International Journal of
Humanities, Education, and Social Sciences

e-ISSN : 3026-0892
p-ISSN : 3026-1422

Index : Harvard, Boston, Sydney, Dimensions, Lens, Scilit, Semantic, Google, etc

https://doi.org/10.58578/IJHESS.v2i3.3614

# EXPLORING THE ROLE AND IMPACT OF STRATEGIC MANAGEMENT ACCOUNTING TOOLS: A COMPREHENSIVE LITERATURE REVIEW

**Binod Shah[1], Rajesh Kumar Sah[2], Kiran Kumari Sah[3]**
R. R. M. Campus, Janakpurdham, Tribhuvan University, Nepal
binod.sah@rrmc.tu.edu.np; rajesh.sah@rrmc.tu.edu.np

**Article Info:**

| Submitted: | Revised: | Accepted: | Published: |
|---|---|---|---|
| Jul 20, 2024 | Aug 3, 2024 | Aug 6, 2024 | Aug 9, 2024 |

**Abstract**

In today's rapidly evolving and highly competitive business environment, organizations seek sustainable competitive advantages and enhanced performance through strategic management accounting (SMA). This comprehensive literature review explores the tools and techniques of SMA, bridging the gap between financial accounting and strategic decision-making. The study identifies and categorizes a wide range of SMA tools, including activity-based costing, balanced scorecard, value chain analysis, benchmarking, customer accounting and competitor accounting. The review highlights the significance of SMA in aligning financial and non-financial information with strategic objectives, facilitating informed decision-making, and improving organizational competitiveness and financial performance. Key findings emphasize the practical applications of SMA tools across various industries and sectors, as well as the challenges and ambiguities surrounding their impact assessment. The study also identifies gaps in the existing literature, particularly the need for more comprehensive insights into the contextual factors influencing the effectiveness of SMA tools. This review provides valuable insights for scholars, practitioners, and policymakers, offering a foundation for future research and practical guidance on leveraging SMA tools in today's dynamic business landscape.


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**Keywords**: Strategic management accounting, SMA tools, Competitive advantage, Financial and non-financial performance, Business strategy, Competitor analysis

## INTRODUCTION

In today's dynamic and highly competitive business environment, organizations are constantly seeking ways to gain a sustainable competitive advantage and enhance their performance. Strategic management accounting (SMA) has emerged as a crucial field that bridges the gap between financial accounting and strategic decision-making. SMA provides tools and techniques that enable organizations to align their financial and non-financial information with their strategic objectives. This field has gained increasing importance in recent years as businesses strive to adapt to rapid technological advancements, globalization, and shifting consumer preferences.

Li (2018) described that new management accounting concepts and techniques like value chain analysis, economic value analysis, target costing, value reengineering, activity-based costing, benchmarking, total quality control analysis, competitor analysis, customer analysis, attribute costing, life-cycle costing, strategic positioning analysis, and balanced scorecard were introduced or became more matured in the 1980s and 1990s. These new concepts and techniques equipped management accountants with new knowledge to understand new processes and new tools to deal with new business requirements. Strategic management accounting is concerned with providing information that will support the strategic plans and decisions made within a business (Atrill and McLaney, 2009). Simmonds (1981) defined strategic management accounting as the provision and analysis of management accounting data about a business and its competitors, for use in developing and monitoring business strategy. Strategic management accounting is described by Hoque (2001) as the process where accounting information is identified, collected, selected, and analyzed to support strategic decision-making and evaluate the efficiency of the organization. Roslender and Hart (2003) defined Strategic Management Accounting (SMA) as the integration of management accounting and marketing management, which helps an organization strategically position itself.

Strategic management accounting encompasses a diverse set of tools and techniques that aid organizations in formulating, implementing, and monitoring their strategic plans. These

tools assist in the evaluation of various strategic options, allocation of resources, and performance measurement, ultimately contributing to the achievement of long-term organizational goals. Guilding et al. (2000) identified a set of twelve techniques for SMA, including attribute costing, brand value budgeting, competitor cost assessment, evaluation through public financial statements, life cycle costing, quality costing, strategic costing, monitoring competitive positions, strategic pricing, target costing, and value chain costing. These techniques were grouped into three main areas of focus: competitor, marketing, and future perspectives. Further research by Cadez and Guilding (2008) expanded this list to sixteen distinct SMA tools, which they organized into five categories: strategic costing; planning, control, and performance measurement; strategic decision-making; competitor accounting; and customer accounting. However, the landscape of SMA tools is constantly evolving in response to changes in business environments, regulations, and the availability of technology.

