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## INTEGRATING BENCHMARKING INTO MANAGEMENT ACCOUNTING PRACTICES – A STUDY WITH REFERENCE TO SMEs IN KERALA

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### ABSTRACT

The present study examines the incorporation of benchmarking into management accounting practices in small and medium-sized firms (SMEs) in Kerala. It focuses on solving the significant deficiencies in knowledge, implementation, and customized strategies that are unique to this particular area. The article examines the internal and external challenges that SMEs encounter. It emphasizes the pros and cons in implementing benchmarking effectively due to constraints in resources, skills, and opposition to change. The study examines the influence of benchmarking on performance evaluation and assesses the efficacy of several benchmarking tools and approaches accessible to SMEs. The research seeks to uncover best practices and offer recommendations for improving benchmarking skills in small and medium-sized enterprises by providing empirical analysis and analyzing the study variables - resource allocation, performance evaluation, quality initiatives, management support and increased organizational productivity. The results enhance the comprehension of how benchmarking can be successfully included into the management accounting practices of small and medium-sized enterprises in Kerala, thereby enhancing their performance and productivity.

**KEYWORDS:** Benchmarking, Management accounting, Organizational productivity, Performance evaluation and SMEs

### 1. INTRODUCTION

Management Accounting is a specialized branch of accounting that focuses on providing managers with essential financial information for various purposes such as planning, decision-making, performance evaluation, cost management, and financial reporting. Management Accounting comprises reports specifically designed to meet the requirements of management. Management accounting is the systematic procedure of identifying, evaluating, examining, interpreting and transmitting data with the aim of achieving an organization's objectives. Management accounting is crucial in supporting managers with their planning, controlling, and decision-making responsibilities.

According to CIMA, management accounting involves obtaining, analyzing, communicating, and utilizing financial and non-financial information to enhance the firm's value. Management accounting techniques encompass a range of strategies specifically designed for manufacturing organizations to enhance the organization's infrastructure and management accounting processes. These may encompass activities like as budgeting, performance evaluation, providing information for decision-making, and doing strategic analysis, among others (**Ittner, C. D., Lanen et al., 2002**). The capabilities and capability of management accounting procedures have significantly improved as a result of the rapid growth in information technology, including the internet, databases, Wi-Fi, and production technologies incorporating software-driven processes and robots.

Benchmarking is a method of comparison in which a company identifies the most effective practices in a certain field and strives to align its own performance with those standards. A reference point is used to measure and, when applied to work processes, produces excellent outcomes. Benchmarking is the systematic procedure of recognizing, comprehending, and adopting exceptional practices and processes from any company worldwide, undertaken by a firm to enhance its performance (**APQC, 1993**). Best practices refer to the established benchmarks that a company should embrace as the norms for exercising operational control. Benchmarking is a method that allows for the ongoing evaluation of an organization's performance until it reaches the highest level of best practices. Benchmarking, also known as best practice benchmarking, is the process by which organizations strive to improve their performance by studying and adopting effective methods from other entities. Processes that contribute to strategic success are compared to those within the same organization, as well as to competitors and other organizations that operate similar processes in a relevant environment. Nevertheless, benchmarking provides companies with a concrete approach to assess performance (**Kazmi A, 2007**). The main objective of this research is to examine the incorporation of benchmarking into management accounting procedures in small and medium-sized firms in Kerala. The Small and Medium-sized Enterprises (SMEs) sector is a crucial industry in Kerala and plays a substantial role in the state's economic development.

## **2. MANAGEMENT ACCOUNTING PRACTICES – OVERVIEW**

Management accounting is a systematic approach used to generate reports based on the information provided by cost and financial accounting. These reports are designed to aid top management and other departments in making informed decisions regarding policy formation, execution control, and assessing effectiveness. Essentially, it refers to the examination of the managerial component of financial accounting, specifically the relationship between accounting and management functions. Management accounts are only created for internal purposes, distinguishing management accounting from other types of accounting. Financial and cost accounting exclusively employs accounting techniques, while management accounting incorporates statistical and mathematical tools in addition.

