AWARENESS AND SKILL AS DETERMINANT FACTORS IN THE APPLICATION OF STRATEGIC COST MANAGEMENT IN SOUTH AFRICAN STATE-OWNED ENTITIES

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Abstract:
This study investigates how awareness and skill influence the adoption of Strategic Cost Management (SCM) in South African State-Owned Enterprises (SOEs). Therefore, it explores the roles of awareness and skill in SCM application, and examines their impact on the decision to implement SCM. The paper applied a quantitative technique, and data was collected by using a survey questionnaire, which was distributed to officials of state owned entities. Data was analysed to determine if SOEs apply Strategic Cost Management (particularly TC and ABM), and if awareness and skill in usage of SCM affect commitment to apply it. The data were analysed using an ordinal regression model. Key findings reveal that while there is general awareness of SCM among SOE employees, skill and knowledge levels vary significantly. Moreover, the study demonstrates a strong correlation between awareness and skill in SCM and the decision to implement it. This, in turn, can lead to improved financial performance, increased efficiency, and greater accountability. The study provides policymakers and SOE management with valuable insights into strategies to enhance the adoption and impact of SCM in South Africa.

Keywords: SOE, SCM, financial performance, awareness and skill

INTRODUCTION

State-owned enterprises (SOEs) in developing nations struggle most with ownership and management. In most developing nations, SOEs have board members from the governing political party or government who are hard to dismiss or replace, unlike most private firms. These difficulties may lower output, financial performance, and competitiveness compared to privately owned enterprises (Kgarose, 2023:542-547). These problems, in conjunction with the decreased likelihood of SOEs being allowed to go bankrupt, lessen the incentives for board members to keep costs under control (Kim & Ali, 2017:4). The state-owned enterprises in South Africa are well recognised by the public for their financial mismanagement, reliance on government funding, lack of transparency and responsibility, favouritism towards political allies, ineffective leadership systems, subpar performance, and a prevailing culture of impunity (Sithomola, 2019:62-80). As a result, the state has suffered, and continues to suffer, significant financial losses, while the provision of services has been severely hampered. For the period 2004 to 2013, South Africa tried four different turnaround plans, none of which were effective (Nyatsumba & Pooe, 2021:76-90). Existing research relating to the financial performance of SOEs focuses more attention on the governance aspect of

public entities, with little attention being paid to how Strategic cost Management (SCM) can affect their financial performance (Marimuthu & Kwenda, 2019:1-18; Bezuidenhout et al., 2018:1-13; Wang & Shailer, 2018:1-35). Mazumder's (2007:5-18) research reached a similar conclusion about SOEs and found that while many multinational listed companies utilise cutting-edge production and management methods, such as the Just-in-Time system and Total Quality Management, very few private or public sector manufacturers actually make use of these management accounting tools. The growing public dissatisfaction with the poor financial performance of SOEs, as elaborated by Marimuthu and Kwenda (2019:1-18), has thus achieved recognition of the need to examine how a combination of strategic cost management and corporate governance can influence financial performance in South African SOEs. Financial performance problems in SOEs have led to some financial institutions withdrawing lending facilities from some SOEs, including Denel, SAA and SA express, which ultimately prompted government intervention (Levenstein, 2018:6-8). According to Gumede et al. (2024:123-141), the South African government has continuously provided financial bailouts to non-performing SOEs such as SAA and Eskom over the years to keep them in operation. This view is shared by Tleane (2020:537), who states that government subsidies continue to rob the state of priceless resources that could be effectively used to boost the economy. Government bailouts of SOEs has led to a state of permanent reliance on external support and to a lack of effectiveness, both of which indicate a deficiency in corporate governance (Kanyane & Sambo, 2021:199-215). This assertion is reinforced by Hermanto et al. (2021:134), who argue that efficient corporate governance has the capability to enhance the profitability of SOEs). This assertion is corroborated by other experts, including Ali et al. (2018:129-147) and Halim et al. (2017:89-272). Mclaughlin (2019:595-625) defines a state-owned enterprise as a legally separate organisation that operates under the supervision of a government agency but which engages in commercial activity for the purpose of making a profit or achieving a strategic objective. According to Fatihudin (2018:553-557), financial performance is defined as the whole quantum of money coming into and going out of a business over a certain period of time, together with measures of the business' efficacy, efficiency, leverage, and profitability. In other words, a company's financial success is an assessment of its ability to manage and allocate its financial resources effectively. Thus, financial performance can be considered to be the business' capacity to manage and direct its resources (Fatihudin 2018:553-557). According to Rodriguez (2017:60-61) a state's financial success is measured by its capacity to meet current and future service demands without resorting to revenue-raising measures like borrowing or tariff increases. SOEs confront fiscal issues such as rising debt levels (Molnar et al., 2019:1-49) and annual increases in wasteful and irregular spending (Tickle, 2018:252-260), which eventually negatively impact their financial performance. There is reason to question the viability of numerous key SOEs due to the continued financial and operational difficulties they are experiencing (Woods, 2021:1-137). To emphasise the severity of this issue, as of December 2021, the total SOE debt stood at R692.9bn (Woods, 2021:1-137; Mathebula and Masiya, 2022:146-163). These high debts and fiscal

