CINEFORUM
ISSN: 0009-7039
Vol. 65. No. 1, 2025

Strategic Management Accounting: A Comprehensive Literature Review

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Abstract

Strategic Management Accounting (SMA) has emerged as an important discipline that bridges the gap between traditional management accounting and strategic decision-making. Unlike conventional approaches that focus primarily on internal financial metrics, SMA integrates external market-driven perspectives, providing organizations with a comprehensive framework for competitive advantage. This paper presents a detailed literature review of SMA, tracing its historical evolution, key definitions, techniques, and challenges. The review highlights various SMA techniques, including benchmarking, competitor analysis, strategic pricing, and value chain costing, which have been instrumental in aligning financial data with business strategy. However, despite its strategic importance, SMA faces significant challenges such as the lack of a universal definition, inconsistent implementation across industries, and barriers related to data availability and technological integration. The paper also emphasizes the role of digital transformation in reshaping SMA practices, particularly through artificial intelligence (AI) and big data analytics, which offer enhanced decision-making capabilities. Future research should focus on standardizing SMA frameworks, addressing implementation barriers, and integrating sustainability considerations to further enhance its relevance in contemporary business environments. As companies navigate increasingly complex and dynamic markets, the adoption of SMA will be critical for long-term strategic planning and performance optimization.

Keywords: Strategic Management Accounting, SMA Techniques, Competitor Analysis, Strategic Costing, Benchmarking, Digital Transformation

1. Introduction

The modern business environment is becoming increasingly complex and dynamic, requiring a more strategic approach to management accounting. With globalization expanding markets, technological advancements reshaping industries, and data-driven decision-making becoming essential, traditional management accounting methods are no longer sufficient to provide

businesses with the insights they need. In response to these challenges, Strategic Management Accounting (SMA) has emerged as a framework that integrates both financial and non-financial data to support long-term strategic decision-making (Langfield-Smith, 2008). Unlike conventional management accounting, which focuses primarily on historical costs and internal efficiency, SMA considers external market factors such as competitor behavior, customer preferences, and industry trends (Bromwich, 1990). SMA plays a crucial role in helping organizations maintain a competitive advantage by linking strategic decision-making with management accounting practices. According to Guilding, Cravens and Tayles (2000), SMA enables firms to refine their cost management strategies, assess value chains, and analyze competitor behaviors. More recent studies suggest that SMA's adoption is influenced by external market pressures and internal organizational factors. For instance, Nguyen, Hoang and Tran (2023) found that in manufacturing firms, the level of SMA implementation is shaped by factors such as the intensity of competition, firm size, and strategic priorities. This indicates that while SMA is a valuable tool, its application must be aligned with the broader goals of an organization to yield meaningful results. Despite the increasing recognition of SMA, there is still no universally accepted definition or standardized framework, leading to variations in how businesses implement SMA practices (Guilding, Cravens and Tayles, 2000). Some scholars, such as Bromwich (1990), view SMA as an evolution of traditional management accounting with a strategic focus, while others, including Roslender and Hart (2002), argue that SMA is an entirely new paradigm that merges accounting, marketing, and strategic management. This lack of consensus has made it challenging for businesses to consistently apply SMA techniques across industries.

Additionally, research has highlighted inconsistencies in how SMA techniques are adopted. Setiawan and Iskak (2023) found that the effectiveness of SMA in a company is significantly influenced by internal factors such as leadership characteristics and a culture of innovation. Similarly, Suarez (2022) identified key obstacles to SMA adoption, including difficulties in data collection, a shortage of skilled personnel, and resistance to collaboration across different business functions. These challenges suggest that while SMA has the potential to transform how businesses make strategic decisions, its successful implementation depends on overcoming both organizational and technical barriers.

Given these complexities, this paper aims to provide a comprehensive review of SMA, tracing its historical evolution, examining its core techniques, and identifying the challenges and opportunities associated with its adoption. By incorporating insights from recent research

(Nguyen, Hoang and Tran, 2023; Suarez, 2022; Setiawan and Iskak, 2023), this review seeks to clarify existing debates and highlight emerging trends that will shape the future of SMA.

2. Definition of Strategic Management Accounting

One of the fundamental challenges of Strategic Management Accounting (SMA) is the lack of a universally agreed-upon definition. Scholars and practitioners have debated its meaning, leading to varying interpretations across industries and academic literature (Langfield-Smith, 2008 and Nixon and Burns, 2012). Despite these differences, three key definitions stand out, each shaping how SMA is understood and applied in practice.

The concept of SMA was first introduced by Simmonds (1981), who defined it as:

> "*The provision and analysis of management accounting data about a business and its competitors for use in developing and monitoring business strategy*" (Simmonds, 1981, p.12).

Simmonds' definition highlights the strategic role of management accounting in analyzing competitive environments. By emphasizing the importance of external data, it set the foundation for SMA's development as a tool for decision-making beyond traditional financial accounting. Building on this idea, Bromwich (1990) expanded the definition by incorporating financial information related to product markets, competitor costs, and cost structures. His definition states:

> "*The provision and analysis of financial information on the firm's product markets and competitors' costs and cost structures and the monitoring of the enterprise's strategies and those of its competitors in these markets over a number of periods*" (Bromwich, 1990, p.6).

Bromwich's perspective reinforced the importance of long-term market and competitor analysis, positioning SMA as a critical function for sustaining business competitiveness. Apart from these academic definitions, the Chartered Institute of Management Accountants (CIMA, 2005) provided an institutional perspective, defining SMA as:

> "*A form of management accounting in which emphasis is placed on information which relates to factors external to the firm, as well as non-financial information and internally generated information*."

CIMA's definition broadens SMA's scope by including both financial and non-financial information, making it applicable across various industries and decision-making processes.