In the field of management accounting, it generates distinct reports based on the level of management and department. The document includes both financial and non-financial data and has a forward-looking perspective. Management accounting is the provision of financial or nonfinancial data to aid managers in the decision-making process. It is crucial that the information provided to management is pertinent and focused on the subject matter, enabling them to concentrate on the actual problem and make a precise decision.

### 3. CHARACTERISTICS OF BENCHMARKING

Benchmarking can be conducted to evaluate several activities and practices, including strategic planning, strategic decision making, accounting processes, communication processes, manufacturing processes, human resource processes, and strategies, distribution tactics, retailing, and customer services. Benchmarking is the systematic practice of continuously enhancing performance. By utilizing benchmarking, companies may discern their competitive edge. It evaluates the company's products, services, or procedures in relation to those of the top performers or recognized industry leader. The primary characteristics of benchmarking are as follows:

- Benchmarking determining the most effective methods used in the industry and replicating them.
- Benchmarking allows an organization to expedite its rate of improvement.
- Benchmarking facilitates a comprehensive comprehension of an organization's internal procedures. Therefore, the company's profile is thoroughly comprehended.
- Conducting a comprehensive analysis enables the identification of activities that do not contribute value.
- Benchmarking is typically a component of a broader endeavor, such as process re-engineering or quality improvement initiatives (**Barber E, 2004**).

### 4. ROLES FOR BENCHMARKING IN MANAGEMENT ACCOUNTING

Management accounting is typically regarded as a function within the realm of finance. The organization's capacity to identify suitable areas for benchmarking is enhanced with increased organizational experience. This experience enables the organization to utilize the most efficient techniques for collecting and disseminating information. The success of program implementation relies heavily on the availability and comprehensiveness of training provided to workers responsible for managing and running the program. During the beginning stages of benchmarking, it is crucial for a manager to clearly define a process or product that may be effectively improved. Benchmarking in this domain serves two purposes:

- It is utilized to improve planning and budgeting procedures, billing, accounts receivable, accounting systems development, payroll, credit and collections, financial analysis, and internal auditing.

- Evaluating and comparing the operational performance of industrial and service businesses.

## 5. BENCHMARKING AS A MANAGEMENT TOOL

As an effective management tool, benchmarking is used to uncover new ideas and implement changes in order to achieve ongoing improvements in the performance of a current activity, function, or process. Strategic business process improvement and reengineering are fundamental. By utilizing this approach, a corporation assesses its performance by comparing it to that of its formidable and more prosperous competitors within the industry. It aids a firm in evaluating its present performance in comparison to other companies, as well as acquiring knowledge from them and generating novel ideas, methods, and practices to enhance its operations. Therefore, by improving productivity and reducing costs, an organization can gain a competitive advantage and establish realistic and attainable performance goals (Wheelen L, Thomas DHJ, Krish R, 2006). Organizational benchmarking is essential for planning to be a meaningful and effective process. Among all the jargon used in management, the only term that truly excites a company is benchmarking (Mark M, 1997). Benchmarking in a competitive market involves comparing and surpassing the best practices of competitors.

## 6. BENCHMARKING TO IMPROVE PERFORMANCE IN MANAGERIAL ACCOUNTING

Benchmarking is the systematic evaluation of one's own performance, procedures, and practices in comparison to those of other businesses, particularly the top performers in the same sector or profession. It is a potent tool in managerial accounting, which is the accounting branch that concentrates on furnishing information for internal decision-making and planning.

- **Establishing objectives:** One advantage of benchmarking is that it enables SMEs to establish both attainable and ambitious objectives for their managerial accounting activities. Through the analysis of other organizations' performance, the firm can develop benchmarks or criteria of excellence that it can strive to meet or surpass.
- **Measuring efficiency:** Benchmarking offers the advantage of assessing the efficiency and effectiveness of managerial accounting procedures and practices in SMEs. By utilizing key performance indicators (KPIs) or metrics that measure the quality, quantity, and timeliness of outputs and outcomes, the company can assess its success by comparing the results with those of other firms.
- **Evaluating alternatives:** The third advantage of benchmarking is its ability to facilitate the evaluation of various alternatives or possibilities for managerial accounting decisions and strategies. By leveraging the knowledge and expertise of other firms, you can analyze several strategies to address challenges, minimize expenses, boost income, or augment value.