control challenges appear to be well on the way to completely overwhelming SOEs (Kgobe & Chauke, 2021:45-53).
The results of the study show that awareness and skill in the usage of SCM has a positive effect in its application

LITERATURE REVIEW

Recent research has found that six variables have a positive effect on the adoption of strategic cost management accounting processes: awareness of the business market, business strategy, technology, corporate culture, management accountant qualifications, and decentralisation of management. Of these, the most significant impact in consumer goods companies is made by technology (Nguyen & Nguyen, 2021:139-146). Tran (2023:710-717) found that four factors — top management teams, business culture, perceived environmental uncertainty, and management networking — are positively linked with the adoption of strategic cost management. Previous research indicates that the application of strategic cost management approaches (such as target costing), experience challenges to its application, as highlighted by Shallah (2021:280-311). Shallah found that the majority of institutional administrators are deficient in their capacity to effectively implement target costing techniques. In addition, their lack of proper training and understanding of target costing further hampers its successful implementation. A deficiency in both knowledge and aptitudes often cause misunderstanding of cost data, leading to incorrect target costs and poor cost management. Hence, it is essential to tackle these obstacles by implementing extensive training initiatives, and by providing ongoing assistance to ensure target costing is successfully implemented and sustained within the organisation. Hammami et al. (2019:220-225) found that factors such as the size of the business, the corporate strategy, and the severity of the competitive environment determine the decision to adopt TC. According to Briciu and Căpuşneanu (2013:455-470), the adoption of modifications to target costing techniques, and cost-cutting efforts causes job insecurity amongst employees. To address this issue, these scholars posit that the target costing team should receive proper training and education to fully comprehend the implementation process and ensure successful implementation while safeguarding employees' job security. Thalmeiner (2021:25-41) also identified a lack of understanding and cross-functional barriers, fear of adopting the approach, as well as the specifics and complexity of the manufacturing process, as the primary elements that present challenges to the application of target costing. Additionally, the author notes that the lack of a standardized framework for implementing lean manufacturing practices adds to the difficulties institutions face. Without a clear set of guidelines and best practices, companies struggle to effectively implement cost reduction manufacturing techniques, and thus struggle to reap the benefits the techniques offer.

Moreover, Briciu and Căpuşneanu's (2013:455-470) research emphasises that organisations may face challenges when implementing SCM due to workers' reluctance to change. This change can manifest in several forms, including new procedures and methods of working. Existing studies indicate that without proper training, education and management support, employees may struggle to understand the principles and concepts behind cost reduction techniques,

leading to a lack of buy-in and commitment (Thoumy et al., 2022:323-343). Other research has found that developing multi-skilled human resources is essential for a successful implementation of target costing systems in current prime costing systems, which in turn leads to cost reduction and more accurate product prime cost calculations (Sharafoddin, 2016:123-127). There is a general agreement among academics, such as Shallah (2021:280-311), Thalmeiner (2021:25-41) and Thoumy et al. (2022:323-343), that there is a need for practitioners to have a more in-depth understanding of the concept of target costing. To add to that, the scholars are in agreement that educating and training employees is necessary in order to enhance understanding and to decrease resistance to changes to alternative approaches such as target costing. In addition, these scholars emphasize the need for ongoing training and development within organizations to ensure that target costing is effectively implemented and integrated into the decision-making process. They argue that without proper education and training, practitioners may struggle to fully grasp the complexities of target costing and its practical application. Therefore, investing in training programs and support resources is crucial for successful adoption and utilization of target costing principles in organizations. As an additional point of interest, Thalmeiner (2021:25-41) highlights the need for a defined framework that provides practitioners with guidance and direction on the application strategies that have proven most successful and easiest to understand. On the other hand, neither Shallah (2021:280-311) nor Thourmy et al. (2022:323-343) make any reference to this specific aspect of the subject matter. However, according to Thango (2022:1-174) size, management style, staff inclusion, information system, technological advancement, vertical differentiation and centralization, resource adequacy, intensity of competition, and government regulations were all found to be critical factors that influenced the application and wholehearted adoption of target costing. Briciu and Căpuşneanu (2013:455-470) indicates that target costing is a user-friendly system that does not necessitate a high level of expertise and knowledge.