Further refining the understanding of SMA, Roslender and Hart (2002) categorized SMA into three perspectives:

1. SMA as a collection of innovative management accounting techniques aligned with strategic positioning.
2. SMA as an effort to integrate strategy and management accounting literature.
3. SMA as a system that provides strategic information to managers, building on the earlier definitions by Simmonds and Bromwich.

In a later study, Roslender and Hart (2010) refined these perspectives into three concepts:

i. SMA as a means of applying strategic thinking to management accounting.
ii. SMA as an integration of marketing and management accounting for strategic positioning.
iii. SMA as a collection of modern management accounting techniques that support strategic objectives.

Given the continuous evolution of SMA definitions, CIMA's interpretation appears to offer the most comprehensive framework, integrating financial, non-financial, internal, and external data sources. This broad perspective allows SMA to adapt to different organizational needs, ensuring its relevance in an increasingly competitive and data-driven business environment.

3. Evolution of Strategic Management Accounting

Strategic Management Accounting (SMA) has evolved significantly over the past four decades, influenced by rapid changes in the global business environment, technological advancements, and the increasing competitiveness of markets. During the early 1980s, businesses faced heightened competition due to globalization, improved access to market information, and accelerated technological progress. These factors led to shorter product life cycles and increased customer awareness, making it necessary for firms to adopt a more strategic approach to cost management and performance evaluation (Al Maryani and Sadik, 2012). However, traditional management accounting systems, which primarily focused on internal efficiency and financial control, struggled to address these emerging market dynamics effectively (Kaplan, 1984). The foundation of SMA was laid by Simmonds (1981), who emphasized the importance of management accountants looking beyond internal financial data to analyze external market forces, particularly competitor behavior. His work introduced the idea that management accounting should extend beyond internal operations to support strategic decision-making. Building on Simmonds' work, Bromwich (1990) expanded the concept by advocating for the collection of strategic information on customers, products, and market trends to enhance managerial decision-making. Around the same time in the United States, Shank and Govindarajan (1992) introduced the concept of Strategic Cost Management, which emphasized

long-term, externally oriented costing techniques. Their approach focused on key elements such as value chain analysis, cost driver analysis, and cost leadership as fundamental components of strategic decision-making.

As SMA continued to develop, Roslender and Hart (2002) introduced a new dimension by advocating for the integration of management accounting with marketing within a strategic framework. This perspective positioned SMA as a cross-functional discipline, extending beyond the traditional boundaries of accounting and incorporating elements of marketing and business strategy. More recently, studies have examined SMA's role across different industries. For instance, Zenita et al. (2015) explored how SMA influences information literacy and managerial performance, while Turner, Guilding and Leung (2017) assessed its impact on hotel property performance, demonstrating its growing application across various business sectors. In the past few years, SMA adoption has expanded significantly. Setiawan and Iskak (2023) conducted an empirical study in Indonesia, finding that the use of SMA techniques was influenced by historical business performance, owner-management characteristics, and organizational culture. Their research concluded that these factors positively affect SMA's effectiveness in improving managerial decision-making. Similarly, Nik Abdullah, Razak and Alias (2022) carried out a systematic literature review, identifying key motivations behind SMA adoption and the challenges organizations face in implementing techniques such as competitor and customer accounting. Nguyen, Hoang and Tran (2023) further examined the contingency factors that influence SMA application in Vietnamese manufacturing enterprises. Their study found that organizational size, competitive intensity, and business strategy significantly affect the extent to which firms adopt SMA practices. Meanwhile, Gunawansha (2021) demonstrated that modern management accounting techniques improve overall management accounting system performance, particularly in the manufacturing sector. Additionally, Suarez (2022) conducted a comprehensive review of SMA literature, analyzing 66 academic papers and identifying key contributions of SMA to strategic decision-making. His findings highlight that SMA provides innovative, externally focused insights that are essential for risk management, competitive analysis, and long-term business planning. This reflects a growing recognition of the importance of integrating both internal and external data sources to enhance business decision-making in an increasingly complex environment. The rapid advancement of digital technologies has also had a significant impact on SMA. Zhen and Zhen (2023) investigated the challenges associated with data processing in the accounting industry and highlighted the necessity for organizations to incorporate artificial intelligence

(AI) and edge computing into SMA frameworks. Their study emphasized that leveraging digital tools enables firms to respond quickly to market changes, enhance data accuracy, and maintain a competitive advantage. Figure 1 shows growth of sma research over time.