- **Executing modifications:** Benchmarking facilitates the implementation of adjustments or improvements in managerial accounting systems and practices. Manufacturing SMEs might include the practices and standards of other businesses to adopt their processes, tools, or technology that align with the specific requirements and expectations of the SMEs. The company has the option to utilize software, automation, or outsourcing in order to optimize the efficiency of managerial accounting operations, enhance the quality and accuracy of data, and minimize overhead expenses. Implementing this strategy can facilitate the attainment of the intended outcomes, enhance the organization's competitive edge, and provide value for the company.

## **7. RELATIONSHIP BETWEEN BENCHMARKING AND ORGANIZATIONAL PERFORMANCE**

The dynamic nature of the corporate environment necessitates the implementation of novel tactics, approaches, and measures to effectively confront difficulties in the volatile economy and attain a competitive edge. Benchmarking enables managers to make informed decisions, which in turn leads to improved organizational performance. Benchmarking is a very efficient method that directly influences the performance of an organization. Utilizing benchmarking in management accounting is a powerful method to achieve ongoing enhancements in business operations. It furnishes essential information, identifies areas of underperformance, and establishes priorities that lead to the accomplishment of objectives.

## **8. REVIEW OF LITERATURE**

**Alsharari, N.M. and Aljohani, M.S. (2023)** explored the impact of environmental and cultural elements on the implementation process of benchmarking and management control in firms in the United Arab Emirates (UAE). The study seeks to understand how environmental variables and cultural dynamics influence the effectiveness and consequences of benchmarking programs in the UAE's distinct business environment. The results indicate that UAE firms who integrate environmental factors into their benchmarking procedures exhibit a proactive stance towards sustainability, matching their objectives with environmentally conscious practices. The acquisition and sharing of knowledge through benchmarking is facilitated by cultural variables such as a collaborative culture and a willingness to learn from external sources. Additionally, the study emphasizes that incorporating benchmarking results into the management control process is directly linked to improved organizational performance. Organizations in the UAE that utilize benchmarking data for decision-making and performance evaluation have elevated levels of efficiency and competitiveness.

**Daniel Johanson et al. (2022)** detailed the reasons for the proliferation and adoption of benchmarking in Norwegian companies. Using a questionnaire survey, a descriptive analysis of the various types of

benchmarking employed the extent to which companies anticipate implementing or expanding its usage in the future, and its potential integration with other management strategies. The findings suggest that Norwegian enterprises actively employ benchmarking as a formal management technique. Benchmarking is commonly employed in conjunction with and alongside other management accounting and control procedures. It is commonly perceived as a strategy that has the potential to supplant budgets. A more intricate depiction was proposed in which benchmarking appears to be a complimentary aspect of budgeting. Ultimately, the use of Key Performance Indicators (KPIs) and Big Data Analytics introduces intricacies when selecting effective management control packages. In summary, this research presents a theoretical analysis of benchmarking and offers insights into its potential future value and its interconnectedness with other management strategies.

**Tarunkumar G. Pethani et al. (2020)** mentioned that benchmarking is the method of comparing a firm's product, process, or service to acquire a comprehensive insight. During the benchmarking process, the company identifies the top-performing entities in a particular field and compares its own product, service, or process to these top performers. By doing so, the company discovers any areas where it falls short and strives to make improvements in order to achieve the same level of excellence. It is the method of comparing and analyzing a product, process, or service to acquire a comprehensive knowledge. Benchmarking accelerates the attainment of organizational objectives and is highly beneficial for achieving ongoing enhancement in products, processes, or services.

## **9. RESEARCH GAP**

There are various research gaps that need to be explored when it comes to incorporating benchmarking into management accounting practices in small and medium-sized enterprises (SMEs). Important focal points encompass the levels of awareness and acceptance of benchmarking among managers of SMEs, the tailoring and sector-specific adaptation of methods, and the influence on performance measures through longitudinal research. There are no researches so far that examined the challenges such as internal and external hurdles, the efficacy of different benchmarking techniques, and the role of technology in promoting these activities. No empirical researches have been found that described the impact of using benchmarking along with management accounting practices that benefit the organizational performance. The present study addresses these gaps by designing a conceptual framework and analyzing the variables through statistical evidences.

