



Integration of Strategic Management and Financial Accounting in Improving Corporate Performance in Developing Countries

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Abstract

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This research aims to examine the integration between strategic management and financial accounting in improving corporate performance in developing countries. Through the literature study method, this study analyzes several relevant scientific articles published in last five years. The results of the study show that the integration of these two areas can improve operational efficiency, decision-making quality, and reporting transparency. Companies that implement financial reporting systems that are integrated with strategic planning tend to be more adaptive to market dynamics and have higher competitiveness. Information technology support, collaborative organizational culture, and accountable government policies are the driving factors for the success of the integration. However, limited human resources and infrastructure are the main obstacles, especially in the MSME sector. This study concludes that the integration of strategic management and financial accounting is a fundamental strategy to create a competitive and sustainable company.



1. Introduction

The growth and complexity of the business world in developing countries has accelerated significantly in the last two decades. Companies in the region are facing pressure from multiple directions: economic globalization, technological change, financial crises, and rising stakeholder expectations for transparency and sustainable performance. In these conditions, a company's ability to survive and thrive is largely determined by how they formulate effective strategies and manage finances efficiently. The integration between strategic management and financial accounting is non-negotiable if companies want to improve competitiveness and overall performance. Strategic management provides long-term direction for the company, while financial accounting presents the factual and accountable information needed to measure and evaluate the strategy. Unfortunately, in many developing countries, these two disciplines still run in parallel and have not been synergistically integrated in managerial practice.

The integration between strategic management and financial accounting can actually create a more robust decision-making system. When financial information is used to design strategies, companies have a more concrete footing to allocate resources, set growth targets, and manage risks arising from external uncertainties (Ibrahim et al., 2020). In the context of developing countries, this is especially important given limited capital, limited access to information, and uneven human resource capacity. Moradi et al. (2020) show that the integration of strong management and financial information in companies in Iran has a positive impact

on fiscal discipline and business resilience amid economic crises and regulatory instability.

Small and medium-sized enterprises (MSMEs), which are the backbone of economies in developing countries such as Indonesia, also have an urgent need to adopt this integration. Kustiningsih et al. (2022) stated that the integrated application of management accounting practices and information technology-based business strategies in MSMEs is able to increase operational efficiency, improve cash flow, and increase business resilience in the long term. These findings confirm that financial accounting is not just a reporting tool, but a strategic asset that supports management in designing and executing company strategies more rationally and accurately.

Nevertheless, the integration between strategic management and financial accounting in developing countries still faces many challenges. Key challenges include limited digital infrastructure, low managerial financial literacy, and lack of an organizational culture that supports data-driven decision-making. Cunha et al. (2021) notes that companies in Africa face difficulties in implementing strategic finance principles due to the misalignment between strategic functions and financial reporting. In fact, if these two disciplines are effectively combined, the result is a more consistent, adaptive company performance and able to deal with external pressures flexibly.

Research by Bohm et al. (2021) also shows that the application of the Balanced Scorecard as an integrative tool between strategy and accounting contributes significantly to improving organizational performance. This suggests

that the use of financial and non-financial based performance measurement systems together can provide a more complete picture of a company's performance. Similarly, Al-Okaily et al. (2023) revealed that digital companies in Indonesia that integrate accounting information systems with corporate strategies are able to achieve a more sustainable competitive advantage through reporting efficiency, transparency, and high responsiveness to market changes.

Departing from these conditions, this study aims to conduct an in-depth literature review on how the integration of strategic management and financial accounting can improve the performance of companies in developing countries. The study will not only highlight integration models that have proven to be successful, but will also identify key obstacles and barriers to their implementation and recommend strategic steps that can be taken to improve the effectiveness of such integrations.

The formulation of the problem in this study includes three main aspects. First, how can the integration of strategic management and financial accounting improve the performance of companies in developing countries? Second, what kind of integration model is effective and can be applied in the context of developing countries? Third, what are the main inhibiting factors in the integration process? By answering these questions, this study is expected to make a contribution both theoretically and practically.

Academically, this study will enrich the management and accounting literature with a focus on the integration of both in the context of developing countries, which have received little attention. Meanwhile, practically, the results of this research can

be used by management practitioners, auditors, accountants, and policymakers in formulating business strategies and economic policies based on the efficiency and effectiveness of company performance. With a data-driven approach and up-to-date literature, it is hoped that this study will be able to provide a comprehensive understanding of the potential and challenges of integration between financial strategy and accounting in supporting sustainable economic growth in developing countries.

