that most variables demonstrate close relationships with each other, as evidenced by the linear correlation coefficients.

**Table 1**
Correlation coefficient matrix

| | | PH | TT | DH | SS | PVR | KT | TH | DB |
|---|---|---|---|---|---|---|---|---|---|
| PH | Pearson correlation | 1 | | | | | | | |
| TT | Pearson correlation | 0,492** | 1 | | | | | | |
| DH | Pearson correlation | 0,481** | 0,424** | 1 | | | | | |
| SS | Pearson correlation | 0,473** | 0,410** | 0,420** | 1 | | | | |
| PVR | Pearson correlation | 0,402** | 0,360** | 0,574** | 0,311** | 1 | | | |
| KT | Pearson correlation | 0,324** | 0,321** | 0,417** | 0,313** | 0,363** | 1 | | |
| TH | Pearson correlation | 0,497** | 0,296** | 0,352** | 0,361** | 0,465** | 0,211** | 1 | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| DB | Pearson correlation | 0,208** | 0,233** | 0,313** | 0,382** | 0,418** | 0,541** | 0,334** | 1 |
| Decision Making | Pearson correlation | 0,534** | 0,634** | 0,531** | 0,522** | 0,478** | 0,396** | 0,267** | 0,231** |

Source: Official research data analysis data using SPSS 22.4

*Assess and examine the suitability of the model*

In this model R2 is 0.587. The adjusted R2 coefficient (Adjusted T-square) is 0.579, which means that the built linear regression model fits the data set to 57.9%, so the research model is appropriate. The results also show that the adjusted R2 is smaller than R2, which makes it safer to evaluate the fit level of the research model because it does not inflate the fit level of the model.

**Table 2**

Results of linear regression analysis

| Model | R | $R^2$ | $R^2$ adjusted | Standard error of the estimate | Statistics change | | | | | Coefficient Durbin-Watson |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | $R^2$ changes | F changes | df1 | df2 | Sig. F changes | |
| 1 | 0,766[a] | 0,587 | 0,579 | 0,29890 | 0,587 | 82,842 | 5 | 292 | 0,000 | 1,131 |

Source: Official research data analysis data using SPSS 22.4

**Build a linear regression equation**

The correlation analysis findings demonstrate that the dependent variable, decision making, exhibits a linear correlation with 8 independent variables. Therefore, the author incorporated all 8 independent variables simultaneously into the regression analysis using the inclusion method (Enter method).

**Table 3**

Results of linear regression analysis using the Enter method

| **Factor** | **Non standardized** | **Standardized coefficient** | **t-test** | **Sig. test** | **Multicollinearity statistics** |
|---|---|---|---|---|---|
| | **coefficient** | | | | |

| | | B | Standard error | Beta | | | Variable acceptability | VIF |
|---|---|---|---|---|---|---|---|---|
| 1 | Constant | 0,622 | 0,162 | | 4,051 | 0,000 | | |
| | PH | 0,127 | 0,034 | 0,236 | 5,240 | 0,000 | 0,700 | 1,429 |
| | TT | 0,152 | 0,038 | 0,358 | 7,975 | 0,000 | 0,704 | 1,420 |
| | DH | 0,211 | 0,040 | 0,143 | 2,880 | 0,003 | 0,577 | 1,733 |
| | SS | 0,119 | 0,040 | 0,144 | 3,102 | 0,002 | 0,654 | 1,530 |
| | PVR | 0,174 | 0,039 | 0,173 | 3,717 | 0,000 | 0,651 | 1,536 |
| | KT | 0,323 | 0,032 | 0,133 | 2,718 | 0,000 | 0,553 | 1,437 |
| | TH | 0,102 | 0,033 | 0,171 | 3,002 | 0,001 | 0,612 | 1,625 |
| | DB | 0,219 | 0,037 | 0,159 | 3,612 | 0,000 | 0,702 | 1,621 |
| a. Dependent variable: decision making | | | | | | | | |

Source: Official research data analysis data using SPSS 22.4

**Results of testing the theoretical model**

From the table above, it is evident that there are 8 factors within the scale of strategic decision-making in the company, all of which exert a positive influence (positive Beta coefficient) on strategic decision-making within the company. The significance level (Sig) of all these factors is 0.000, which is < 0.05, indicating statistical significance. The table above also shows that the acceptability of the variable is high from 0.553 or more and the VIF coefficient of all 5 factors is less than 2, meaning that multicollinearity does not occur between independent factors in the model. The result of the F statistical value is 82.842, calculated from the R2 value of 0.587 and the adjusted R of 0.579 of the full model, at the significance level Sig = 0.000; Testing the correlation phenomenon using the Durbin–Watson coefficient (1< 1.032 < 3) shows that the results are consistent with the research model. (*Appendix 05*) The linear regression equation for variables with unstandardized coefficients has the following form:

$$F = 0,622 + 0,127 * X1 + 0,152 * X2 + 0,211* X3 + 0,119 * X4+ 0,174*X5 + 0,323*X6 + 0,102*X7 + 0,219*X8 + \varepsilon$$

In which: F: Making strategic decisions at the company (DECISION MAKING); X1: Suitability (PH); X2: Honest presentation (TT); X3: Easy to understand (DH);

X4: Compare (SS); X5: Wide range (PVR); X6: Timely (KT); X7: Integrated; X8: Synchronous (DB); ε: Residual.