## **10. STATEMENT OF THE PROBLEM**

The issue of incorporating benchmarking into management accounting processes in SMEs is complex, encompassing factors such as limited awareness and acceptance rates, a dearth of customized methods, and substantial internal and external obstacles. SMEs frequently face challenges due to their restricted resources, lack of knowledge, and unwillingness to change. These obstacles hinder the successful

implementation of benchmarking. Furthermore, there is a lack of industry-specific guidelines and resources that are readily available and advantageous to small and medium-sized enterprises. The documentation of the influence of benchmarking on the performance of SMEs is insufficient, and there is a lack of utilization of support mechanisms such as government regulations and advisory services. The implementation of benchmarking is made more complex when there is no support from the management, highlighting the urgent requirement for educational and training programs to provide SME managers with the essential skills. It is crucial to address these issues in order to improve the competitiveness and performance of SMEs by implementing effective benchmarking practices.

### **11. OBJECTIVES OF THE STUDY**

- To determine the primary elements that impact the incorporation of benchmarking into management accounting practices in SMEs of Kerala
- To analyze the impact of integrating benchmarking into management accounting practices
- To offer suggestions to facilitate the implementation of benchmarking methods among selected SMEs in Kerala

### **12. NEED FOR THE STUDY**

Small and medium-sized enterprises play a crucial role in the economy of Kerala, and enhancing their performance might result in wider economic advantages. There is a lack of study that specifically examines the incorporation of benchmarking into management accounting practices, particularly in small and medium-sized enterprises (SMEs) in Kerala. The study can offer pragmatic suggestions for SMEs to improve their competitiveness and efficiency by utilizing benchmarking. The results could provide valuable insights for policymakers and support organizations in developing focused interventions and support systems for selected SMEs in Kerala. Addressing the lack of research and adding to the scholarly discussion on the implementation of management accounting methods in small and medium-sized enterprises (SMEs) in a developing area is the need of the hour.

### **13. NULL HYPOTHESIS**

- H<sub>01</sub> – Resource allocation has no significant impact on management support
- H<sub>02</sub> – Performance evaluation has no significant impact on management support
- H<sub>03</sub> – Quality initiatives has no significant impact on management support
- H<sub>04</sub> – Management support has no significant impact on increased organizational Productivity
- H<sub>05</sub> - There is no significant difference between the gender groups and resource allocation
- H<sub>06</sub> - There is no significant difference between the age groups and quality initiatives

#### 14. RESEARCH METHODOLOGY

- ❖ **Study Area – Kerala:** Kerala is a state located on the south-western coast of India. It is a small state in India, comprising merely approximately 1 percent of the entire landmass of the nation. Small and Medium-sized Enterprises (SMEs), the manufacturing sector, and service activities play a crucial role in Kerala's economy. As of December 31, 2021, there are a total of 12,871 SMEs in the district, with a cumulative investment of Rs. 1,276 crore. These units employed a total of 47,457 individuals. The primary industries in the district include Agro& Food, Readymade Garments, Wood, Footwear, Light Engineering, and Paper and Paper Products. The Department for Promotion of Industry and Internal Trade (DPIIT) reports that Kerala received a total of US\$ 781.98 million in foreign direct investment (FDI) between October 2019 and March 2023.
- ❖ **Research Design:** The research design employed was descriptive and empirical, focusing on integrating benchmarking into management accounting processes in small and medium-sized enterprises (SMEs) in Kerala. Various elements were considered to gain a comprehensive grasp of this topic.
- ❖ **Research Instrument:** The researcher created a structured instrument in accordance with the study's aims. The questionnaire was divided into two sections. The first section focused on demographic factors, while the second section consisted of survey questions related to benchmarking in management accounting practices. Respondents were asked to rate the questions regarding benchmarking in management accounting practices in small and medium-sized enterprises (SMEs) in the northern and central regions of Kerala, specifically Ernakulam, Thrissur, Palakkad, Malappuram, Kozhikode, and Kannur. The participants' responses were assessed using a Likert-type scales consisting of five points, ranging from strongly disagree to strongly agree. Specifically, point 1 represented strongly disagree, point 2 represented disagree, point 3 represented neutral, point 4 represented agree, and point 5 represented strongly agree.
- ❖ **Data Collection:** This study relies on both primary and secondary data sources. The primary data was collected through a survey conducted among various professionals such as CEOs, CFOs, managers, accountants, financial officers, proprietors, and accounting supervisors. The respondents were selected based on their adoption of benchmarking in MAPs. The survey focused on manufacturing small and medium-sized enterprises (SMEs) located in selected districts of Kerala (Ernakulam, Thrissur, Palakkad, Malappuram, Kozhikkode, and Kannur). The data was obtained using a self-structured questionnaire prepared by the researcher. Also, the present study utilized secondary data sourced from government annual reports, other journals, books, and websites.
- ❖ **Sample Population:** The population of this study consists of CEOs, CFOs, managers, accountants, financial officers, proprietors, and accounting supervisors who are involved in