2. Literature Review

2.1. Strategic Management in the Context of Developing Countries

Strategic management is an ongoing process that includes the formulation, implementation, and evaluation of strategies to achieve a competitive advantage. In the context of developing countries, strategic management plays a vital role in addressing external dynamics such as economic uncertainty, dependence on foreign resources, and weak institutional systems. Cunha et al. (2021) emphasizes that companies in Africa tend to face limitations in responding to global challenges due to the lack of flexible and adaptive strategy structures. Strong strategic management is able to provide long-term direction, systematically identify risks, and set strategic priorities based on market opportunities and internal capacity.

In developing countries such as Indonesia, the implementation of strategic management is beginning to increase along with the demands for efficiency and accountability. The study of Kustiningsih et al. (2022) shows that Micro, Small, And Medium Enterprises (MSMEs) that have a clear strategic approach are better able to

survive in volatile market conditions. This is also true in the digital sector, where information technology-based strategies allow for faster, data-driven decision-making. However, there are still significant obstacles such as low strategic analysis skills and lack of investment in managerial training. Therefore, there is a need to increase the capacity of human resources so that companies are able to adopt and evaluate strategies consistently. In addition, integration with other functions such as accounting is key so that strategic management is not only a discourse, but a real part of the decision-making process.

2.2. Financial Accounting as a Strategic Decision Making Tool

Financial accounting has long been seen as a historical reporting tool. However, in modern managerial practice, the financial accounting function has evolved into an important tool in supporting strategic decision-making. Accurate and relevant financial information allows management to assess the company's financial position, evaluate investment strategies, and measure operational efficiency. According to Ibrahim et al. (2020), companies that actively utilize financial accounting data in strategic planning and evaluation tend to have more stable and efficient performance in the use of resources. In the context of developing countries, the main challenges in the use of financial accounting are the low integration of information systems and the lack of accountability in financial reporting. Moradi et al. (2020) said that accounting practices in many Iranian companies are still fragmented, hampering long-term planning efforts. In fact, if financial information is used as a foundation in business strategy, management can make more informed decisions regarding expansion, cost efficiency, and profitability evaluation.

In addition, Al-Okaily et al. (2023) shows that digital-based accounting systems have helped improve transparency and speed of reporting, thus enabling more responsive and fact-based decision-making. Thus, financial accounting no longer only serves as a reporting system for external stakeholders, but becomes an important element in the process of formulating and controlling internal strategies. The integration of financial data and strategic planning allows companies to respond to environmental changes more quickly and on target, especially in developing countries that tend to have high economic fluctuations.

2.3. Integration of Strategic Management and Financial Accounting in Improving Performance

The integration between strategic management and financial accounting is a synergistic approach that aims to ensure that every strategic decision is based on valid and relevant financial information. Kumar et al. (2024) state that the Balanced Scorecard is one of the tools that proves the success of this integration, as it combines financial and non-financial indicators to measure and direct the performance of a company. With this system, organizations can align strategic goals with financial results simultaneously. In developing countries, this kind of approach is still not common, although it has been shown to have a positive impact on efficiency and accountability. Research by Al-Okaily et al. (2023) also supports the view that the integration of accounting systems with strategic planning allows organizations to respond to market dynamics more agilely. In a case study of digital companies in Indonesia, the integration improves reporting efficiency, data accuracy, and speed of decision execution.

In addition, Cunha et al. (2021) emphasizes that this integration supports good corporate governance, which in turn strengthens investor confidence and financial stability. However, there are a number of challenges that hinder this integration process, especially in developing countries. Among them are limited technological resources, lack of cross-functional training between strategic and finance teams, and organizational cultural resistance to system change. Therefore, a systematic strategy is needed to build an integrative culture and investment in human resource development so that this integration can run sustainably. When strategic management and financial accounting work in harmony, the company is not only able to survive in a competitive business environment, but also develop sustainably with a solid information base and a measurable strategy.

3. Method

This study uses a literature review method that is descriptive-qualitative. The main objective of this approach is to identify, examine, and synthesize the results of previous research related to the integration between strategic management and financial accounting and its impact on company performance, especially in the context of developing countries. Literature review is the right approach because it allows researchers to examine existing concepts, theoretical frameworks, and empirical findings from a wide range of scientific sources, without the need to collect primary data. In addition, this approach is particularly relevant to explain complex and multidisciplinary phenomena such as the integration between the two managerial fields.