Despite its growing significance, there is a need for a comprehensive review of the literature on SMA tools. A systematic exploration of existing research is essential to gain insights into the various tools available, their applications, and their impact on organizational performance. This literature review aims to fill this gap by providing an in-depth analysis of the tools of strategic management accounting. By conducting a comprehensive literature review on the tools of strategic management accounting, this research paper aims to provide valuable insights for academics, practitioners, and policymakers. The findings from this study will contribute to a better understanding of how organizations can leverage SMA tools to make informed strategic decisions and navigate the complexities of the modern business environment successfully.

**Statement of the Problem**

The field of strategic management accounting (SMA) plays a pivotal role in enhancing an organization's ability to align its financial and non-financial information with strategic objectives. SMA offers a diverse set of tools and techniques designed to aid decision-makers in formulating, implementing, and monitoring strategic plans. However, despite its growing importance, there exists a critical gap in the literature that necessitates a comprehensive investigation. The problem at hand revolves around the lack of a consolidated understanding of the tools of strategic management accounting, their

applications, and their impact on organizational performance. The following specific issues highlight the gaps in current research and practice:

***Fragmented Knowledge***

The literature on SMA tools is scattered across various academic journals, books, and reports, making it challenging for scholars and practitioners to access a consolidated body of knowledge. There is a need to systematically identify and categorize the available SMA tools to provide a cohesive overview.

***Limited Application Insights***

While many studies discuss the theoretical aspects of SMA tools, there is a dearth of practical insights into how organizations apply these tools in real-world scenarios. Understanding the contexts in which SMA tools are most effective and the challenges faced in their implementation is crucial.

***Ambiguity in Impact Assessment***

Despite the widespread adoption of SMA tools, there is ambiguity regarding their actual impact on organizational performance. Research findings on the relationship between SMA tools and improved decision-making, competitiveness, and financial success are inconclusive.

***Inadequate Exploration of Emerging Trends***

The business landscape is constantly evolving, driven by technological advancements and changing market dynamics. There is a lack of research addressing the integration of emerging trends and technologies, such as artificial intelligence and block chain, into the SMA framework.

In light of these issues, this research paper aims to address the overarching problem: the lack of a comprehensive literature review that synthesizes existing knowledge on the tools of strategic management accounting. By doing so, this study intends to provide a foundation for further research, inform best practices in the application of SMA tools, and contribute to the strategic decision-making capabilities of organizations operating in today's dynamic and competitive business environment. This study has tried to seek the answers of the following research questions:

- What are the key tools and techniques used in the field of strategic management accounting (SMA)?
- How can the key tools and techniques of SMA be categorized and classified?
- What are the primary applications of SMA tools across different industries and sectors?

**Objectives of the Study**

The primary objective of this literature review is to identify and categorize the tools and techniques used in strategic management accounting. This will include both traditional and contemporary tools, such as activity-based costing, balanced scorecard, value chain analysis, and data analytics. Followings are the specific objectives of the study:

- To identify the key tools and techniques used in the field of strategic management accounting (SMA).
- To categorize and classify the key tools and techniques of SMA.
- To investigate the applications of SMA tools across various industries and sectors.

**Significance of the study**

This research paper holds significant importance for several key stakeholders, including scholars, practitioners, policymakers, and organizations. This literature review contributes to the academic community by consolidating existing knowledge on strategic management accounting (SMA) tools. It offers a comprehensive overview of the tools and techniques employed in SMA, categorize them, and explore their practical applications. This synthesis of knowledge serves as a foundation for future research and academic inquiry into SMA, offering scholars a holistic understanding of the field. For practitioners, including managers and decision-makers within organizations, the study provides valuable insights into the practical applications of SMA tools. It offers practical guidance on how organizations can effectively utilize these tools to align their strategic objectives, improve decision-making, and enhance performance. The findings have the potential to inform and improve strategic management practices in various industries. Policymakers and regulatory bodies can benefit from this research by gaining a better understanding of the role of SMA tools in organizational decision-making processes. This insight can inform the development of policies and guidelines that encourage responsible financial and strategic management

practices. Additionally, it can help policymakers recognize the potential impact of emerging technologies on business strategies.

Organizations operating in today's competitive and dynamic business environment can leverage this study to gain a competitive edge. By understanding the wide range of SMA tools available and their impact on organizational performance, companies can make informed decisions regarding tool selection and implementation. This, in turn, can lead to improved competitiveness and financial success. The study's findings are particularly significant for decision-makers within organizations. It emphasizes the value of SMA tools in enhancing decision-making quality and offers insights into how these tools can be tailored to an organization's specific needs and objectives.