According to Alkhoraif (2020:247-270), addressing organizational and cultural barriers is crucial in creating an environment that supports the application of cost management techniques. By fostering a culture of continuous improvement and providing the necessary resources and support, organizations can overcome resistance to change and successfully implement strategic cost management, ultimately reaping the benefits of increased efficiency, reduced waste, and improved customer satisfaction (Oseifuah, 2014:581-588; Hamad et al., 2019:8-15). Furthermore, recent literature has uncovered more obstacles that need to be overcome in order to successfully put target costing into practise (Helms 2005: 49-56). These obstacles highlight the need for thorough training and instruction on cost management in manufacturing, as well as the importance of tackling organisational and cultural barriers to ensure effective implementation. In his study, Umelo (2021:124-133) found that target costing, followed by activity-based management, poses the greatest challenge to its widespread acceptance within organisations. Hence, their application is uncommon, particularly in state organs such as state-owned entities. This lack of

adoption in state-owned entities can be attributed to their bureaucratic nature, and an inherent resistance to change (Marimuthu & Kwenda, 2019:1-18). Additionally, implementing target costing requires a significant cultural shift within organizations, as it necessitates cross-functional collaboration and a focus on cost reduction from the early stages of product development (Ellram, 2006:13-26). The potential advantages of implementing target costing outweigh the difficulties, and businesses which adopt its methodology and see it through to fruition, do indeed see a rise in their market share. In addition, Thalmeiner (2021:25-41) found that individuals' capacity to adapt is a crucial component in the application of this approach. Scholars such as Szczerbak (2022:28-38) support the view that challenges associated with the adoption of TC primarily revolves around the training of employees and the establishment of suitable incentive systems that foster active engagement in work and stimulate creativity. Szczerbak (2022:28-38), Thalmeiner (2021:25-41) and Thoumy et al. (2022:323-343) are in agreement that the implementation of TC, in the majority of corporate organisations, is hampered by a lack of skills and ability. This is a widespread consensus among researchers. Additionally, Marimuthu and Kwenda (2019:1-18) and Thalmeiner (2021:25-41) agree that resistance to change is another barrier that must be overcome to successfully implement TC. In addition, according to Allaoui and Benmoussa (2020:253-288), and to Marimuthu and Kwenda (2019:1-18), people are resistant to change because they are afraid of what the future holds, and don't want to leave their comfort zones. Some ways this fear shows itself in the workplace include people being reluctant to change in general, doubting the need for change, or being overwhelmed by the idea of acquiring new skills. According to Errida and Lotfi (2021:1-15), to overcome this obstacle, businesses should implement change management plans that educate workers on the new technology, encourage their active participation, and keep them informed and supported while they adjust to these new approaches.

Studies have demonstrated that companies in Nigeria's manufacturing sector have embraced activity-based management as a step towards more efficient strategic management accounting, which in turn has meant a shift away from functional-based costing (Akenbo & Okoye, 2012:270-287). Managing resistance to such change could be as simple as educating members of the organisation about the need for and benefits of the change; getting them or their representatives involved in decisions that start the change, and offering incentives to help them accept it. Additionally, accountants working for Nigerian manufacturing companies might benefit greatly from attending seminars, workshops, and conferences to acquire the skills needed to drive change in strategic management accounting.

