STRATEGIC MANAGEMENT ACCOUNTING: DEFINITIONS AND DIMENSIONS

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STRATEGIC MANAGEMENT ACCOUNTING: DEFINITIONS AND DIMENSIONS

Abstract

The purposes of this paper are twofold: firstly it aims to discuss prior definitions of strategic management accounting (SMA) in order to understand the main purposes and the scope of SMA; secondly the management accountant's participation in the strategic decision-making and SMA practices are discussed. The SMA literature review shows us that there is no consensus in the SMA definition. However, there is some common elements in the SMA definitions, such as: i) a development of management accounting with a strategic orientation; ii) an external orientation (outward-looking orientation); and, iii) an orientation for future (forward-looking orientation). In addition, SMA adopts both financial and non-financial measurement typologies and an orientation to internal resources and organizational capabilities (intellectual capital). There is also some consensus on the main purpose. SMA must cooperate and provide strategic information for the strategic management, marketing, and other managerial functions. The purpose is to create and achieve competitive advantages and enhance organizational performance. To accomplish this goal SMA considers two dimensions related with the management accountant's participation in the strategic decision-making process and a set of SMA practices. Therefore, this paper contributes to a better understanding of the concept and scope of SMA and its two dimensions. In this sense, it assists practitioners and researchers to understand, adopt, use, and research the SMA.

Resumen

Los objetivos de este trabajo son dos: el primero pretende debatir algunas definiciones previas de contabilidad de gestión estratégica (CGE) a fin de comprender el principal objetivo y el ámbito de la CGE; el segundo objetivo es analizar la participación del profesional de contabilidad de gestión en la toma de decisiones estratégicas y las herramientas de CGE. La revisión de la literatura realizada demuestra que no hay consenso en la definición de CGE. Sin embargo, hay algunos elementos comunes en las definiciones de CGE, tales como: i) desarrollo de la contabilidad de gestión con una orientación estratégica; ii) orientación hacia el exterior; y, iii) orientación hacia el futuro. Además la CGE adopta tipologías de medición tanto financieras como no financieras y una orientación para los recursos internos e capacidades de la organización (capital intelectual). También hay algún consenso sobre el principal objetivo de la CGE que debe cooperar y suministrar información estratégica para la gestión estratégica, marketing y otras funciones de gestión. El objetivo es crear y obtener ventajas competitivas y mejorar el desempeño de la organización. Para lograr este objetivo la CGE considera dos dimensiones relacionadas con la participación del profesional de contabilidad de gestión en la toma de decisiones estratégicas y las herramientas de CGE. Por consiguiente, este trabajo contribuye para un mejor entendimiento del concepto y ámbito de la CGE y sus dimensiones. En este sentido, ayuda los profesionales y los investigadores a entender, adoptar, usar e investigar la CGE.
1. Introduction

Over the last decades several changes have occurred in the external environment (e.g. business globalization, growth of the knowledge economy, shorter product life cycles, and more intense competition) and organizational design (e.g. application of flexible work structures and advanced manufacturing technologies) that intensified the challenges for managers (Baines & Langfield-Smith, 2003; Chenhall, 2008; Dent, 1996; Lee & Yang, 2011). In the planning, decision-making, and control process, in order to achieve competitive advantages and enhance organizational performance managers need to complement traditional management accounting information (financial, internal, and historical information) with non-financial, external, and prospective or forward-looking information (Baines & Langfield-Smith, 2003; Kaplan & Norton, 1992; McManus, 2013). Due to the difficulty of conventional management accounting to provide relevant management accounting information and as a result of several criticisms (e.g. Johnson & Kaplan, 1987; Kaplan, 1984; Roslender, 1995, 1996), some developments of management accounting such as activity-based accounting, accounting for advanced manufacturing technology, and strategic management accounting (SMA) have emerged.