## MATERIALS AND METHODS

The research materials and methods outlined below will facilitate a systematic and comprehensive literature review of the tools of strategic management accounting, providing valuable insights for both scholars and practitioners in the field.

### *Data Collection*

The primary research material for this literature review consists of academic journals, books, reports, and conference proceedings. An extensive search has been conducted in academic databases such as PubMed, Google Scholar, ResearchGate, Scopus, and specialized accounting and management journals. Studies included in the review must be published in English, focus on the tools and techniques of strategic management accounting, and provide empirical evidence or theoretical insights.

### *Data Extraction*

Data from selected articles have been coded systematically. Information to be extracted includes the title, authors, publication year, research objectives, methodology, key findings, and implications related to SMA tools. The identified SMA tools and techniques have been categorized and classified based on their nature, function, and application areas.

### *Data Analysis*

The literature has been analyzed using content analysis techniques to identify trends, commonalities, and variations in the use and application of SMA tools. Empirical studies have been assessed for their findings on the impact of SMA tools on organizational

performance. This involved a qualitative synthesis of reported effects on decision-making, competitiveness, and financial success. The review employed a narrative synthesis approach to present the findings and insights obtained from the literature, organized around the research questions and objectives.

## RESULTS AND DISCUSSION

### Identification of SMA Tools

Various accounting techniques are used or proposed for use under the Strategic Management Accounting (SMA) framework. Due to the lack of a standardized conceptual definition, these techniques have been documented and proposed in various forms. The goal of these techniques is to provide strategic decision-makers (managers and consultants) with insight into the financial implications of alternative business strategies (Collier & Gregory, 1995). Strategic Management Accounting (SMA) encompasses a diverse range of tools and techniques that enable organizations to align their financial and non-financial information with strategic objectives. The literature on SMA tools highlights the significance of this field in aiding organizations to make informed decisions, enhance competitiveness, and achieve superior financial performance. From the comprehensive literature review, a diverse array of strategic management accounting (SMA) tools and techniques were identified. Cadez and Guilding (2008) compiled a comprehensive list of 16 strategic management accounting (SMA) techniques, building upon earlier research by Guilding et al. (2000) who identified 12 such techniques. Cinquini and Tenucci (2007) included 14 techniques. Dmitrovic- Saponja and Suljovic (2017) has used 17 SMA techniques in their study whereas Cescon et al. (2019) used 12 SMA techniques in their study. Petera & Šoljaková (2020) has used 11 SMA techniques in their empirical research. The major SMA techniques are outlined in Table 1.

**Table 1.** *Strategic Management Accounting techniques used in empirical research*

| *S.N.* | *Tools* | *S.N.* | *Tools* |
|---|---|---|---|
| *1.* | Activity-based costing | *12.* | Brand value monitoring |
| *2.* | Life-cycle costing | *13.* | Balanced scorecard |
| *3.* | Quality costing | *14.* | Competitor cost assessment |
| *4.* | Target costing | *15.* | Competitive position monitoring |
| *5.* | Attribute Costing | *16.* | Competitor performance appraisal |

| | | | |
|---|---|---|---|
| *6.* | Strategic costing (Strategic cost management) | *17.* | Integrated performance measurement |
| *7.* | Value chain costing | *18.* | Customer profitability analysis |
| *8.* | Benchmarking | *19.* | Lifetime customer profitability analysis |
| *9.* | Strategic pricing | *20.* | Strategic planning and budgeting |
| *10.* | Brand valuation | *21.* | Valuation of customers as assets |
| *11.* | Brand value budgeting | *22.* | Environmental management accounting |

*Notes: Authors*

**Categorization of SMA Tools**

SMA tools can be categorized into several clusters based on their nature and function. These tools can be categorized into three main clusters i.e. financial analysis tools, non-financial analysis tools and advance analytics tools. Traditional financial analysis tools such as Activity-Based Costing (ABC) have long been recognized for their ability to provide accurate cost allocation, aiding organizations in cost control and pricing strategies (Cooper & Kaplan, 1991). Non-financial analysis tools, notably the Balanced Scorecard, offer a holistic approach to performance measurement and management, aligning strategic objectives with key performance indicators (Kaplan & Norton, 1992). In recent years, advanced analytics tools, including Big Data analytics and Artificial Intelligence (AI), have gained prominence, enabling organizations to harness vast datasets for predictive and prescriptive analytics (Davenport & Harris, 2007). Cinquini and Tenucci 92007) categorized the listed strategic management accounting (SMA) techniques into four groups: competitor-oriented, long-term/future-oriented, process/activity-oriented, and customer-oriented. Cadez and Guilding (2008) classified strategic management accounting tools into five broad categories i.e. costing, planning, control &performance measurement, strategic decision making, competitor accounting, and customer accounting.