Other researchers have found that implementing target cost accounting can be a time-consuming process (Thalmeiner 2021:25-41; Helms et al., 2005:49-56). In addition, Thalmeiner (2021:25-41) argues that the convergence of these challenges may be ascribed to SOEs' reluctance to embrace and implement the target costing approach. While the reluctance of state-owned enterprises to embrace target costing may be a factor, it is crucial to consider that market dynamics and external economic factors could also significantly contribute to escalating these challenges. Hence, it is essential to

conduct a thorough examination of these elements in order to fully comprehend the magnitude of the obstacles/challenges encountered by state-owned companies when electing to adopt target costing approach.

In contrast, findings from Aljabr's (2020:444-479) research has shown that the application of ABM as the best costing system design is because it is not affected by complexity, competitiveness, and information technology. However, Kober and Ng (2020:404-421) found that applying ABM can be challenging, particularly within complex economic entities characterised by a multitude of interrelated processes and functions. According to Maher and Rowe (1994:5-17), and Soodbakhsh and Jahanshad (2020:119-136), the adoption of ABM may call for the modification of already established procedures and systems, which may then be met with resistance from staff members and management.

Additional studies have found that data gathering and analysis for effective ABM implementation may be time-consuming and expensive (Callender & Aiken, 2011:80-96; Mahommed, 2024:17-22). Scholars such as Hadław and Żabiński (2020:30-42), further note that the primary limitation of the ABM technique is its inherent complexity and the extensive time required for data collecting in order to facilitate the preparation of settlements. This observation may explain the hesitancy shown by state-owned enterprises to address these complexities, and their reluctance to implement the aforementioned approach. However, the scholars propose the use of computerised information systems to deal with the time factor. Researchers have found that low healthcare expenditure will be the result of educating employees on how to "cost" services utilising ABM costing procedures. As a result, reducing healthcare costs, for example, is an ambitious reform goal that requires a unified front in data analysis, training, coordination, communication, motivation, rewards, and recognition of accomplishments, if it is to be successful (Forster, 2019: 1-88).

According to Ponisciakova (2020:554), ABM may not be a perfect solution or even appropriate for every company or situation. The procedure is resource-intensive in terms of both manpower and finances, since it requires a deep understanding of and expertise in the ABM concept; and secondarily, it requires a reorganisation of the organisation, beginning with the definition of activities, their variability, and the identification of drivers — those responsible for consuming resources and adding activity costs. It is probable that organisations' generally poor reception of the ABM system, and its slow adoption, might be attributed to the difficulties they encountered during its deployment. According to Kefe and Çetin (2024:145-152), the use of the target costing method did result in different levels of cost reduction and enhanced financial performance. Other researchers found that the primary challenges of the system, as cited by researchers, are its substantial costs and technical complexity (Durana, 2019:1-17). However, the study suggests that capacity enhancement can be achieved through the implementation of training programmes.

A study conducted by Dubihlela and Rundora (2024:27-38) found that the adoption of ABM influences the performance of SMEs, and that staff training and management commitment are crucial determinants of its successful implementation. Previous studies found that the relationship between ABM and

the company's strategic objectives may not always be congruent, and this results in a state of confusion, and a weakened sense of direction (Turney & Anderson, 1999:247-279). However, it is crucial to ensure that the implementation of ABM is preceded by careful strategizing and skilful execution to effectively address the associated challenges (Mohammed, 2024:17-22). Moreover, by understanding the advantages and obstacles associated with ABM, economic entities gain the information needed to make well-informed judgments about implementing this method.

METHODOLOGY

This study utilised both primary, which was collected thru9gh questionnaire distribution to one hundred and twenty six senior managers from selected twenty-one state-owned entities in South Africa. The paper therefore applied the positivist approach. The following sections presents the statistical analysis and results.