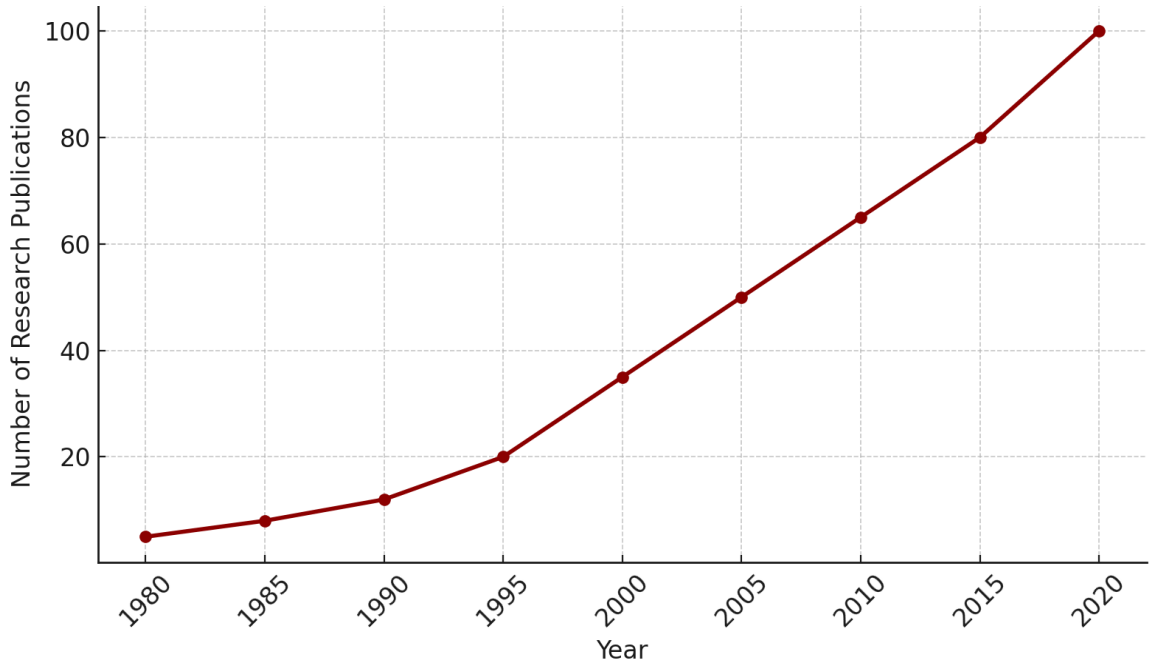

Fig 1: Growth of SMA Research Over Time

4. Key Themes and Techniques in Strategic Management Accounting

Strategic Management Accounting (SMA) has been extensively researched, with scholars identifying several recurring themes. These themes broadly fall into four categories: concept development, technique advancement, organizational impact, and critical perspectives on SMA. Concept development focuses on defining SMA and advocating for its integration with strategic management. Researchers in this area explore the theoretical foundations of SMA and its role in bridging the gap between accounting and business strategy. Technique advancement examines specific SMA tools and methods, assessing their effectiveness in strategic decision-making. This theme investigates how SMA techniques can enhance competitiveness and drive business success. Organizational impact analyzes how SMA influences business performance, managerial decision-making, and competitive positioning. Studies in this category often assess real-world applications of SMA and their effects on financial outcomes. Critical perspectives highlight the challenges and limitations of SMA adoption in practice. Scholars in this area explore barriers to implementation, such as lack of standardization, data complexity, and

resistance to change. Among these categories, one of the most widely studied aspects of SMA is its techniques and tools, which have been developed to help organizations align management accounting practices with strategic objectives. These techniques vary in focus but share a common goal: providing decision-makers with relevant and actionable strategic insights. Some of the most prominent SMA techniques include benchmarking, competitor cost assessment, competitive position monitoring, customer profitability analysis, strategic pricing, value chain costing, and brand valuation (Guilding, Cravens and Tayles, 2000). This can be show in figure 2.

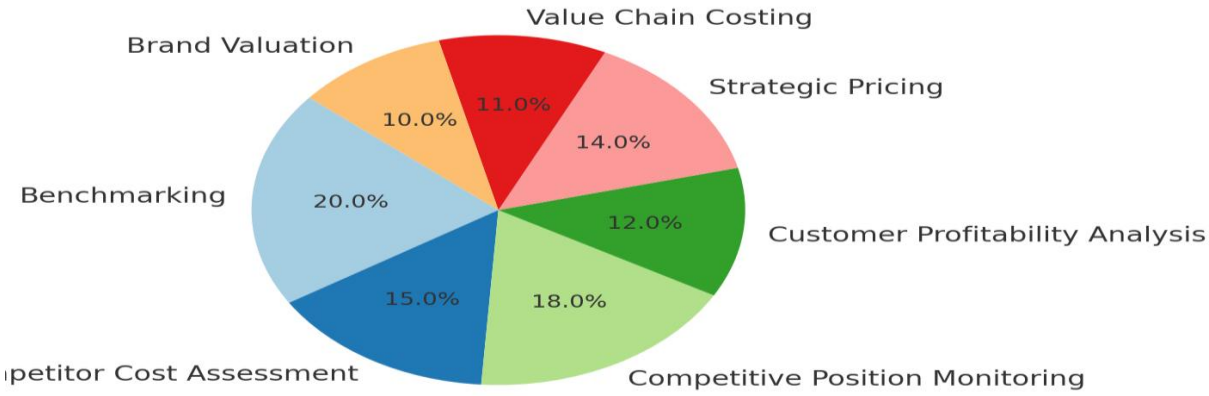

Fig 2: Key SMA Techniques and Their Application Frequency

4.1 Benchmarking

Benchmarking is one of the most widely used SMA techniques, enabling organizations to compare their performance against industry best practices to identify areas for improvement. It has gained prominence as companies seek to enhance efficiency, reduce costs, and improve strategic positioning by learning from competitors and industry leaders (Elnathan, Lin and Young, 1996).

Benchmarking can be categorized into several types, including:

1. Internal benchmarking, which compares different departments or units within the same oranization.
2. Competitive benchmarking, which assesses performance against direct competitors.
3. Functional benchmarking, which examines similar processes in different industries to identify best practices.
4. Generic benchmarking, which focuses on the best business practices across industries, regardless of specific market context.

Organizations that incorporate benchmarking into their SMA framework benefit from continuous improvement, better resource allocation, and enhanced decision-making. However, successful benchmarking depends on accurate data collection, which can be challenging due to limited access to competitor information and differences in industry standards (Epure, 2016). Additionally, benchmarking should not be viewed as a one-time activity but rather as a continuous process that evolves alongside changing market conditions.

