



# Application of Strategic Management Accounting in Increasing Organizational Competitiveness

Taufik Akbar<sup>1</sup>

<sup>1</sup> Universitas Mercu Buana, Jakarta, Indonesia

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## Abstract

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Strategic Management Accounting is an integrative approach that combines financial and non-financial information to support an organization's strategic decision-making. This study aims to evaluate the role of Strategic Management Accounting in improving organizational competitiveness through a literature study method of several scientific articles published and available. The results of the study show that Strategic Management Accounting contributes significantly to improving cost efficiency, marketing strategy accuracy, and long-term value creation through the application of tools such as balanced scorecard, value chain analysis, and customer profitability analysis. The findings also indicate that the implementation of Strategic Management Accounting requires organizational readiness in terms of information systems, human resource competencies, and strategic work culture support. This study concludes that Strategic Management Accounting can be a key driver of competitive advantage if implemented in a structured and contextual manner. The study recommends the gradual adoption of Strategic Management Accounting for organizations looking to improve performance and sustainable competitiveness.

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## **1. Introduction**

Changing increasingly complex business environments, characterized by market globalization, technological disruption, and increasing demands for information transparency, have demanded organizations to adopt a more adaptive, strategic, and data-driven managerial approach. In this context, Strategic Management Accounting (SMA) is emerging as one of the increasingly important approaches to support decision-making processes at the strategic level. In contrast to conventional management accounting that focuses on cost control and operational efficiency, SMA integrates financial and non-financial information to generate strategic insights that can improve the organization's competitiveness in a sustainable manner (Oyewo, 2022). SMA has a broader role than just a reporting tool. It functions as a strategic information system that supports management in designing, implementing, and evaluating business strategies. With this approach, accounting information is no longer retrospective, but rather prospective and future-oriented.

Organizations that adopt SMA can understand the cost behavior, customer profitability, as well as value structure of each business activity, thus enabling more accurate strategy formulation and responsiveness to external changes (Duçi, 2021). Furthermore, SMA supports companies to create competitive value through tools such as value chain analysis, balanced scorecard, target costing, and activity-based costing. Value chain analysis, for example, helps organizations identify activities that are truly adding value to customers. Meanwhile, the Balanced Scorecard (BSC) allows for a balanced measurement of organizational performance between financial

and non-financial indicators, such as customer satisfaction, internal process efficiency, and organizational learning. A study by Mansur (2020) shows that the use of the Environmental Management Accounting (EMA) approach as part of SMA is able to direct the company's strategy towards environmental sustainability while strengthening its competitive position in the market.

The adoption of SMA is also influenced by the development of information technology, where Enterprise Resource Planning (ERP) and Business Intelligence (BI) systems have become a catalyst in providing real-time, integrated, and more accurate accounting information. Research by Wang et al. (2022) shows that companies that use BI systems in SMA practice can respond to market changes faster and have higher decision-making efficiency than companies that have not integrated information technology systems optimally. However, the implementation of SMA cannot necessarily be done easily. Many organizations, especially small and medium-sized ones, still face internal constraints such as limited competent human resources, inadequate information systems, and organizational cultures that do not yet support the integration of accounting functions with business strategies. A study by Maelah et al. (2021) shows that most SMEs in Indonesia still apply accounting as a financial reporting tool, without strategic utilization which should be the essence of SMA. Therefore, careful planning and a gradual approach are needed in implementing SMA so that it can be thoroughly integrated into the managerial process.

Seeing the importance of the role of SMA in directing organizations towards competitive advantage, this study aims to evaluate the application of SMA in the context of increasing organizational competitiveness. Through the literature study

method, this study examines the contribution of SMA based on the findings of various scientific articles. The main focus of the study is to understand how SMA is implemented in different sectors, the tools and techniques used, as well as the challenges and opportunities that arise during the implementation process. With a deep understanding of SMA, it is hoped that this research can make a conceptual and practical contribution for organizations that want to strengthen their competitiveness in the midst of economic uncertainty and increasingly fierce market competition.