DISCUSSION

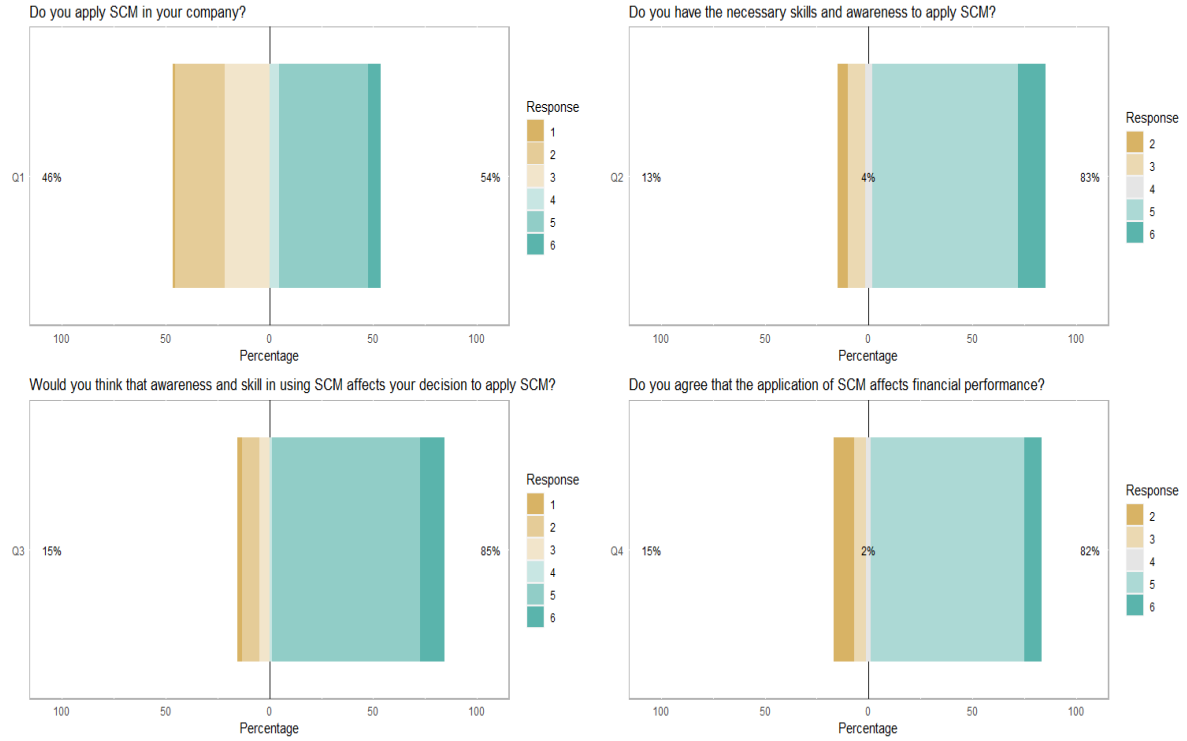
Data analysis and findings

Data was analysed to determine if SOEs apply Strategic Cost Management (particularly TC and ABM), and if awareness and skill in usage of SCM affect commitment to apply it.

Response rate

Figure 1 below shows the results of the Likert-scale data analysis, summarizing the response rates for this research.

Figure 1. Responses to questions (Likert scale responses expressed as percentages)



Notes: 1, 2, 3, 4, 5, and 6 represents Strongly disagree, Disagree, Not sure, Somehow, Agree, and Strongly agree, respectively. Q1 - Q4 refers to the question numbers.
Source: Author's computation using Likert package in r

Figure 1 shows that 54% of respondents indicated various degrees of agreement that they apply SCM in some way in their companies. The majority of respondents in this category fell into the "agreed" category. The remaining 46% presented various strengths of "disagreement" with the question regarding application of SCM in their companies. This 46% represents almost equal proportions of respondents who"disagreed" and who were "unsure", while only a very few "strongly disagreed".

The majority (83%) of respondents to Question 2 believed they had the necessary skills and awareness to apply SCM; only 4% responded "somehow", while the remainder (13%) were "unsure" or did not have the skills.

The majority (85%) of respondents to Question 3 agreed that their skills and awareness of SCM influenced their decision to implement SCM. The rest (15%) were mostly "unsure", and a few "disagreed".

Finally, a significant proportion of respondents (82%) to Question 4 agreed that SCM has an impact on their SOEs' financial success, while only 2% were "unsure" and the balance "disagreed". The percentage breakdown of responses illustrated in Figure 1 is shown in Figure 2 below.