manufacturing Small and Medium-sized Enterprises (SMEs) in selected districts (Ernakulam, Thrissur, Palakkad, Malappuram, Kozhikkode, and Kannur) in the Northern and Central regions of Kerala. These individuals have utilized adapted benchmarking in MAPs.

- ❖ **Sample size and Sampling method:** A sample size of around 173 individuals from the target population, who provided satisfactory responses to the questionnaire, was chosen for the current study. The present study utilized the convenience sampling method as its sampling approach.
- ❖ **Statistical Tools:** The statistical tools employed to evaluate the hypothesis in the present study included independent T-Test and SEM.

## 15. DATA ANALYSIS

The data was entered and analyzed using the Statistical Package for Social Sciences (SPSS) and AMOS.

### 15.1 Structural Equation Modeling (SEM)

Independent Variables – Resource Allocation, Performance Evaluation and Quality Initiatives

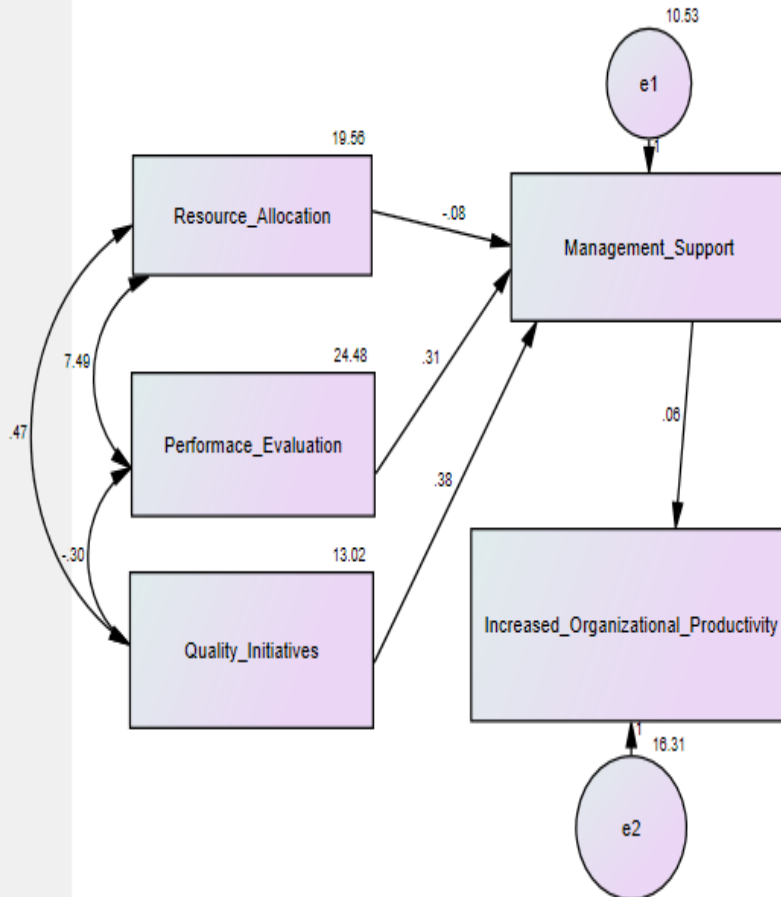
Dependent Variable – Management support and increased organizational productivity