## **2. Literature Review**

### **2.1. The Concept and Evolution of Strategic Management Accounting**

Strategic Management Accounting (SMA) is a development of traditional management accounting that functions not only as a reporting tool, but also as a strategic instrument in decision-making. The SMA concept was introduced to fill the gap between financial information and the need for long-term business strategies. Within this framework, SMA emphasizes the integration between internal (cost, operational efficiency) and external information (market, competitor, and customer information) to support the formulation and implementation of the company's strategy (Oyewo, 2020). Duçi (2021) stated that SMA includes the use of accounting information focused on achieving competitive advantage, especially in understanding organizational value creation activities. The evolution of SMA is also inseparable from the development of information technology, which facilitates the transformation of the accounting system to be more analytical and strategic. In a

dynamic business environment, SMA is important because it is able to provide real-time data for managerial needs, not just historical ones. SMA also adopts a cross-functional perspective, which links financial performance to business initiatives such as product innovation, supply chain efficiency, and customer satisfaction. In other words, SMA provides organizations with the tools to navigate market uncertainty and maximize long-term value creation in a systematic and measurable manner.

## **2.2. Tools and Techniques in Strategic Management Accounting**

In practice, SMA utilizes various strategic analysis and measurement techniques that function to provide valuable information for business decision-making. Some of the main techniques that are often used in SMA include: value chain analysis, target costing, Activity-Based Costing (ABC), customer profitability analysis, and Balanced Scorecard (BSC). Each of these techniques has a specific but complementary purpose. Value chain analysis, for example, helps organizations identify activities that add value and eliminate inefficiencies. Meanwhile, target costing is used to design products with a cost determined based on the market price and desired margin (Mansur, 2020). The Balanced Scorecard is one of the most popular approaches because it is able to combine financial and non-financial indicators in a balanced manner to assess the performance of an organization. In research by Kurniawan et al. (2020), the implementation of BSC has helped companies in managing strategies comprehensively through four main perspectives: finance, customers, internal business processes, and learning and growth. In addition, activity-based costing and customer profitability analysis play a role in compiling more accurate cost information based on actual activities and customer

contribution to profit. With the use of these techniques, SMA helps organizations in aligning operational activities with business strategies in a more structured and data-driven manner.

### **2.3. The Influence of SMA on Organizational Competitiveness**

The implementation of SMA has a significant impact on increasing the competitiveness of organizations. One of SMA's key contributions is its ability to present strategic information that is relevant to value-based decision-making. In a study by Dlamini (2020), small and medium-scale manufacturing organizations in Zimbabwe that use SMA showed improved cost efficiency, the ability to set prices strategically, and a better understanding of product profitability. This encourages them to focus resources on the most profitable customer segments, as well as avoid low-value activities. In addition, research by Gargiulo et al. (2022) shows that SMA assists SMEs in designing data-driven strategies, improving working capital efficiency, and strengthening business resilience to external risks such as changes in raw material prices and fluctuations in market demand. Organizations that use SMA also have greater strategic flexibility, as the information gained allows them to respond quickly to market dynamics. Basiru et al. (2023) added that SMA is able to drive process and product innovation because it provides a comprehensive overview of sources of competitive advantage and areas for improvement. Therefore, SMA not only supports internal efficiency, but also becomes a driver of continuous external competitive advantage.

### **3. Method**

This study uses a descriptive qualitative approach with a literature review method to explore and analyze the role of Strategic Management Accounting (SMA) in improving organizational competitiveness. This method was chosen because it allows researchers to identify, summarize, and synthesize findings from a variety of relevant academic sources to generate in-depth conceptual and practical understanding. This literature review is not experimental, but analytical-critical, focusing on the theoretical and implementive understanding of SMA based on previous research. The secondary data used in this study were obtained from several scientific articles published in accredited national and international journals available through the Google Scholar database and other reputable journal portals. The inclusion criteria for the articles reviewed were: (1) published in last five years, (2) explicitly discussing Strategic Management Accounting or strategic techniques in management accounting, and (3) linking the implementation of SMA to organizational competitiveness or strategic performance improvement.

The literature search process was carried out with keywords such as: “Strategic Management Accounting”, “organizational competitiveness”, “performance measurement”, and “value-based management”. Relevant articles are then analyzed using a thematic approach, where information is classified into three main categories: (1) SMA concepts and theories, (2) strategic techniques and tools within SMA, and (3) the influence of SMA on organizational competitiveness. This approach helps in identifying patterns, gaps, and conceptual contributions from each source. In addition to content analysis, researchers also use conceptual triangulation

to compare findings from various articles from different industry and country contexts. This aims to increase the validity and reliability of the interpretations made, as well as ensure that the results of the study are not biased towards one particular perspective. To maintain academic integrity, all sources used are explicitly listed in the APA Style citation format. Through this approach, the research is expected to provide a comprehensive understanding of how SMA is applied in practice and how its role is in strengthening the strategic position of organizations across various industry sectors and business scales.