The concept of SMA was introduced in management accounting literature for the first time by Simmonds (1981) in a paper published in Management Accounting, an UK professional magazine. Several studies and developments that followed (e.g. Bromwich, 1990; Bromwich & Bhimani, 1989, 1994; Roslender & Hart, 2002, 2003, 2006, 2010; Simmonds, 1982, 1986) have considered SMA a development of the management accounting with orientation for strategic management (which encompasses formulation, implementation, and strategy control) and also for marketing and other managerial functions. They considered that SMA adopts mostly an external or outward-looking (with customers, competitors, and markets focuses) and forward-looking orientation that provides a strategic orientation. Some authors (e.g. Nixon & Burns, 2012a; Tayles, Bramley, Adshead, & Farr, 2002; Tayles, Pike, & Sofian, 2007) have also considered that SMA comprises an orientation to internal resources and organizational capabilities in order to support external competitive bases. This orientation is especially important given that those resources are now the focus of the strategic management (Cummings & Daellenbach, 2009; Dent, 1996; Furrer, Thomas, & Goussevskaya, 2008; Nixon & Burns, 2012a).

For over 30 years, there is no agreed definition of SMA and there is also no agreement about what constitutes SMA (Agasisti, Arnaboldi, & Azzone, 2008; Cadez & Guiding, 2008; Ewert & Ernst, 1999; Guilding, Cravens, & Tayles, 2000; Langfield-Smith, 2008; Tomkins & Carr, 1996). Some studies (e.g. Cadez & Guiding, 2007; Cinquini & Tenucci, 2010; Guiding et al., 2000) have also concluded that the use of SMA is very low. However, according to several authors (Bhimani & Langfield-Smith, 2007; Cadez & Guiding, 2008; Guiding et al., 2000; Langfield-Smith, 2008; Ma & Tayles, 2009; Roslender, 1995, 1996; Roslender & Hart, 2002, 2003, 2006) the development and use of SMA are important given that its strategic orientation allows to achieve competitive advantages and enhance organizational performance. The interest in the SMA research has also been maintained and strengthened with the publication of special issues by the Management Accounting Research journal in 1996 (Tomkins & Carr, 1996) and in 2012 (Nixon & Burns, 2012b), and the recent development of some studies (e.g. AlMaryani & Sadik, 2012; Alnawaiseh, 2013; Carlsson-Wall, Kraus, & Lind, 2015; Cinquini & Tenucci, 2010).

Therefore, the purposes of this paper are twofold: firstly it aims to discuss prior definitions of strategic management accounting (SMA) in order to identify some common elements that allow to understand the main purposes and the scope of SMA;
secondly it aims the knowledge and discussion of two SMA’s dimensions related with the involvement of the management accountant in the strategic decision-making and the SMA practices. In this context, this paper contributes to clarify the concept and scope of SMA which is useful for researchers and practitioners in the research and use of SMA.

To accomplish the purposes a literature review was done related with the conceptual development of SMA as well as related with the empirical research of implementation and use of SMA practices. Some prior reviews of SMA adoption, implementation, and use were also analysed (e.g. Langfield-Smith, 2008; Nixon & Burns, 2012a; Roslender & Hart, 2002, 2006, 2010). The review was based namely on papers published in the leading journals in the field, such as Accounting, Organizations and Society, and Management Accounting Research. The review was selective and illustrative of issues pertinent to the SMA literature.

The remainder of this paper is structured by three sections. In the next section is provided a brief analysis and discussion of prior SMA definitions. Section 3 contains a presentation and an analysis of the two dimensions of SMA related with the involvement of management accountant in the strategic decision-making and SMA practices. Finally, the discussion, main conclusions, and some limitations of this paper are presented.

2. Definitions of SMA

The Table 1 shows some definitions of strategic management accounting (SMA) that have been presented by several authors. The list is merely illustrative and does not claim to be exhaustive. Therefore, the main purpose is to understand the main differences and similarities derived of its analysis, and to identify the common elements that allow to understand the scope of SMA.

Simmonds (1981) presented a definition focused in the provision and analysis of information about competitors, and its use in developing and monitoring business strategy. Similarly, Langfield-Smith (2008) strengthened the importance of the provision of strategic information related with the competitors’ activities. They oriented the SMA mainly for the provision of external information (related with the competitors) and forward-looking information, which is useful in the development and monitoring of strategy. However, those definitions limit SMA to the provision of competitors’ information and there is no mention about the information related with customers, markets, and general environment. This information is essential in the development and monitoring of business strategy and for sustainable value creation (Carlsson-Wall et al., 2015; Dixon, 1998; McManus, 2015).