**Table – 1: Results of Testing of Hypothesis**

Variables Relationship	Estimation	SE	CR	P-Value
Management Support <--- Resource allocation	-0.076	0.060	-1.268	0.205
Management Support <--- Performance evaluation	0.306	0.053	5.743	0.000
Management Support <--- Quality initiatives	0.385	0.069	5.606	0.000
Quality initiatives <--- Increased Organizational Productivity	0.061	0.081	6.756	0.000

**\*Significant at 1% level**

**Chart – 1: SEM (Path Analysis)**



Source – Primary Data

**Testing of Hypothesis**

H<sub>01</sub> – Resource allocation has no significant impact on management support

The null hypothesis is accepted, as Table 1 demonstrates, since the p-value for resource allocation is greater than the significant value (0.01). Therefore, there is no significant impact of research allocation on management support.

H<sub>02</sub> – Performance evaluation has no significant impact on management support

Table 1 illustrates that the null hypothesis is rejected since the p-value is smaller than the significant value (0.01). Performance assessments thus have a big influence on management support.

H<sub>03</sub> – Quality initiatives has no significant impact on management support

Table 1 illustrates that the null hypothesis is rejected since the p-value is smaller than the significant value (0.01). Quality initiatives thus have a big effect on management support.

H<sub>04</sub> – Management support has no significant impact on increased organizational Productivity  
 The null hypothesis is dismissed since the p-value is less than the significant value (0.01), as seen in table 1. As a result, management support has a significant impact on increased organizational Productivity.

**Table – 2: Model Fit**

Parameters	Accepted value	Values on model
GFI (Goodness of fit)	<0.09	0.956
CFI ( Comparative fit index)	<0.09	0.967
RMSEA (root mean square error of approximation)	0.06 to 0.08	0.069
CMIN/df	>3	1.662

Using structural equation modeling (SEM), the study analyzed the metrics that reflected the overall fit in order to establish whether or not the overall model was adequate. According to the research that has been conducted, the RMSEA should be between 0.06 and 0.08, the CMIN/df ratio should be less than 3.0, the GFI and CFI measures should be more than 0.90, and the RMSEA should be less than 0.08. As a consequence of this, the number that was shown before suggests that the model is a good match.

**14.2 Independent T-Test**

H<sub>05</sub> - There is no significant difference between the gender groups and resource allocation

**Table – 3: Group Statistics for Independent T-Test (Gender)**

Resource Allocation	Gender	N	Mean	Std. Deviation	Std. error mean
	Male	116	22.05	4.356	0.404
	Female	57	22.09	4.634	0.614

	Levene's Test for Equality of Variances		t-test for Equality of Means					95% Confidence Interval of the Difference	
	f	Sig	T	df	Sig(2 tailed )	Mean Difference	Std. Error	Lower	Upper

Equal Variances Assumed	0.512	0.475	-0.050	171	0.980	-0.036	0.720	-1.436	1.384
Equal Variances not Assumed			-0.049	105.49	0.961	-0.036	0.735	-1.493	1.421

It was illustrated in the table that there is no substantial difference between the significant value of the two gender groups, which are male and female. This was something that was discovered. The significant value that was assessed to be more than 0.05 (the threshold of significance) was also found. As a result, there was a substantial disparity between the genders of the responders and the resource allocation. Due to the fact that there was a substantial difference between the groups, the null hypothesis is accepted.