4.2 Competitor Cost Assessment

Competitor cost assessment is a critical SMA technique that enables organizations to analyze the cost structures of their competitors. By understanding how rival firms manage their costs, businesses can gain insights into cost advantages, pricing strategies, and potential areas for cost reduction (Guilding, 1999). This approach helps firms make more informed strategic decisions, such as adjusting pricing models, optimizing supply chains, or investing in cost-saving technologies to enhance competitiveness. Jones (1988) developed a structured framework for conducting competitor cost analysis, highlighting the role of management accountants in gathering and coordinating data from various departments. His approach involves collecting publicly available financial data, analyzing cost components, and comparing them against industry benchmarks. However, one of the biggest challenges in competitor cost assessment is the availability and reliability of data. Since companies are often reluctant to disclose detailed financial information, firms must rely on indirect methods such as industry reports, supplier data, and market intelligence. Despite these challenges, competitor cost assessment remains an essential tool for strategic decision-making, especially in highly competitive industries where cost leadership is a primary source of advantage. Many studies advocate for its integration into a comprehensive SMA framework (Cadez and Guilding, 2007 and Turner, Guilding and Leung, 2017). Firms that successfully implement competitor cost analysis can enhance their pricing strategies, improve operational efficiency, and strengthen their market position.

4.3 Competitive Position Monitoring

Competitive position monitoring is another key SMA technique that helps organizations track industry trends, market dynamics, and competitor performance to evaluate their relative standing in the market. Unlike traditional financial analysis, this method considers both quantitative and qualitative factors, such as market share, customer perceptions, and strategic initiatives of competitors (Simmonds, 1986). By continuously monitoring their competitive

position, firms can identify opportunities for expansion, anticipate market shifts, and respond proactively to competitive threats. Simmonds (1986) emphasized that effective competitive position monitoring requires a combination of data-driven analysis and qualitative insights. While financial ratios and key performance indicators (KPIs) provide objective measures of performance, qualitative insights—such as consumer sentiment, brand perception, and strategic partnerships—offer a deeper understanding of market positioning. Companies that integrate both elements can develop a more holistic view of their industry landscape and adjust their strategies accordingly. One of the challenges of competitive position monitoring is the subjectivity involved in interpreting market trends. While advancements in data analytics and business intelligence tools have significantly improved the accuracy of competitive analysis, strategic decisions still require managerial judgment and experience (Guilding, Cravens and Tayles, 2000). The success of this technique depends on an organization's ability to collect relevant data, interpret market signals effectively, and adapt to changing competitive conditions.

4.4 Customer Profitability Analysis

Customer profitability analysis (CPA) is a strategic accounting technique that evaluates the profitability of individual customers or customer segments. Unlike traditional financial analysis, which primarily focuses on overall revenue and cost figures, CPA provides a more granular view by examining customer-specific revenue contributions and cost allocations (Phillip, Kim and Grow, 2005). This approach allows businesses to identify their most valuable customers, develop targeted marketing strategies, and optimize customer relationship management efforts.

Phillip, Kim and Grow (2005) define CPA as:

> "*The difference between the revenues earned from and the costs associated with the customer relationship during a specified period*."

By implementing CPA, organizations can distinguish between high-value and low-value customers, allowing them to tailor pricing models, promotional efforts, and service levels accordingly. For instance, firms may choose to invest more resources in retaining high-value customers through loyalty programs and personalized services, while adjusting engagement strategies for less profitable customer segments.

However, a significant challenge in CPA is the accurate allocation of indirect costs to specific customers. Traditional accounting systems are not designed to capture customer-level cost data

with precision, making it difficult for businesses to assign operational and support costs effectively (Shapiro, Rangan, Moriarty and Ross, 1987). Overcoming this challenge requires advanced data analytics tools and cost-tracking methodologies to ensure CPA provides meaningful insights for strategic decision-making.

4.5 Strategic Pricing

Strategic pricing is an SMA technique that involves setting prices based on market conditions, competitor pricing strategies, and customer perceptions rather than relying solely on cost-based pricing models (Indounas, 2014). Traditional cost-volume-profit (CVP) analysis, which focuses on internal cost structures, has been criticized for failing to consider external competitive factors. Simmonds (1982) argued that strategic pricing should incorporate market intelligence, competitor reactions, and pricing elasticity to create a more dynamic and competitive pricing approach.

Indounas (2014) defines strategic pricing as:

> "*A pricing decision taken from a strategic perspective considering long-term consequences to gain a competitive advantage*."

By adopting a strategic pricing approach, organizations can enhance long-term profitability, build customer loyalty, and differentiate themselves in the marketplace. Businesses that leverage strategic pricing models can adjust their pricing strategies based on shifts in consumer behavior, competitor actions, and economic trends, ensuring they remain competitive in volatile market environments.

However, implementing strategic pricing requires continuous market research and a deep understanding of price sensitivity, brand positioning, and consumer preferences. Pricing strategies must be flexible and responsive to external factors, as static pricing models can lead to revenue losses or missed opportunities in dynamic industries.

4.6 Value Chain Costing

Value chain costing is a strategic management accounting technique that evaluates costs across the entire value chain, from raw material procurement to the final delivery of products or services. This approach helps organizations identify cost-saving opportunities and efficiency improvements throughout their supply chains (Shank and Govindarajan, 1992). The concept of the value chain was first introduced by Porter (1985), who argued that a firm's competitive advantage depends on its ability to optimize and integrate value-creating activities across

different stages of production and distribution.

Shank and Govindarajan (1992) criticized traditional accounting systems for focusing solely on internal cost structures while neglecting external cost drivers. They advocated for a broader analysis of costs, taking into account suppliers, production processes, distribution networks, and customer interactions. By leveraging value chain costing, firms can improve cost efficiencies, strengthen supplier relationships, and enhance their competitive positioning.