Bromwich (1990), like Simmonds (1981) and Langfield-Smith (2008), referred to the provision of competitors’ information, but also focused SMA in products and markets in general (Roslender & Hart, 2010). However, Bromwich (1990) has restricted the scope of SMA on the provision of financial information and information about costs. This restriction seems obvious because several authors (e.g. Agasisti et al., 2008; Bhimani & Langfield-Smith, 2007; Cinquini & Tenucci, 2010; Dixon, 1998; Langfield-Smith, 2008) have considered the provision of non-financial information a key feature of the SMA. Moreover, the non-financial information represents a key feature of the contemporary management accounting and control systems, because it allows to overcome the limitations of the financial information and to identify the principal drivers of success and performance (Baines & Langfield-Smith, 2003; Chenhall, 2008; Kaplan & Norton, 1992, 1996).
Table 1: Definitions of Strategic Management Accounting

<table>
<thead>
<tr>
<th>Source</th>
<th>Definition</th>
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<tr>
<td>Simmonds (1981, p. 26)</td>
<td>“the provision and analysis of management accounting data about a business and its competitors for use in developing and monitoring business strategy”</td>
</tr>
<tr>
<td>Bromwich (1990, p. 28)</td>
<td>“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”</td>
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<tr>
<td>Roslender and Hart (2003, p. 255)</td>
<td>“SMA is identified as a generic approach to accounting for strategic positioning, defined by an attempt to integrate insights from management accounting and marketing management within a strategic management framework”</td>
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<tr>
<td>Agasisti et al. (2008, p. 2)</td>
<td>“the identification of a set of information to support strategic decisions”</td>
</tr>
<tr>
<td>Langfield-Smith (2008, p. 206)</td>
<td>“SMA entails taking a strategic orientation to generation, interpretation and analysis of management accounting information, and competitors’ activities provides the key dimension for comparison”</td>
</tr>
<tr>
<td>Tillmann and Goddard (2008, p. 80)</td>
<td>“SMA can broadly be defined as being the use of management accounting systems in supporting strategic decision making”</td>
</tr>
<tr>
<td>Ma and Tayles (2009, p. 474)</td>
<td>“the body of management accounting concerned with strategically orientated information for decision making and control”</td>
</tr>
</tbody>
</table>

Agasisti et al. (2008) and Tillmann and Goddard (2008) defined SMA as the utilization of management accounting and identification of information to support strategic decision-making. Additionally, Ma and Tayles (2009) considered that the SMA provides strategic information for decision-making and control. However, given that SMA represents a development of management accounting with a stronger outward-looking orientation (e.g. Agasisti et al., 2008; Brouthers & Roozen, 1999; Cadez & Guilding, 2008; Cinquini & Tenucci, 2010; Guilding et al., 2000) those definitions are also a little restrictive. SMA must contribute to the planning (i.e. formulation and development of the strategy), implementation, and control of strategy which represent the three fundamental things of the strategic management concept that have the consensus of the researchers (Nixon & Burns, 2012a). For instance, the study developed by Cuganesan, Dunford, and Palmer (2012) has shown the importance of the management accounting in the context of strategic planning.

More generally, Roslender and Hart (2003) considered that SMA contributes to the strategic positioning and encompass insights of the management accounting, marketing, and strategic management. Thus, they highlighted in the definition the orientation of the SMA for marketing. In any case, this orientation has been highlighted by other authors (e.g. Guilding et al., 2000; McManus & Guilding, 2008) and in some definitions analysed above are implicitly considered.