### Independent T-Test (Age)

H<sub>06</sub> - There is no significant difference between the age groups and quality initiatives

**Table – 4: Group Statistics for Independent T-Test (Age)**

Quality Initiatives	Age	N	Mean	Std. Deviation	Std. error mean
	Below 25 Years	21	17.19	3.516	0.767
	36 – 45 Years	36	15.17	2.990	0.498

	Levene's Test for Equality of Variances		t-test for Equality of Means					95% Confidence Interval of the Difference	
	f	Sig	T	df	Sig(2 tailed)	Mean Difference	Std. Error	Lower	Upper
Equal Variances Assumed	1.466	0.231	2.309	55	0.025	2.024	0.876	0.268	3.780
Equal Variances not Assumed			2.212	36.706	0.033	2.024	0.915	0.170	3.878

It was illustrated in the table that there is a substantial difference between the significant value of the

two age groups, which are below 25 years and 36 - 45 years. This was something that was discovered. The significant value that was assessed to be less than 0.05 (the threshold of significance) was also found. As a result, there was a substantial disparity between the age of the responders and the quality initiatives. Due to the fact that there was a substantial difference between the groups, the null hypothesis is rejected.

## **16. FINDINGS**

- ❖ Based on study findings, SEM analysis indicates that the RMSEA should be less than 0.08, the CMIN/df ratio less than 3.0, the GFI and CFI measures more than 0.90, and the RMSEA between 0.06 and 0.08. Consequently, the previously shown number indicates that the model fits well.
- ❖ The gender component (male and female) and resource allocation independent T-tests reveal no significant relationship between the variables.
- ❖ An independent T-test for the quality initiatives variable and the age factor (below 25 and 36–45 years) reveals no significant relationship between the variables.

## **17. RECOMMENDATIONS**

- The size of small and medium-sized enterprises (SMEs) and the level of managers' involvement have a notable impact on various aspects of implementing benchmarking in Management Accounting practice.
- The policy makers are responsible for establishing policies that can enhance the practice of Management Accounting within a business. For Benchmarking in MAPs in SMEs to be successful and effective, it is crucial to foster collaboration between the top management team and lower-level employees.
- Additionally, specific and unambiguous targets should be established, and the resulting data should be thoroughly examined and implemented.
- Relying just on internal cost management analysis may not be adequate as benchmarks obtained from this procedure may be subpar and lacking in competitiveness. Thus, it is recommended that a company should actively pursue suitable external benchmarks to enhance performance and optimize the utilization of activity-based cost management information.
- Integrating benchmarking into management accounting plans (MAPs) helps to enhance internal performance and achieve parity with competitors.
- In order to acquire a competitive advantage in small and medium-sized enterprises (SMEs), it is recommended that a company identifies unique strategies, becomes a pioneer in its industry, and potentially revolutionizes or creates new business practices. Distinctive advantages over competitors can serve as key elements of a company's strategy.

## **18. LIMITATIONS OF THE STUDY**

- The utilization of the questionnaire survey approach is accompanied by several inherent limitations, including concealed biases and random errors that have the potential to magnify association between study variables.
- Given the substantial sample size, there is no evidence to suggest that the sample was influenced by any temporal effects.
- This study specifically targets one industry in order to minimize the influence of industry-specific factors, hence limiting the generalizability of the findings beyond the SME sector.
- Although there is limited initial rationale to indicate that the perspective of managers may vary between industries, additional research can investigate whether the associations observed in this study are applicable to other industries.

## **19. CONCLUSION**

Benchmarking is a systematic process that enables a business to achieve more rapid enhancements in its processes, products and services. It accelerates the attainment of company goals. Benchmarking enables the organization to achieve the highest level of performance and become the leading example in its industry and maintain a competitive advantage. It offers a valuable educational experience for participants, while also fostering their innovation and enhancing their cognitive capacity. The potential for implementing beneficial modifications within the company and the advantages of such alterations become apparent. Benchmarking is an advantageous method in managerial accounting that can enhance performance in multiple ways. Manufacturing SMEs can improve their decision-making and planning capabilities by setting goals, assessing efficiency, considering alternatives, and implementing adjustments, which allow them to learn from others. However, the SMEs in Kerala that were studied consider benchmarking to be a management accounting technique that is utilized to enhance managerial practices and service performance. Our ultimate goal is for benchmarking to strategically position these small and medium-sized enterprises (SMEs) in Kerala to effectively handle demanding business constraints with strength and adaptability.

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