However, implementing value chain costing requires a holistic approach to cost management, as it involves multiple stakeholders and diverse data sources. This complexity can present challenges, particularly in industries with fragmented supply chains or rapidly changing cost structures. Despite these difficulties, value chain costing has been widely adopted in the manufacturing, logistics, and service industries to optimize cost structures and drive long-term competitive advantage.

4.7 Brand Valuation

Brand valuation is an SMA technique that assigns a financial value to brand equity, providing insights into the long-term impact of branding strategies (Cravens and Guilding, 1999). Unlike traditional financial reporting, which treats brand-related expenditures as operating costs, brand valuation considers these investments as strategic assets that contribute to a firm's overall market value.

Cravens and Guilding (1999) define brand valuation as:

> "*An exercise where a financial value to the equity created by the name or image of the brand is assigned to provide a broader measure of the organization's equity*."

By integrating brand valuation into SMA, organizations can better justify brand-related investments, assess brand performance, and enhance shareholder value. Firms that actively monitor and measure brand equity can refine their marketing strategies, optimize brand positioning, and strengthen customer loyalty. However, brand valuation remains a complex and often subjective process, as it requires estimating future brand contributions and adjusting for market fluctuations. Factors such as consumer perception, competitive market positioning, and changing industry dynamics all influence the financial value assigned to a brand. Despite these challenges, brand valuation is increasingly recognized as a crucial component of strategic decision-making, particularly in industries where brand strength is a key differentiator.

5. Challenges in the Adoption of Strategic Management Accounting

Despite the growing recognition of Strategic Management Accounting (SMA) as a critical tool for improving business strategy, its adoption is fraught with several challenges. These barriers can be categorized into organizational, technical, and external challenges, each influencing the effectiveness of SMA implementation. One of the most significant organizational challenges is the lack of awareness and understanding of SMA among business leaders and accountants. Many firms continue to rely on traditional management accounting systems that focus on short-term financial measures rather than long-term strategic insights (Cadez & Guilding, 2008). This resistance to change is often driven by a lack of training and education in SMA methodologies. Organizations that do not actively invest in building SMA expertise among their finance teams struggle to integrate strategic techniques into their accounting processes. Another major organizational hurdle is resistance to cross-functional collaboration. SMA requires the integration of management accounting with other business functions such as marketing, operations, and strategic planning (Roslender and Hart, 2002). However, in many organizations, accounting departments operate in isolation, limiting the flow of strategic information. The successful implementation of SMA depends on fostering a culture of information sharing across departments, enabling a holistic approach to decision-making. From a technical perspective, one of the primary challenges of SMA adoption is the complexity of data collection and analysis. Unlike traditional accounting, which relies primarily on internal financial data, SMA incorporates external and non-financial data such as competitor performance, customer profitability, and market trends. The difficulty of obtaining and analyzing such data poses a significant barrier to adoption. Additionally, many firms lack the necessary technological infrastructure to support advanced SMA techniques. While modern accounting software and data analytics tools can help streamline SMA processes, smaller organizations may lack the resources to invest in these technologies (Nguyen et al., 2023). External challenges to SMA adoption stem from the dynamic nature of business environments. Rapid changes in market conditions, regulatory frameworks, and technological advancements require continuous updates to SMA models and techniques. However, many firms struggle to keep pace with these changes, leading to outdated or ineffective SMA practices. This is shown if figure 3.