Some authors have also defined SMA as a process that encompass aspects of management accounting and strategic management. For instance, Dixon and Smith (1993) defined SMA as a four-step process: i) strategic business unit identification; ii) strategic cost analysis; iii) strategic market analysis; and, iv) strategic evaluation. Lord (1996), in turn, considered SMA as a process (or cycle) with three steps: i) collection of competitor information; ii) exploitation of cost reduction opportunities; iii) matching of accounting emphasis with strategic position. Others authors (e.g. Cinquini & Tenucci,
2010; Cravens & Guilding, 2001; Guilding et al., 2000) have also defined SMA as a set of practices, techniques or tools of management accounting with strategic orientation which support the strategic management process. However, in this paper those practices, techniques or tools (hereafter referred to as “practices”) are considered as means or a dimension of SMA to fulfil its purpose.

In this context, the analysis of definitions (Table 1) set out above demonstrates that there is no consensus on the SMA definition. However, the definitions that were analysed show that SMA adopts a strategic approach in the identification, collection, analysis, and report, and in the use of information needed for strategic management, marketing, and other managerial functions. The analysis also allows to highlight some common elements, as partially underlined by Agasisti et al. (2008) which are: i) a development of management accounting with a strategic orientation; ii) an external orientation (outward-looking orientation) with focus in the actual and potential competitors, but also in the customers and markets in general; iii) an orientation for future (forward-looking orientation) in order to allow to create and achieve competitive advantages and enhance organizational performance.

According to Nixon and Burns (2012a) the emphasis in most definitions in competitive strategies and marketing, more than in the strategic management, represents a limitation of the SMA literature that does not take into account recent developments in strategic management. Therefore, it is important that the SMA also considers an orientation to the internal resources and organizational capabilities (intellectual capital) to support external competitive bases (Nixon & Burns, 2012a; Tayles et al., 2002; Tayles et al., 2007). These resources, intangibles and not easy to imitate are now the focus of the strategic management (Cummings & Daellenbach, 2009; Dent, 1996; Furrer et al., 2008; Nixon & Burns, 2012a) and they are essential to support organizational strategy and to get sustainable competitive advantages. It is also important that SMA takes an active role in rethinking strategies and developing new forms of management accounting (Cuganesan et al., 2012).

To summarize, SMA represents a development of management accounting that should cooperate and provide strategic information for strategic management, marketing, and other managerial functions. For this purpose, SMA adopts: i) a more outward-looking orientation in focusing on the customers, actual and potential competitors, and markets in general; ii) an orientation to the internal resources and organizational capabilities (intellectual capital); iii) a forward-looking orientation that allows to create and achieve competitive advantages and enhance organizational performance; and, iv) both financial and non-financial measurement typologies.

In order to attain its objectives SMA considers a greater management accountant’s involvement in managerial functions and in the strategic decision-making and the use of management accounting practices with a strategic orientation. These dimensions are presented and analysed in the next section.

3. Dimensions of SMA

Most studies on strategic management accounting (SMA) implementation and use only have considered one dimension related to the management accounting practices with strategic orientation (e.g. Cravens & Guilding, 2001; Cinquini & Tenucci, 2010; Guilding, 1999; Guilding et al., 2000; Guilding & McManus, 2002; McManus, 2013). Nevertheless, several authors (e.g. Coad, 1996; Ma & Tayles, 2009; Roslender, 1995; Roslender & Hart, 2003, 2006, 2010; Tillmann & Goddard, 2008) have recognized into the context of the SMA literature the importance of management accountant’s
participation (or involvement) in the strategic management process and other managerial functions. They have claimed that a greater management accountant’s participation in the strategic decision-making allows an appropriate development of management accounting systems with strategic orientation and the use of SMA practices, in order to meet the current requirements of management accounting information.

Although some studies implicitly have considered the importance of management accountant's participation in the strategic management process and others (e.g. Chiucchi, 2013) have considered essential to understand the role of the management accountant in management accounting and control systems’ adoption and its use, only Cadez and Guilding (2008) considered in simultaneous the two dimensions described above in the SMA research. These dimensions are considered below.