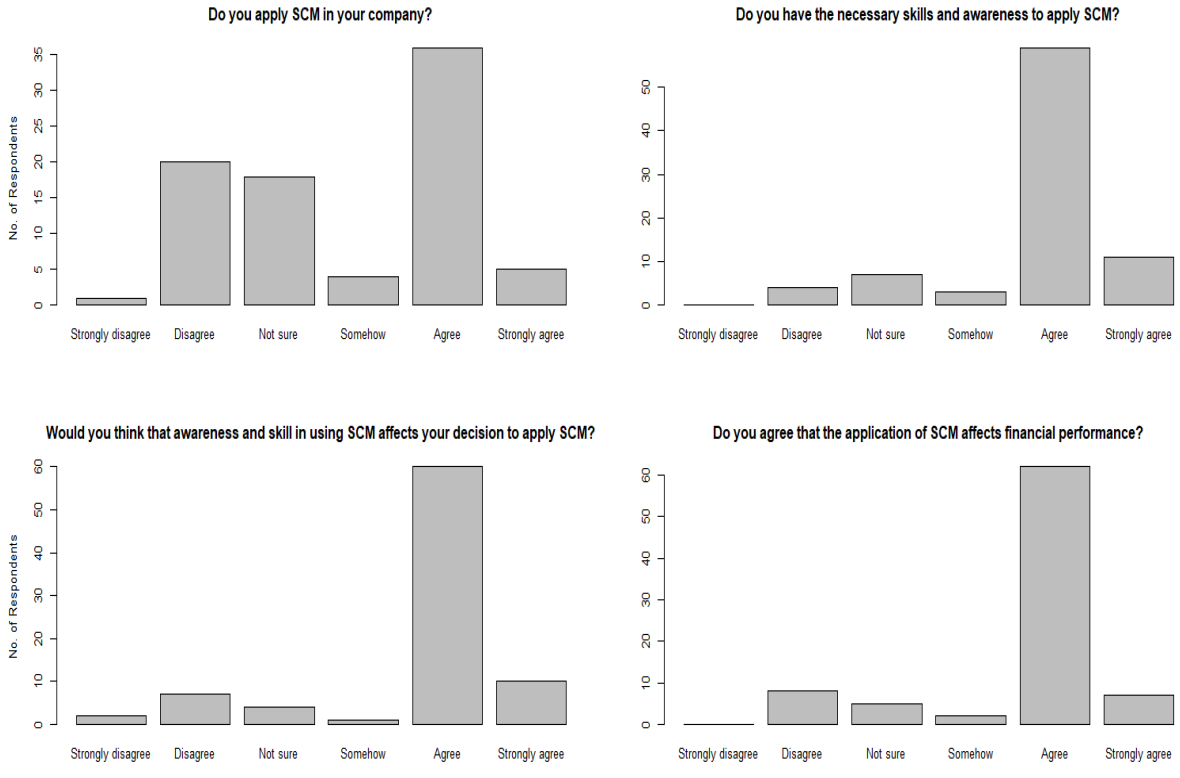


Figure 2. Responses to Questions, expressed as percentages
Source: Author's computation using respondents' data

Descriptive statistics

Table 1.Descriptive statistics of responses to questions

	Number of observations	Minimum	Median	Mean	Maximum
Do you apply SCM in your company?	84	1	4	3.821	6
Do you have the necessary skills and awareness to apply SCM?	84	2	5	4.786	6
Would you think that awareness and skill in using SCM affects your decision to apply SCM?	84	1	5	4.667	6
Do you agree that the application of SCM affects financial performance?	84	2	5	4.655	6

Source: Author's calculations from data collected

Table 1 indicates that there are more respondents who at least "agreed" with the questions than those who "disagreed", as the mean values are greater than 3.5 across all four questions. Another noteworthy observation is that the second and fourth questions did not elicit strong disagreement. These results are consistent with Figure 4.1, which show high percentages on the right, and Figure 4.2, which shows tall bars for "agreed".

Ordinal Regression Analysis

The dependent variable is Question 1, which seeks to determine whether SOEs apply SCM or not. Hence, the application of SCM in the SOEs is modelled as a function of skills and awareness (Question 2). This is done to determine whether skills and awareness affect the application of SCM in SOEs. Due to the nature of the variables employed, the modeling is conducted using the ordinal regression analysis.

Goodness of fit of data

This research employs the analysis of variance (ANOVA) method to evaluate the goodness of fit of the ordinal regression model. The null deviance ($H_0: b_1=0$) evaluates a model's fit solely based on the intercept. It is informative when making comparisons. The residual deviance ($H_1: b_1 \neq 0$) is a measure of the model's fit, which includes the intercept and predictor(s). In the current study, the predicator variable is Question 2, which captures whether or not the respondents had the necessary skills and awareness to apply SCM. In practice, a lower Akaike Information Criterion (AIC) indicates more accurate model predictions. For instance, if adding a predictor variable to the model does not result in a decrease in the AIC, one can conclude that the added variable does not improve the model's prediction of the outcome probability. Table 2 summarizes the findings of the deviance analysis.