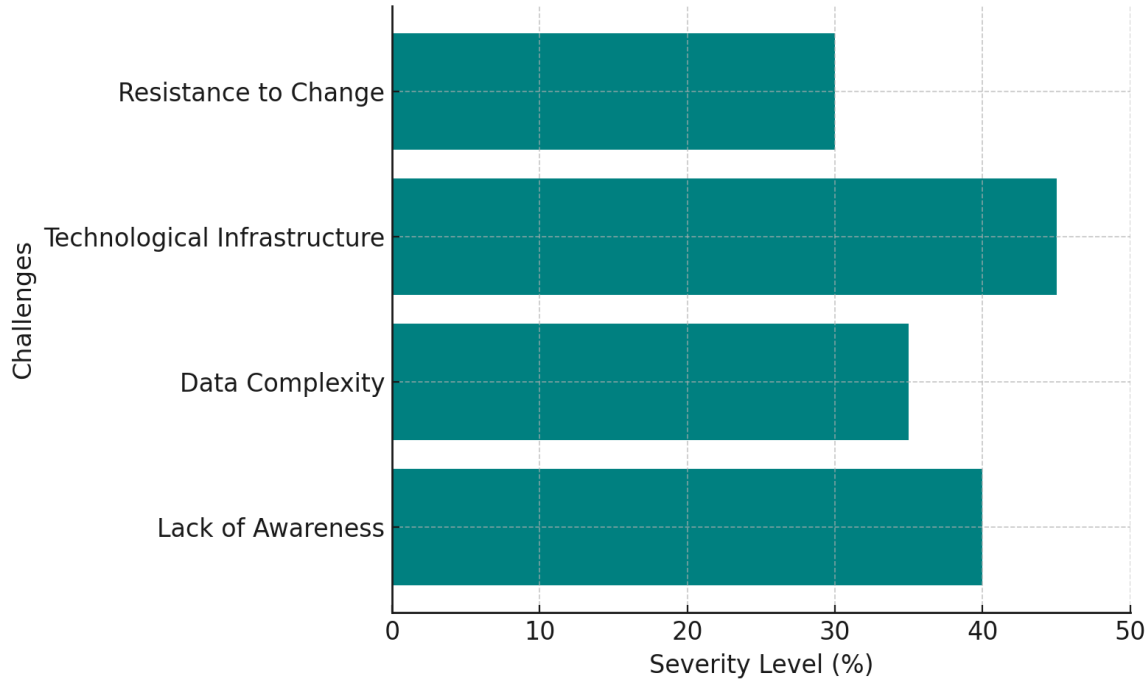

Fig 3: Challenges in SMA Implementation

6. Future Directions in Strategic Management Accounting

Strategic Management Accounting (SMA) has evolved significantly over the past four decades, driven by globalization, technological advancements, and increasing market competition. Unlike traditional management accounting, which primarily focuses on historical financial data and internal cost structures, SMA integrates both financial and non-financial information to provide strategic insights that enhance decision-making. Its development has been influenced by key scholars such as Simmonds (1981), who introduced the concept of SMA, and Bromwich (1990), who expanded it by incorporating external market factors. Over time, SMA has grown into a cross-functional discipline, integrating management accounting with marketing, operations, and strategic planning (Roslender and Hart, 2002). As SMA has developed, various techniques have emerged to help organizations align their financial strategies with broader business objectives. Benchmarking, for example, allows firms to compare their performance with industry leaders, identifying areas for improvement and competitive advantage (Elnathan, Lin and Young, 1996). Competitor cost assessment enables businesses to analyze the cost structures of rival firms, giving them insights into pricing strategies and potential areas for cost reduction (Guilding, 1999). Similarly, competitive position monitoring helps organizations track market trends and adjust their strategies accordingly (Simmonds, 1986). Beyond external market analysis, SMA also focuses on customer and brand-related financial strategies.

Customer profitability analysis (CPA) enables firms to identify their most valuable customers, tailor their marketing efforts, and optimize resource allocation (Phillip, Kim and Grow, 2005). Strategic pricing, another key SMA technique, moves beyond cost-based pricing models to incorporate market intelligence and competitor behavior, ensuring businesses remain competitive in dynamic markets (Indounas, 2014). Additionally, value chain costing evaluates costs across the entire production and distribution process, helping firms enhance efficiency and optimize supplier relationships (Shank and Govindarajan, 1992). Brand valuation further adds to SMA's strategic value by assigning a financial measure to brand equity, allowing firms to assess the long-term impact of branding efforts on overall business performance (Cravens and Guilding, 1999). Despite its significant advantages, the adoption of SMA faces numerous challenges. Organizational resistance, particularly a lack of awareness and training among business leaders and accountants, has slowed its widespread implementation (Cadez and Guilding, 2008). Many firms continue to rely on traditional accounting systems, which prioritize short-term financial performance over long-term strategic insights. Additionally, the complexity of data collection and analysis presents technical challenges, as SMA incorporates a wide range of external and non-financial information that many businesses struggle to process effectively (Nguyen, Hoang and Tran, 2023). External factors, such as rapidly changing market conditions and unreliable competitor data, also pose difficulties, making it harder for firms to implement SMA techniques like competitor cost assessment and competitive position monitoring (Nik Abdullah, Razak and Alias, 2022). However, these challenges are not insurmountable. Organizations that invest in education and training, adopt advanced data analytics technologies, and promote cross-functional collaboration can unlock the full potential of SMA. Modern accounting software, AI-driven data analysis, and cloud-based platforms are making it easier for businesses to integrate SMA into their strategic decision-making processes. Furthermore, fostering a culture of collaboration between finance, marketing, and operations teams can help overcome resistance to SMA adoption, ensuring that strategic accounting practices are aligned with overall business goals. Looking ahead, the future of SMA will be shaped by digital transformation, sustainability considerations, and the increasing demand for real-time strategic insights. As artificial intelligence (AI) and big data analytics continue to evolve, SMA will become even more sophisticated, enabling businesses to make faster and more data-driven strategic decisions (Zhen and Zhen, 2023). Additionally, the integration of Environmental, Social, and Governance (ESG) factors into SMA frameworks will allow businesses to align their financial strategies with sustainability goals, ensuring long-term value

creation beyond financial performance (Suarez, 2022). SMA has emerged as a powerful tool for businesses seeking to navigate the complexities of modern markets. By integrating financial and non-financial information, leveraging advanced analytical tools, and embracing a strategic mindset, organizations can use SMA to enhance decision-making, optimize performance, and maintain a competitive advantage. While challenges remain, the continued evolution of SMA, driven by technology, innovation, and strategic thinking, will ensure its relevance in the years to come. This is shown in figure 4.