**Table 2.** *Categorization of Strategic Management Accounting Tools*

| **Categories** | **Tools** |
|---|---|
| Costing | 1.Activity Based Costing<br>2. Attribute Costing<br>3. Life-cycle costing |

| | |
|---|---|
| | 4. Quality costing<br>5. Target Costing<br>6. Value Chain Costing |
| Planning, control & performance measurement | 7. Strategic planning and budgeting<br>8. Balance Scorecard<br>9. Benchmarking<br>10. Integrated performance measurement<br>11. Brand value budgeting<br>12. Brand value monitoring |
| Strategic decision-making | 13. Strategic Costing (strategic cost management)<br>14. Strategic pricing<br>15. Brand Valuation<br>16. Environmental management accounting |
| Competitor accounting | 17. Competitor cost assessment<br>18. Competitive position monitoring<br>19. Competitor performance appraisal |
| Customer accounting | 20. Customer profitability analysis<br>21. Lifetime customer profitability analysis<br>22. Valuation of customers as assets |

*Notes: Authors*

**Applications of SMA Tools**

Empirical evidence from selected studies indicated a positive association between the use of SMA tools and enhanced organizational performance. Organizations utilizing SMA tools reported better-informed decision-making processes, increased competitiveness due to a deeper understanding of market dynamics, and improved financial performance through cost reduction and revenue enhancement initiatives.

Simmonds (1982) highlighted the importance of SMA tools in identifying and understanding key details about competitors' products, such as cost, price, and sales volume. This understanding helps the company gauge its market position and formulate business strategies. According to Marlina et al. (2020), SMA tools facilitate the monitoring of market conditions, competitors' cost structures, and pricing strategies, which are crucial for boosting an organization's competitive edge. Turner et al. (2017) also argue that SMA

practices are vital for enhancing an organization's competitiveness in a dynamic business environment.

Strategic management accounting (SMA) serves as a crucial support tool in an organization's decision-making process. Cinquini and Tenucci (2010) emphasize that SMA tools play a significant role in aiding decisions, ultimately enhancing organizational performance. Additionally, companies utilize SMA tools to create customer-focused business strategies through market orientation. According to Kohli and Jaworski (1990), a market-oriented business strategy can lead to greater customer value and improved competitiveness. SMA tools enhance organizational performance in multiple ways. Cadez and Guilding (2008) explain that these tools support decision-making processes that lead to better business outcomes. Turner et al. (2017) found that SMA tools help assess an organization's competitive position, thereby boosting business performance. According to Cinquini and Tenucci (2010), SMA tools assist in formulating business strategies that positively impact organizational performance. Mia and Clarke (1999) found that leveraging SMA information enhances performance by utilizing benchmarking and monitoring data. Alamri (2019) discovered that various aspects of SMA significantly influence both financial and non-financial performance. The study suggests that companies can boost their performance by adopting certain SMA components.

## Limitations of the Study

This study has several limitations. First, the scope is restricted to the tools and techniques of strategic management accounting, excluding broader aspects of accounting and financial management. Second, the literature review relies primarily on existing academic publications, which may not fully capture practical applications and emerging trends in real-world business environments. Additionally, the study does not include a comprehensive analysis of the contextual factors influencing the effectiveness of SMA tools, such as organizational culture, industry-specific dynamics, and the availability of technology. Lastly, the evolving nature of SMA tools, influenced by rapid technological advancements and changing business landscapes, means that some insights may quickly become outdated.

## CONCLUSION

This literature review has highlighted the critical role of Strategic Management Accounting (SMA) in supporting organizations' strategic decision-making processes and enhancing their performance. By examining a wide range of SMA tools and techniques, including traditional and contemporary methods, the study has provided a comprehensive understanding of their applications and benefits. The findings underscore the value of SMA in aligning financial and non-financial information with strategic objectives, thereby enabling organizations to gain a competitive edge in a dynamic business environment. Despite the challenges and limitations in the literature, the study emphasizes the need for further research to explore the practical implementation of SMA tools and their impact on organizational outcomes. Future research should also consider the integration of emerging technologies, such as artificial intelligence and blockchain, into the SMA framework, to keep pace with the changing business landscape.

### Declaration of Competing Interest

The author declares that he has no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

### Funding Declaration

This research did not receive any grants from governmental, private, or non-profit funding bodies.

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