#### **4. Results**

The results of this literature study show that the application of Strategic Management Accounting (SMA) plays a very significant role in driving the overall competitiveness of the organization. SMA serves as a framework that integrates strategic elements with financial and non-financial information to support more accurate, fast, and relevant decision-making to the dynamics of the business environment. From various studies analyzed, it was found that organizations that implement SMA consistently experience improved competitive performance in the form of cost efficiency, accuracy of market strategy, and achievement of long-term goals. Most articles highlight a paradigm shift in the use of accounting data. No longer just used for historical reporting, accounting information is now the basis for determining long-term strategies, including industry trend analysis, identification of high-value customers, and value-based pricing.

A study by Mansur (2020) shows that through the Environmental Management Accounting (EMA) approach, organizations are not only able to identify hidden environmental costs but also build a competitive advantage by strengthening their sustainability image. This approach is particularly relevant in the context of increasing social and environmental awareness, where customers prefer products or services from socially responsible companies. Research by Dlamini (2020) revealed that Small and Medium Enterprises (SMEs) in Zimbabwe that implement SMA techniques such as customer profitability analysis and target costing, show significant improvements in operational efficiency and financial performance. This strategy allows organizations to focus on the most profitable market segments, as well as eliminate activities that do not provide added value. A similar thing was also found in a study by Maelah et al. (2021), which showed that SMEs in Indonesia that implemented SMA managed to reduce operational costs and increase net profit margins within a three-year period. By mapping activities based on their contribution to strategic value, business owners become better able to make data-driven decisions rather than mere assumptions.

Meanwhile, information technology integration is a crucial element in supporting the optimal implementation of SMA. Wang et al. (2022) show that the utilization of Business Intelligence (BI) systems in strategic management accounting allows for faster, more accurate, and responsive decision-making to market changes. The system allows real-time mapping of financial conditions, market demand, and customer behavior. In this context, SMA does not stand alone, but requires the support of a qualified technology ecosystem in order to carry out its functions

strategically. The study by Kurniawan et al. (2020) also supports this finding, where organizations that have integrated ERP and BI systems into the SMA structure show better strategic resilience in the face of the disruption of the COVID-19 pandemic.

The Balanced Scorecard (BSC) is one of the most widely used SMA tools in various sectors, as mentioned in several of the literature analyzed. With BSC, organizations can combine financial and non-financial based measurements, such as customer growth, internal process efficiency, and HR capability development. The use of BSC creates a connection between the company's mission and operational performance in a concrete way. According to research by Leal Filho et al. (2020), higher education institutions that implement BSC in their strategic accounting systems are able to manage budgets more effectively and improve the institution's reputation through quality educational services. In addition, SMA also plays an important role in managing strategic risks, especially in situations of economic uncertainty. This approach helps organizations map the sources of risk and establish mitigation scenarios based on historical data and future projections.

For example, in a study by Haddad et al. (2020), it was explained that companies that actively use SMA are able to survive in the midst of exchange rate volatility and raw material fluctuations because they have designed a strategy of resource diversification and market segmentation from the beginning. These organizations not only survived, but in some cases even experienced growth due to the superiority of the information they had. However, the success of SMA is not necessarily achievable for all organizations. The main obstacle stems from a lack of managerial understanding of the importance of a strategic approach in accounting.

Many organizations are still fixated on the traditional paradigm that views accounting functions only as a tool for financial reporting and tax compliance. Study by Gargiulo et al. (2022) found that most SMEs in North Sumatra have not been able to implement SMA optimally due to the limited competence of accountants in terms of strategic data interpretation. In addition, limited funds for investment in information systems are also a major obstacle, especially among small-scale organizations.

Organizational culture also plays an important role in the success of SMA. In some cases, resistance to change becomes a major obstacle even though the organization is technologically and humanly prepared. Organizations that successfully implement SMA are those that have an open work culture to innovation, cross-functional collaboration, and a strong commitment from top leadership. Basiru et al. (2023) stated that companies with flexible management structures and leadership support for accounting HR development are better able to absorb SMA practices and integrate them into daily strategic processes. Some studies have even shown that SMA can be an important tool in shaping an organization's long-term strategic orientation.

In addition to focusing on cost efficiency, SMA also helps organizations create innovation-based excellence and speed of adaptation. A study by Romero et al. (2021) illustrates how SMA is able to be a link between product innovation strategies and cost structures, thereby creating a business model that is not only profitable, but also strategically sustainable. This is proof that SMA has evolved into an instrument that goes far beyond the conventional limits of accounting functions.