3.1. Management Accountant's Participation in the Strategic Decision-Making Process

The importance of management accountant's participation in several organizational functions and in development of management accounting systems with strategic orientation have been mentioned by many authors (Cadez & Guilding, 2008; Carr & Tomkins, 1996; Chiucchi, 2013; Coad, 1996; Cravens & Guilding, 1999; Langfield-Smith, 2008; Ma & Taykes, 2009; Nyamori, Perrera, & Lawrence, 2001; Roslender, 1995; Roslender & Hart, 2003, 2006, 2010; Tayles et al., 2007; Tillmann & Goddard, 2008). They have claimed a greater management accountant's participation in overall decision-making, particularly in the strategic decision-making and appealed to assume a more active role in organizations (Bromwich & Bhimani, 1994; Brouthers & Roozen, 1999; Dixon, 1998; Simmonds, 1982). The main argument is that management accountant exhibits a broad vision of the organizations and key skills to promote organizational changes needed in a context of uncertainty and intense competition (Fauré & Rouleau, 2011). In addition, in strategic situations the management accountant supports the organizations (or the several organizational actors) to understand each alternative in a transparent and objective way, and to make the best decisions (Dixon, 1998; Tillmann & Goddard, 2008).

Cravens and Guilding (1999) and Roslender and Hart (2006), for instance, emphasised the importance of cooperation between the management accountant and marketing managers to support decisions about brands management. Tayles et al. (2002) and Tayles et al. (2007) highlighted the management accountant’s role in SMA adoption for identification, measurement, and management of the intellectual capital. Similarly, Chiucchi (2013) highlighted the key role of the management accountant in designing and implementing intellectual capital measurement systems, and the importance of his cooperation with managers of several departments, such as marketing and human resources.

In the SMA literature, Simmonds (1982) was one of the first authors to appeal to the management accountant to assume a more active role in organizations. He considered essential that the management accountant’s involvement in external information provision may be useful to anticipate competitors’ actions and reactions about product (or service) prices. Likewise, Bromwich and Bhimani (1994) considered important to have a greater management accountant’s participation in other organizational functions when they said that “strategic management accounting requires that accountants embrace new skills extending beyond their usual areas and co-operate much more with general management, corporate strategists, marketing and product development” (p. 130). Other authors (e.g. Brouthers & Roozen, 1999; Roslender & Hart, 2003, 2006, 2010) have also considered important the management accountant's participation in other organizational functions, such as strategic management and marketing management, in order to provide strategic information that allow to execute several
management functions more efficiently. The findings obtained by Brouthers and Roozen (1999) in a study focused on strategic information requirements of 12 senior managers from six companies, showed that “strategic accountants can bridge the gap between traditional accounting and strategic management and provide strategic managers with the type of information they need to make informed, timely decisions” (p. 321).

In this context, Cadez and Guilding (2008) referred to the emergence of a new concept and Coad (1996) and Tillmann and Goddard (2008) referred to the emergence of a new professional: the strategic management accountant. For its emergence can be pointed extrinsic and intrinsic aspects, which are analysed below.

First, the extrinsic aspects are related to the internal and external changes of the organizations. As a result of increased environmental uncertainty and competition, the organizations started to adopt greater customer and market orientation (e.g. Cadez & Guilding, 2008; Fauré & Rouleau, 2011; Guilding & McManus, 2002; McManus & Guilding, 2008). Simultaneously, horizontal organizations (or horizontal structures) with team-based structures have emerged, including multifunction and multidisciplinary teams that require a strong linkage between several organizational functions (Baines & Langfield-Smith, 2003; Chenhall, 2008; Chenhall & Langfield-Smith, 1998). These structures have been considered most appropriate to face challenges and promote flexibility, high quality, and performance (Scott & Tiessen, 1999). Therefore, horizontal structures and team-based structures also promote the management accountant’s participation in the strategic decision-making and other activities (Cadez & Guilding, 2008).

In order to the new organizational structures operate efficiently and the new work teams making the best decisions the involvement or management accountant's participation in all process of identification and information provision, and in the decision-making is essential. For instance, Chenhall (2008) supported that the management accountant has an important role in team-based structures design. In this context, is there any relationship between the new organizational structures adoption, the greater management accountant’s participation in decision making process, and the SMA practices’ usage? The study’s findings developed by Roslender and Hart (2003) showed that in the organizations where the cooperation between management accounting and marketing functions is greater (classified by authors as synergistic relationship) there is a greater use of contemporary management accounting practices such as SMA practices. This is because SMA practices consider the integration of both financial and non-financial aspects, among others, related with processes, human resources, markets, competitors, and customers, in the same way like the new organizational functions consider the integration of activities and functions.