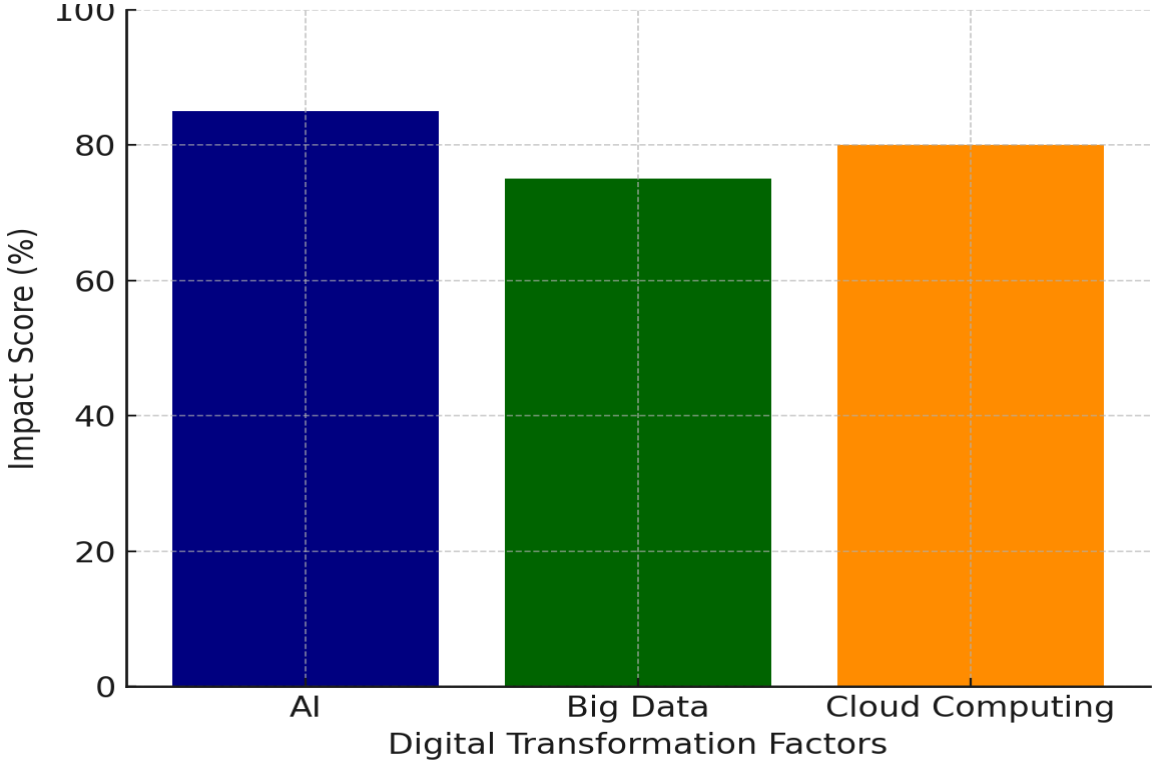

Fig 4: Impact of Digital Transformation on SMA:

7. Industry Applications of Strategic Management Accounting

The adoption of Strategic Management Accounting (SMA) techniques varies across industries, with each sector utilizing SMA to address specific strategic challenges. While the core principles of SMA remain consistent, businesses in different industries apply tailored approaches to cost management, pricing strategies, supply chain optimization, and customer profitability analysis. The manufacturing, hospitality, healthcare, retail, and technology sectors have demonstrated notable applications of SMA, leveraging its techniques to enhance performance, improve financial decision-making, and maintain competitiveness. The figure 5

shows it.

7.1 SMA in the Manufacturing Industry

The manufacturing sector relies heavily on cost management, supply chain optimization, and product lifecycle analysis, making SMA a valuable tool for achieving efficiency and cost-effectiveness. Value chain costing and strategic cost management help manufacturers identify cost-saving opportunities across their production processes, from raw material procurement to product distribution (Shank and Govindarajan, 1992). By analyzing the cost structures of suppliers, production units, and logistics, manufacturers can streamline operations, minimize waste, and optimize pricing strategies. Additionally, benchmarking is frequently employed to compare operational efficiency against industry best practices, ensuring continuous improvement in production performance and resource allocation (Elnathan, Lin and Young, 1996). Manufacturing firms also use competitive position monitoring to track industry trends, enabling them to adjust production strategies, enhance innovation, and remain competitive.

7.2 SMA in the Hospitality Industry

The hospitality industry, including hotels, resorts, and travel services, has increasingly adopted SMA techniques to optimize pricing strategies, customer profitability analysis, and competitive position monitoring (Turner, Guilding and Leung, 2017). Hotels, for example, utilize customer lifetime value (CLV) analysis to determine the long-term profitability of different customer segments, helping them allocate marketing resources effectively and design targeted loyalty programs. Additionally, strategic pricing models are essential in hospitality businesses, allowing them to adjust room rates and service pricing based on demand fluctuations, competitive pricing, and seasonal trends. This ensures that hotels maximize revenue while remaining attractive to potential customers. Competitive position monitoring further helps hospitality firms analyze market trends, competitor strategies, and guest preferences, enabling them to refine service offerings and improve customer experiences.

7.3 SMA in the Healthcare Industry

In the healthcare sector, SMA plays a crucial role in cost containment, resource allocation, and service pricing. Hospitals and medical institutions use benchmarking and competitor cost assessment to evaluate operational efficiency while maintaining high-quality patient care (Gunawansha, 2021). By analyzing financial data across different healthcare providers, supply

chains, and treatment options, hospitals can optimize their cost structures and improve service delivery. Moreover, customer profitability analysis is applied in private healthcare settings to evaluate the financial viability of different patient groups, insurance models, and healthcare services. This helps healthcare providers determine which services generate the most revenue and where cost reductions can be implemented without compromising quality. SMA techniques also aid in pricing treatments, budgeting medical resources, and improving patient care strategies.

7.4 SMA in the Retail Industry

Retailers utilize SMA techniques to maximize sales performance, optimize pricing strategies, and enhance brand equity. Customer profitability analysis helps retailers assess which customer segments are most valuable, allowing them to create personalized marketing strategies, loyalty programs, and dynamic pricing models (Cravens and Guilding, 1999). Strategic pricing plays a pivotal role in the retail industry, enabling businesses to adjust product prices based on consumer demand, competitor pricing strategies, and market conditions. Large retail chains rely on competitive position monitoring to track shifts in consumer preferences and competitor tactics, ensuring that their pricing and promotional campaigns remain competitive and relevant. Additionally, value chain analysis is widely used to improve supply chain efficiency and reduce operational costs. By analyzing logistics, supplier costs, and distribution channels, retailers can identify cost-saving opportunities and enhance inventory management and procurement strategies.

7.5 SMA in the Technology Industry

The technology sector has seen a significant rise in the adoption of SMA techniques, particularly in areas such as strategic cost management, innovation investment appraisal, and brand valuation. Software companies and tech startups apply strategic pricing models to determine subscription fees, software licensing costs, and product pricing based on competitor behavior and customer demand (Indounas, 2014). These firms use data-driven pricing strategies to maximize revenue while remaining competitive in rapidly evolving markets. Brand valuation techniques are also crucial in the tech sector, helping companies measure the financial impact of brand reputation, customer loyalty, and intellectual property assets. This is particularly relevant for firms in sectors like SaaS (Software-as-a-Service), where customer trust and brand strength significantly influence market share and revenue generation.