In the public service sector, such as education and health, SMA has also begun to be implemented to improve program efficiency and transparency in budget use. Leal Filho et al. (2020) shows that with SMA, educational institutions are able to allocate resources based on academic performance indicators and student needs. This creates a data-driven management system that is much more transparent and accountable. However, success in the public sector is still lower than in the private sector, mainly due to bureaucratic and political obstacles.

This literature review provides strong evidence that SMA is an effective approach in improving organizational competitiveness. SMA functions not only as an information system, but as a strategic framework that encourages collaboration between organizational functions, improves decision accuracy, and creates a strong foundation for long-term growth. By bringing together technology, HR, and strategy in one unified system, organizations have a great opportunity to not only survive, but also excel in increasingly competitive global competition. However, the success of SMA is highly dependent on the readiness of the organization to overcome structural, cultural, and technological challenges. For this reason, a phased approach is needed that includes human resource training, preparation of SMA implementation roadmaps, and periodic evaluation of the effectiveness of the system implemented. Only with a combination of strategy, technology, and people can SMA perform its function as a key driver of an organization's competitive advantage.

## 5. Discussion

The results of this literature study show that Strategic Management Accounting (SMA) has a real and significant influence on increasing the competitiveness of organizations. SMA provides an information framework that allows organizations to look beyond just aspects of operational efficiency and conventional financial reporting. SMA's role extends into strategic areas such as high-value customer management, value-creating activity mapping, activity-based cost control, and data-driven long-term planning. These findings are in line with the results of previous research by Oyewo, (2020), which stated that SMA contributes to strategic performance through the integration of managerial tools and accounting information in a strategic context. One of the important aspects raised from various literature is the role of information technology in supporting the implementation of SMA.

Organizations that integrate SMA with Enterprise Resource Planning (ERP) or Business Intelligence (BI) systems have the advantage of processing strategic information quickly, accurately, and in real-time. This improves the organization's ability to respond to market changes adaptively and strengthens data-driven decision-making. A study by Romero et al. (2021) corroborates this argument by showing that companies that have adopted BI-based strategic information systems have a higher level of managerial flexibility than companies with conventional systems. Nevertheless, while the potential of SMA is enormous, the success of its implementation is uneven across all organizations. Inhibiting factors such as the lack of competent human resources in strategic accounting, cultural resistance to change,

and high initial investment in the development of strategic information systems are serious challenges, especially for small and medium enterprises (SMEs).

Study by Gargiulo et al. (2022) shows that many SMEs in Indonesia have not been able to maximize the function of SMA because accounting approaches are still traditional and have not been integrated with business strategies. This causes decision-making to remain based on intuition, not data analysis. The discussion also showed that SMA cannot stand alone as an administrative system, but should be seen as an integral part of strategic management. For this reason, the success of SMA requires the active involvement of organizational leaders, strategic units, and accounting functions collaboratively. In addition, the development of human resource competencies is an important prerequisite in building an effective SMA system.

Organizations need to provide training and skill development in strategic data interpretation, long-term financial modeling, and mastery of tools such as balanced scorecards, value chain analysis, and target costing. Finally, the findings of this study underscore that SMA has the potential to be a key differentiator in achieving competitive advantage, especially in a modern era of highly competitive and uncertainty. However, the maximum benefits of SMA can only be felt if the organization views it as a strategic investment, not just an administrative obligation. The transformation of the accounting role from a reporting function to a strategic function is the essence of the effective and sustainable implementation of SMA.

## 6. Conclusion

Strategic Management Accounting is a vital approach in supporting the improvement of organizational competitiveness. Through strategic information integration, optimization of accounting information systems, and long-term orientation towards value creation, SMA is able to provide a relevant framework for superior decision-making. This research confirms that organizations that implement SMA have better ability to respond to market changes, improve operational efficiency, and achieve sustainable competitive advantage. However, the successful implementation of SMA requires the readiness of information infrastructure, human resource competence, and strategic cultural support from all levels of the organization. With the increasing complexity of global business, SMA is expected to continue to evolve as a key tool in the planning and execution of organizational strategies. This study recommends that organizations, particularly in the SME sector, begin to adopt the SMA approach gradually through training, the use of basic technologies, and the establishment of cross-functional strategic units that focus on value analysis.

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