Table 2. Null and Residual Deviance Results

	Number of Parameters	AIC	LogLik	LR.Stat	df	Pr(>Chi-sq)
Null deviance	5	245.30	-117.65			
Residual deviance	9	213.78	-102.89	9.517	4	0.041

Note: The p-value is a test of significance for H_0 that there is no difference between the null and residual deviances. Reject H_0 if the p-value <0.05.
Source: Author's estimation

Table 2 shows that the AIC of the null residual deviance (213.78) is smaller than that of the null deviance (245.30). Furthermore, the p-value <0.05 confirms that the difference between null and residual deviance is not equal to zero. These results suggest that adding the skills and awareness variable improves the model fit. While Question 2, which seeks to determine whether the decision to apply SCM is influenced by respondents' awareness and skills, appears to be another potential predictor; including it in the model resulted in an increase in the AIC and rendered the p-value insignificant. As a result, the model is run with only one predictor variable, Question 1, and the results are provided in Table 3.

Table 3. Estimated results of ordinal regression model

Dependent Variable: Do you apply SCM in your company?						
Do you have the necessary skills and awareness to apply SCM?	**Estimated Coefficient**	**Standard Error**	**z-value**	**Pr(>|z|)**	**$CI_{(2.5\%)}$**	**$CI_{(97.5\%)}$**
Not sure	1.586	1.067	1.487	0.137	-0.464	3.807
Somehow	1.349	1.475	0.915	0.360	-1.475	4.498
Agree	1.837***	0.901	2.039	0.041	0.106	3.761
Strongly Agree	0.225	1.046	0.215	0.830	-1.821	2.374
Threshold or cut off coefficients:						
Strongly disagree | Disagree	-3.161	1.275	-2.479			
Disagree | Not sure	0.326	0.857	0.381			
Not sure | Somehow	1.371	0.872	1.573			
Somehow | Agree	1.580	0.877	1.802			
Agree | Strongly Agree	4.398	0.986	4.459			

Notes: *** depicts significance at 1%. There are no p-values displayed for the threshold coefficients because it is usually not worthwhile to test the hypothesis that they equal zero. If the 95% confidence interval (〖CI〗 _((95%))) does not cross zero, the parameter estimate is statistically significant.
Source: Author's estimation using the clm function of the ordinal package in R.

Table 3 shows that, while all the estimated coefficients are positive, only the coefficient for the agreed-upon category is statistically significant. The validity of the findings is confirmed by the confidence intervals of the estimations for the parameter coefficients, which show that only the confidence interval for the agreed-upon category does not cross zero (0). These results are further confirmed by the threshold coefficients, which show that SCM application is significantly enhanced only above the agreed-upon category threshold. The threshold coefficients also reveal that the application of SCM is inhibited below the "disagree" category threshold.

Overall, these findings indicate that there is a significant variance in the application of SCM between those who possess the necessary skills and awareness and those who do not. Precisely, respondents who had the necessary skills and awareness to apply SCM had a significant and positive impacon SCM implementation in their companies, whereas those who did not, had a significant and negative impact. It is worth noting that the same results can be produced using the polr function from the ordinal package in R; however, this is achieved without p-values.

Diagnostic tests

Most statistical models make assumptions about the underlying data, or, more specifically, the populations from which the data are drawn. These assumptions must be satisfied for the model to be considered valid. For cumulative link model (CLM), the assumption of interest is known as the proportional odds assumption. A common method for testing this assumption includes the Brand-Wald test and the results are presented in Table 4.

Table 4. Brand-Wald Test Results

Test for	Chi-square	Df	Probability
Omnibus	38.16	16	0
Not sure	0	4	1
Somehow	0	4	1
Agree	0	4	1
Strongly Agree	0	4	1

Note: H_0: parallel regression assumption holds.
Source: Author's estimation

The Brant-Wald test determines whether the observed deviations in Table 4.3 are greater than what can be attributed to chance alone. The proportional odds assumption is violated if the probability value on this test is less than 5%, particularly on the Omnibus, plus at least one of the predictors. Table 4 indicates that the null hypothesis cannot be rejected because only the Omnibus's probability value is small — less than 5%. This finding confirms the legitimacy of the results in Table 4.3. The Brand-Wald test was conducted for all other objectives, and the results show that the proportional odds assumption is not violated across all specifications.