## 4.2 Discussion

The research findings indicate that the timeliness factor of management accounting information exerts the most significant impact on strategic decision-making within the company (Beta=0.323). This observation is particularly fitting for the present era of information explosion. Accounting information serves as a pivotal element in managerial decision-making, evident from its inherent characteristics. Compared to information from alternative sources, accounting information stands out as the mosttimely and valuable source. With timely information, administrators are equipped to make informed decisions among a plethora of options. These decisions within an organization may yield short-term impacts or strategic implications with long-term ramifications. Accounting information forms the foundation of all decisions, which can be further represented through mathematical models, graphs, charts, and other formats for swift processing by administrators.

The research findings reveal that the synchronization factor of management accounting information holds the second most substantial influence on strategic decision-making within the company (Beta=0.219). This underscores the significance of information synchronization in addition to timeliness. Despite distinct departmental roles, there exists a close interconnection among them. Ensuring synchronous and accurate dissemination of information regarding the company's objectives to all departments facilitates consistent operations and coordination across the organization, adhering to specific procedures and maintaining close interconnection

The findings further indicate that comprehensible aspects of financial accounting information significantly influence managers' strategic decision-making. Accounting information and data presented in financial reports should be clear and easily comprehensible for managers. A manager, in this context, is presumed to possess an average level of knowledge in business, economics, finance, and accounting. Hence, complex issues in financial statements must be elucidated in the accompanying notes for better understanding.

Moreover, the remaining factors also influence decision-making in a similar direction. This indicates that if accounting information encompasses a broad scope (including both financial and non-financial information), is truthful, pertinent, and easily comparable and integrated, it will assist administrators in making superior, more precise decisions.

## 5. CONCLUSION AND RECOMMENDATIONS

### 5.1 Conclusion

From prior research and relevant theoretical frameworks, this study has identified 8 primary factors influencing managers' strategic decision-making. These 8 factors are assessed through 46 observed variables. Following the analysis of Cronbach's alpha reliability coefficient, the study discarded 5 observed variables, resulting in 41 variables being retained for further research.

The outcomes of multiple regression analysis affirm the suitability of the analytical model, indicating that among the 8 factors, elevating the values of the remaining 8 variables correlates with an increase in the strategic decision-making variable. Consequently, administrators within the company can enhance the efficacy of strategic decision-making by augmenting the value of each factor pertaining to financial and management accounting information

### 5.2 Recommendations

High-quality accounting information guarantees that the company makes prompt decisions aligned with its operational objectives, thereby optimizing economic efficiency. Our research findings have contributed to businesses by indicating which aspects of accounting information warrant attention to enhance its utility. Among the eight identified criteria for evaluating the impact of accounting information, timeliness emerges as the most influential characteristic in the decision-making process of administrators. This trait pertains to ensuring the efficient and swift utilization of resources (such as personnel, equipment, infrastructure, software, etc.) throughout the stages of information collection, processing, and generation. This finding suggests that, at a broad level, the utilization of resources in the phases of information collection, processing, and generation is somewhat of a priority for companies. It aligns with the expectations of company leaders in striking a balance between costs and the benefits derived from accounting information.

From this observation, it becomes apparent that the company should establish a shared database, which is a key advantage when furnishing administrators with information. This facilitates the uniform utilization of data by administrators, fostering high synchronization to ensure that personnel across all levels of the company have access to timely and consistent information. Subsequently, each department can operate in tandem to accomplish the company's overarching objectives.

For administrators to access timely and efficient accounting information, the company must enhance the quality of financial statement preparation. This involves ensuring the diversity of accounting information and emphasizing on constructing and leveraging internal reporting systems. Furthermore, administrators must recognize the significance of management accounting reports. The indicators presented in internal accounting reports should align with those in financial statements, planning indicators, estimates, and calculation methods to ensure comparability. They should furnish sufficient information for business management and ensure that data pertaining to relevant indicators in internal reports is consistent, comprehensive, accurate, and truthful.

Furthermore, the company requires robust technological support to enhance the effective utilization of accounting information resources, thus saving time and human resources. To effectively integrate information technology into accounting tasks, the company must establish adequate equipment and technical infrastructure. Additionally, there is a need to provide training to personnel engaged in accounting activities within the company, enabling them to proficiently operate accounting equipment and software. This ensures effective application, leading to time savings and increased accuracy in accounting tasks.

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