The data sources in this study were obtained from scientific articles published in the last five years and sourced from trusted academic platforms from Google Scholar. The inclusion criteria used in the article selection include: (1) the topic's relevance to the integration of strategic management and financial accounting; (2) focus on research in the context of developing countries; and (3) the availability of complete documents for analysis. From the results of the initial search, several scientific articles that met these criteria were obtained and used as the main basis in the analysis.

The steps in the literature study process begin with searching for keywords such as “strategic management”, “financial accounting integration”, “corporate performance”, and “developing countries”. After the relevant articles are identified, an in-depth review of the methodology, key findings, and the linkage between strategic management and financial accounting is carried out. The researcher then compiled a narrative synthesis to group the main themes that emerged from various studies, such as the form of system integration, the impact on financial and non-financial performance, and the inhibiting factors in the implementation of such integration.

In addition, the researcher also conducts a critical analysis of the strengths and weaknesses of each study to gain a comprehensive understanding and avoid interpretive bias. The preparation of findings was carried out thematically, by grouping information based on three main focuses: the role of strategic management, the contribution of financial accounting, and the results of the integration of the two to the company's performance. The results of this synthesis

process are then used as the basis for the preparation of the results and discussion sections. With this literature review approach, it is hoped that the research can make an academic contribution in the form of mapping theories and best practices relevant to the context of developing countries, as well as providing practical insights for stakeholders in designing more effective and data-driven integrative strategies.

4. Results

The results of the literature review show that the integration between strategic management and financial accounting has a significant positive impact on improving company performance, especially in developing countries. This integration not only helps companies in making more informed decisions, but also improves operational efficiency, accountability, and speed of response to market changes. In a strategic context, financial accounting serves as an important source of information that provides an analytical basis for management in formulating long-term strategies and performance evaluations.

One of the key findings of various studies is that companies that successfully integrate financial reporting systems with strategic planning processes tend to have advantages in managing resources, setting priorities, and optimizing investments. Kustiningsih et al. (2022), through a research based on the Resource-Based View theory on MSMEs in Indonesia, found that technology adoption plays a role as a link between management accounting practices and financial performance. With a supporting information system, financial data can be accessed and used in real-time

by management to support strategic decision-making, such as market expansion, product diversification, and production cost efficiency.

Moradi et al. (2020) identified that in Iran, companies that implement an integrated financial reporting system with managerial processes show a higher level of profitability, especially when supported by strong internal audit practices. This kind of integration saves companies from the risk of speculative decision-making and allows them to focus on realistic and measurable growth strategies. This is also supported by Ibrahim et al. (2020), who found that companies that have a well-structured accounting information system tend to show improvements in financial performance indicators such as Return on Assets (ROA), Net Profit Margin (NPM), and working capital turnover.

Other results show that this integration also has an impact on increased transparency and investor trust. Al-Okaily et al. (2023) noted that digital companies in Indonesia that combine cloud-based accounting systems with digital business strategies experience a surge in corporate value due to increased reporting transparency and market perception of management efficiency. An integrated reporting system allows companies to provide faster and more accurate information to stakeholders, both internally and externally. This contributes to building the company's reputation and opening up access to cheaper external financing.

These findings are strengthened by Bohm et al. (2021) through a study on the implementation of the Balanced Scorecard (BSC) as an integration tool between financial reporting strategies and systems. BSC not only enables companies to comprehensively measure performance (financial, customer, internal processes, and

organizational learning), but also bridges cross-divisional communication between strategic and financial teams. With BSC, strategy can be translated into measurable operational targets, so that every part of the organization understands its contribution to the company's strategic goals.

However, the success of this integration is highly dependent on organizational readiness, particularly in terms of organizational culture, information systems, and human resource competencies. Cunha et al. (2021) reveals that in Sub-Saharan African countries, the biggest challenges in the integration between strategy and financial reporting are the limitations of digital infrastructure and cultural resistance to transparency. In many companies, the finance function is still considered a purely administrative domain and is not involved in the strategy formulation process. As a result, there is a disconnect between strategic objectives and the allocation of financial resources, which causes the company's strategy not to be executed optimally.

In addition, integration can also fail if it is not supported by top management commitments. Chopra et al. (2024) noted that in the context of implementing strategies based on ESG (Environmental, Social, and Governance) principles, the integration between strategy and financial reporting is successful if top management makes ESG indicators part of the reporting and performance measurement system. This shows that integration can only be effective if there is harmonization between the strategic vision and the measurement system used by the company.