Second, the intrinsic aspects are very important for management accountant’s participation in several organizational functions, particularly in the strategic decision-making process and marketing, and in the implementation of management accounting systems with strategic orientation. According to Dixon and Smith (1993) the analytic, financial, and decision-making skills of the management accountant are essential to support the strategy process. Similarly, Nixon and Burns (2012a) pointed the management accountant’s skills as advantages because they are considered more objective:

“A further advantage that accountants enjoy is that their financial assessments of marketing, operations, or new product design and development decisions are likely to be perceived by senior management as relatively more objective than those of discipline managers directly concerned.” (p. 241).
In addition to the skills already listed above is essential to add other skills that allow the management accountant to be more proactive in business management and decision-making process. He must have commercial skills and expend his financial orientation to adopt a more non-financial orientation related to customers, competitors, markets, and external and internal environment in general (Coad, 1996; Dixon, 1998; Feeney & Pierce, 2007; McManus & Guilding, 2008; Nyamori et al., 2001). In this sense, according to Tillmann and Goddard (2008, p. 96):

“A management accountant needed not only to know everything about management and financial accounting, but also to have good interdisciplinary knowledge in order to be able to understand the external and internal contexts. Management accountant thus needed to be capable of interdisciplinary thinking and communication and also needed to be able to understand the complex linkages and interrelationships inside the company.”

Coad (1996) also considered that the management accountant must have a strong orientation to improve his actual skills and develop new capabilities and competences. For this, the management accountant must develop a smart and hard work. Additionally, Coad (1996), Feeney and Pierce (2007), and Tillmann and Goddard (2008) considered essential that a management accountant to be a business advisor needs to have communication and creativity skills and social skills, which facilitate the cooperation with other organizational functions.

Therefore, the management accountant must move from being an information provider to a business advisor with a more active role in the SMA systems adoption and particularly in the strategic decision-making process (Nyamori et al., 2001). This means that a management accountant with the skills already mentioned above will be a strategic management accountant in accordance with the terms used by many authors (Cadez & Guilding, 2008; Coad, 1996; Tillmann & Goddard, 2008). This also requires that management accountant achieve a high prestige within organizations, because the occupational prestige is essential to enhance his participation and involvement in several activities and functions (Hiller, Mahlendorf, & Weber, 2014).

In recent years several studies (e.g. Chiucchi, 2013; Fauré & Rouleau, 2011; Feeney & Pierce, 2007; Hiller et al., 2014; Lambert & Pezet, 2011) have examined the characteristics, role, and importance of the management accountant either in cooperation with several management functions and in the implementation of management accounting and control systems with strategic orientation. They showed the evolution of management accountant’s role from a bean-counter to a business analyst, business advisor, and strategic advisor (Chiucchi, 2013; Fauré & Rouleau, 2011; Feeney & Pierce, 2007). For instance, the case study developed by Lambert and Pezet (2011) in an automobile equipment manufacturer from France, showed that the management accountants play a central role in the organization and intervene in several operational and strategic activities. Similarly, Fauré and Rouleau (2011) in a case study developed in a large construction firm from France, highlighted the strategic skills of the management accountant and the importance of his cooperation with middle managers.

Nevertheless, some authors (e.g. Lord, 1996) have questioned whether the management accountant combines the need and sufficient skills to participate in strategic decision-making process and in the implementation of practices with strategic orientation. Others authors (e.g. Dixon, 1998; Dixon & Smith, 1993) have also considered that is possible to implement the SMA practices and strategic practices without the intervention of the management accountant. For instance, Lord (1996) noted that some companies use SMA practices without the intervention of the management accountant. He justified these findings with the conservative vision of
accounting and the fact of the management accountant only provide financial information. Similarly, Dixon (1998) and Dixon and Smith (1993) considered the possibility of other organizational functions can implement and use SMA practices, although it is important the intervention of the management accountant to verify the collected information.