Technology firms further leverage SMA for cost-benefit analysis in research and development (R&D) investments, ensuring that innovation-driven spending aligns with long-term strategic goals. By integrating SMA with advanced data analytics and AI-driven forecasting models, tech firms can make smarter investment decisions, optimize operational costs, and enhance profitability.

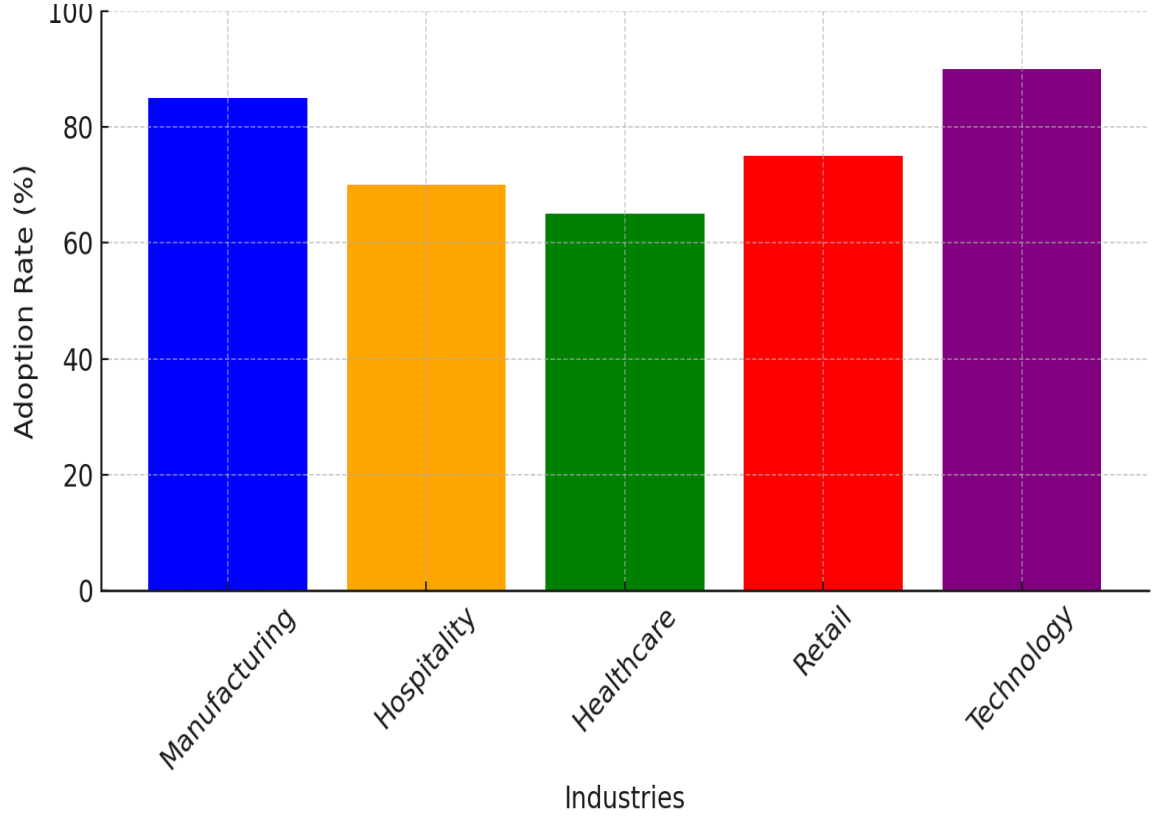

Fig 5: Adoption of SMA Techniques Across Industries

8. Conclusion

Strategic Management Accounting (SMA) has evolved into a dynamic and multifaceted discipline that integrates financial data with strategic insights to enhance decision-making. Its growing adoption across industries reflects its ability to improve cost efficiency, optimize pricing strategies, and strengthen competitive positioning. From benchmarking in manufacturing to customer profitability analysis in retail and strategic pricing in the technology sector, SMA techniques have proven instrumental in helping organizations navigate complex and highly competitive business environments. However, despite its strategic benefits, SMA adoption faces significant challenges. Lack of standardization, data complexity, limited cross-functional collaboration, and resource constraints continue to hinder its widespread implementation. Many businesses still struggle with integrating non-financial data, competitor

intelligence, and market trends into their accounting processes, limiting their ability to leverage SMA effectively. Additionally, small and medium-sized enterprises (SMEs) often lack the technological infrastructure and expertise required to implement sophisticated SMA frameworks, widening the gap between theory and practice. Looking ahead, emerging technologies such as Artificial Intelligence (AI), Big Data analytics, blockchain, and cloud computing will play a crucial role in shaping the future of SMA. AI-driven tools will enhance real-time competitor analysis, market forecasting, and financial risk assessment, allowing firms to make more data-driven strategic decisions. Sustainability and ESG reporting will also become integral to SMA, as organizations seek to align financial performance with environmental and social responsibilities. Future research should focus on developing more adaptable, technology-driven SMA models that can be customized for various industries and business sizes. As organizations continue to operate in increasingly uncertain and fast-paced markets, the role of SMA will expand beyond financial reporting to become a core function of strategic business management. By embracing digital transformation, fostering cross-departmental collaboration, and integrating sustainability into financial strategies, businesses can unlock the full potential of SMA. This will not only improve financial performance and risk management but also ensure that companies remain agile, innovative, and competitive in an ever-evolving global economy.

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