From an institutional perspective, there is evidence that government regulations and policies in developing countries play an important role in driving this

integration. A government that implements good financial reporting and governance standards will create a business ecosystem that supports openness and accountability. For example, Andrey (2023) in a study conducted in Nigeria showed that fiscal policy interventions that require companies to implement ESG reporting standards have a positive impact on improving the quality of strategies and financial performance.

Furthermore, in the MSME sector, the results show that integration can start from simple things such as strategic-based budgeting, performance reports based on strategic targets, and the involvement of accountants in operational planning. The study from Ilori et al. (2023) emphasizes the importance of a phased approach in building a strategic reporting system, especially in small companies that have limited resources. Digitalization is also a major supporting factor. In a study by Al-Okaily et al. (2023), the adoption of the Enterprise Resource Planning (ERP) system has been proven to be able to unify strategic planning, financial reporting, and operational functions into one integrated platform.

As a final note, the integration between strategic management and financial accounting not only impacts the financial aspect alone, but also improves the quality of decision-making, employee engagement, and a culture of accountability. When strategies are designed and controlled with valid and verifiable data, companies will be more adaptive to environmental changes, more competitive in the market, and more sustainable in the long run. The results of this literature show that companies in developing countries have great potential to improve their performance through

this integration, provided they are willing to invest in information systems, cross-functional training, as well as building a data-driven and collaborative work culture.

5. Discussion

The results of the literature synthesis show that the integration between strategic management and financial accounting plays an important role in improving corporate performance, especially in the context of developing countries facing various structural and institutional challenges. These findings are in line with the Resource-Based View, which states that a company's competitive advantage depends on its internal ability to utilize unique and hard-to-replicate resources, including information systems and integrative management structures (Kustiningsih et al., 2022). The integration referred to here is not only at the level of the reporting system, but also concerns the collaborative process between strategic and financial units in designing and implementing long-term policies.

Discussions of previous results emphasize that this integration can strengthen operational efficiency, speed up decision-making processes, and improve the quality of performance evaluations. When strategies are prepared based on accurate financial data, companies can be more realistic in setting targets, understanding limitations, and anticipating risks. This is important in the context of developing countries that have regulatory uncertainty, exchange rate fluctuations, and limited capital resources. However, these benefits cannot be achieved immediately without the support of qualified information systems, a collaborative organizational culture,

and cross-functional competencies between strategic managers and accountants (Cunha et al., 2021).

One of the important aspects that emerged from this discussion was that integration cannot be effective if the financial function is only positioned as an administrative data provider. In contrast, financial accounting must be involved from the beginning in the strategy formulation process, from planning to control and evaluation. Models such as the Balanced Scorecard (Kumar et al., 2024) and ERP (Al-Okaily et al., 2023) have been proven to assist organizations in integrating strategic planning with financial reporting, but their success is highly dependent on the organization's ability to manage change and develop relevant HR capacity.

In addition, external factors such as public policy support, consistent reporting regulations, and access to digital technology also play an important role. A study by Andrey (2023) shows that fiscal incentives and ESG policies from the government can accelerate the process of system integration in companies. However, companies need to avoid a purely symbolic approach (symbolic compliance), and really make financial data the basis for all strategic decisions.

Thus, this discussion underscores the importance of a systematic, cross-functional, and infra-supported approach in integrating strategic management and financial accounting. The implementation of this integration not only provides a competitive advantage but also strengthens the organization's resilience to crises and market changes, making it relevant and applicable to companies in developing countries.

6. Conclusion

Based on the results of the literature review that has been conducted, it can be concluded that the integration between strategic management and financial accounting is a key factor in improving the performance of companies in developing countries. This integration provides a robust framework for more accurate and accountable planning, decision-making, control, and performance evaluation. In the context of a dynamic and uncertain business environment such as those common in developing countries, this integration allows companies to respond to changes quickly, efficiently and strategically. Relevant and timely financial information not only supports operational decisions, but also strengthens the company's strategic direction, increases transparency, and builds stakeholder trust.

However, the success of this integration is highly dependent on a number of factors, such as the readiness of digital infrastructure, a collaborative organizational culture, cross-functional skills, and regulatory support from the government. In many cases, these challenges become a major obstacle in the integration process, especially for small and medium-sized companies that have limited resources. Therefore, there needs to be a commitment from top management to encourage synergy between strategic and financial functions through investment in information systems, HR training, and the adoption of integrated managerial models such as Balanced Scorecards and ERP systems. Overall, the integration of strategic management and financial accounting is not only a technical necessity, but a fundamental strategy in building competitive, adaptive, and sustainable companies in developing countries.

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