3.2. SMA Practices

The management accounting practices, in general terms, are used in collecting, processing, analysing, and providing to the decision-makers the information needed for planning, decision-making, and monitoring process (Atkinson, Kaplan, Matsumura, & Young, 2012; Horngren, Datar, & Rajan, 2012). In this sense, SMA practices must contribute to the collection, treatment, analysis, and provision of strategic information needed for the strategic management, marketing, and other strategic and managerial functions. In contrast to conventional management accounting practices which adopt an internal and historical orientation, SMA practices adopt a more external and forward-looking orientation, they are multidimensional and consider both financial and non-financial typologies of measurement (e.g. Cadez & Guilding, 2008; Cinquini & Tenucci, 2010; Coad, 1996; Cuganesan et al., 2012; Guilding et al., 2000). Thus, SMA practices can provide strategic information, for example on customers, competitors, markets, and external environment in general, that allows to create and achieve competitive advantages and enhance organizational performance.

In view of the above, some authors (Cadez & Guilding, 2007, 2008; Cinquini & Tenucci, 2010; Cravens & Guilding, 2001; Guilding, 1999; Guilding et al., 2000; Guilding & McManus, 2002) have presented lists of SMA practices which are summarized in Table 2. In two lists, which are partial ones, are considered only SMA practices related with the competitors (Guilding, 1999) and the customers (Guilding & McManus, 2002). In the SMA literature there are also other illustrative lists of SMA practices which consider the same practices of the lists presented in Table 2 (e.g. AlMaryani & Sadik, 2012; Alnawaiseh, 2013; Chenhall, 2008; Langfield-Smith, 2008; Shah, Malik, & Malik, 2011; Tillmann & Goddard, 2008).

One of the most recent and completed lists was presented by Cadez and Guilding (2007, 2008). This was based on the lists developed by Guilding et al. (2000) (which includes the practices focuses in the competitors presented by Guilding (1999)), Cravens and Guilding (2001), and Guilding and McManus (2002). It was to consider 16 SMA practices that were classified into five broad categories: i) costing; ii) planning, control and performance measurement; iii) strategic decision-making; iv) competitor accounting; and, v) customer accounting. Cadez and Guilding (2007, 2008) did not consider the activity-based costing/management as SMA practice, which was considered by Cinquini and Tenucci (2010) and Cravens and Guilding (2001), and jointed some practices that have been considered separately by other authors. They jointed in the brand valuation practice, two practices of brand management accounting that were presented by Cravens and Guilding (2001) and Guilding et al. (2000) separately: brand value budgeting and brand value monitoring. Cadez and Guilding (2007, 2008) also jointed in the customer profitability analysis practice, two practices that were presented separately by Guilding and McManus (2002): customer profitability analysis and customer segment profitability analysis. Additionally, the practice called by some authors (Cravens & Guilding, 2001; Guilding, 1999; Guilding et al., 2000; Shah et al., 2011) as competitor appraisal based in published/financial statements was called as competitor performance appraisal by Cadez and Guilding (2007, 2008).

Despite some consensus on several practices listed in Table 2, namely practices classified in two broad categories of costing and competitor accounting, and the extension of the largest list, several authors (e.g. Cadez & Guilding, 2008; Cinquini &
Tenucci, 2010; Guilding et al., 2000; Nixon & Burns, 2012a) have referred that the list of SMA practices may be not complete. Therefore, it is needed to discuss adequately the practices included in Table 2 and eventually other practices of management accounting with strategic orientation in order to obtain a more complete list of SMA practices. In addition to the criteria listed above (external and forward-looking orientation, multidimensionality, and both financial and non-financial typologies of measurement), which were considered in the definition of the lists presented, it is also essential to consider an orientation to the internal resources and organizational capabilities to support external competitive bases (Nixon & Burns, 2012a). This is because these resources and capabilities are competitive advantages enhancers and now are the focus of the strategic management (Cummings & Daellenbach, 2009; Dent, 1996; Furrer et al., 2008; Nixon & Burns, 2012a).