Further robustness testing was conducted to check the validity of each estimated coefficient using the z-test of coefficients, and the results are tabulated in Table 5.

Tabel 5. z-test of coefficients results

Do you have the necessary skills and awareness to apply SCM?	Estimated coefficient	Standard Deviation	z-value	Pr(>|z|)
Not sure	1.586	1.067	1.487	0.137
Somehow	1.349	1.475	0.915	0.360
Agree	1.837***	0.901	2.039	0.041
Strongly Agree	0.225	1.046	0.215	0.830
Strongly disagree|Disagree	-3.161***	1.275	-2.479	0.013
Disagree|Not sure	0.326	0.857	0.381	0.703
Not sure|Somehow	1.371	0.872	1.573	0.116
Somehow|Agree	1.580*	0.877	1.802	0.072
Agree|Strongly Agree	4.398***	0.986	4.459	<0.001

Note: *, **, and *** depict significance at 10%, 5%, and 1%, respectively.
Source: Author's computation using coeftest function in R

There is no variation between the results in Tables 4.3 and 4.5, implying that the findings are valid and can be relied on for policy development.

CONCLUSION

The study was analysed on two levels:

1. to discover the strategic cost management (SCM) practices that are implemented by SOEs, and
2. determine the influence of skill and knowledge as factors affecting adoption.

The first task was to determine if SOEs do apply strategic cost management techniques, specifically target costing (TC) and activity-based management (ABM). The second task was to determine the role that awareness and proficiency in SCM plays in the level of commitment to implementing these techniques.

The results, as shown in Table 3, demonstrate that incorporating the awareness and skill variables does, in fact, improve the deployment of SCM in SOEs. This supports a direct association between the decision-making process for SCM use and the levels of awareness and skill respondents possess. Looking at the coefficients in Table 3, it is clearly demonstrated that all of them are positive, but only in the "agreed-upon" category where there is a statistical significance. This suggests that the decision of SOEs to adopt SCM, particularly through techniques such as Target Costing (TC) and Activity-Based Management (ABM), is influenced by respondents' awareness and skill levels. In addition, the confidence intervals around the parameter 'coefficient estimates' provide further evidence of this statistical importance; out of these, only the one for the "agreed-upon" category does not overlap with zero. This finding also underlines the significance of respondents' level of skill and awareness in shaping the application of SCM within SOEs. Therefore, this critical finding implies that practitioners' competence and awareness matter for SCM implementation. To be more precise, individuals endowed with abundance of proficiency and consciousness exhibit a more positive inclination towards SCM adoption in comparison with their counterparts who lack commensurate expertise and awareness.

In addition to expertise and knowledge, managers' perceptions play a significant role in determining whether SCM approaches are adopted or rejected in state-owned enterprises. Clearly, managers who possess the necessary expertise and knowledge have a positive attitude towards SCM, whereas those who lack these basic abilities are more sceptical about its usefulness and relevance. This observation highlights the complex and varied character of the decision-making processes in organisational settings. Therefore, the triple variables of managerial intent, knowledge, and awareness, have a demonstrable effect on strategic decisions related to implementing management techniques such as SCM. Therefore, it is essential to acknowledge the value of managerial perception as a determining element in the adoption of SCM in SOEs, in addition to the crucial role of talent and knowledge.

This research then, enhances comprehension of the complex relationship between human skills, management viewpoints and organisational processes for making

decisions in the context of strategic cost management by clarifying these multiple interactions. This analysis, and its accompanying findings about the correlation between SCM application and skills and awareness in its successful application, fulfils the objective of this study.

The study focused only on South African trading SOEs, to examine the combined impact of SCM and CG on the financial performance of SOEs. Therefore, future researchers should aim to broaden the sample by incorporating a more diverse range of state-owned companies (SOEs), with a variety of geographically narrowly defined locations (provincial and local authority SOEs), and from a variety of industries/state functions. The incorporation of a wide variety of institutions would not only improve the generalizability of the results but also give a more in-depth comprehension of the phenomenon under investigation.

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