Table 2: Lists of SMA Practices

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<td>Activity-based costing</td>
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<td>Value chain costing</td>
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<td>Benchmarking</td>
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<td>Integrated performance measurement (e.g. BSC)</td>
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<tr>
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In this context, other practices may be added to the set of SMA practices. In addition, although SMA practices listed in Table 2 may be classified into five broad categories there are no practices related with investment analysis, which is an important area of management accounting (Atkinson et al., 2012; Horngren et al., 2012; Nixon & Burns, 2012a). Therefore, the analysis of the practices considered by Cadez and Guilding (2007, 2008) into the SMA scope is developed below, taking into account the five categories considered by authors. The inclusion or exclusion of other management accounting practices into the SMA scope are analysed subsequently.
The first category – Costing – comprises five practices that aim to determine, analyse, and manage strategically costs. The first two objectives represent an essential area of conventional management accounting (Atkinson et al., 2012; Horngren et al., 2012) and maintain the same importance into the SMA scope as showed by Cuganesan et al. (2012). The attribute costing, target costing, and value chain costing are practices with greater external orientation (Ewert & Ernst, 1999; Roslender & Hart, 2003, 2010). The target costing also represents an important planning practice (Ewert & Ernst, 1999) which confers it a forward-looking orientation (Cooper, 1996). Similarly, the value chain costing as showed by Cuganesan et al. (2012) is a useful practice to the planning of the strategy given for its forward-looking orientation. The life cycle costing and quality costing contribute for the development of strategies based on life cycle of the products and services and quality management, respectively.

The second category – Planning, control, and performance measurement – comprises two practices related to the performance management. This is a very important area to the organizations that has attracted the attention of the researchers of management accounting and control (Berry, Coad, Harris, Otley, & Stringer, 2009; Scott & Tiessen, 1999). The benchmarking focuses on the identification of the best practices used namely by competitors in order to enhance organizational performance, which confers an external and forward-looking orientation. In turn, the integrated performance measurement considers both financial and non-financial performance measures related with internal and external perspectives in order to allows a comprehensive and integrated performance management (Chenhall, 2008). The balanced scorecard (Berry et al., 2009; Kaplan & Norton, 1992, 1996) and performance prism (Adams & Neely, 2000; Neely, Adams & Crowe, 2001; Neely, Adams, & Kennerly, 2002) are two good examples of integrated systems of performance management. Both systems assume an internal and external orientation, and they contribute for the performance planning (forward-looking orientation). The balanced scorecard also represents an important practice for the development, implementation, and control of the strategy (Kaplan & Norton, 1996, 2001a, 2001b) and it has potential for the identification and management of the intellectual capital (Tan, Plowman, & Hancock, 2008; Tayles et al., 2002; Tayles et al., 2007).

The third category – Strategic decision-making – comprises three management accounting practices with strategic orientation. The strategic costing focuses on the strategic analysis of the costs and allows to create and achieve competitive advantages (Shank & Govindarajan, 1992). Proposed by Simmonds (1982) the strategic pricing focuses in the strategic definition of price taking into account the competitors’ actions and reactions, which confers an external and forward-looking orientation. Finally, the brand valuation is part of the brand management accounting and an important development of the SMA (Roslender & Hart, 2002, 2003, 2006, 2010). The brands represent an important and relevant resource of the organizations and they are sources of competitive advantages (Cravens & Guilding, 1999; Dent, 1996). In this sense, it is essential namely to managers of products and strategic marketing, the provision of information that allows to manage the value of brands, impacts of decisions in the long term benefits, and the allocation of resources to most profitable brands (Cravens & Guilding, 1999; Roslender & Hart, 2006).

The fourth category – Competitor accounting – represents an important category of SMA and reflects a broad consensus of the SMA researchers (Bromwich, 1990; Bromwich & Bhimani, 1989, 1994; Dixon, 1998; Simmonds, 1981, 1982). It comprises three practices that focus on competitors and assume an external orientation. Therefore, they are useful in the planning, decision-making, and strategy monitoring (Dent, 1996; Dixon, 1998). For instance, Dixon (1998) showed that the information
published by competitors is an important source of useful information to formulation of the strategy. Dent (1996) also highlighted the importance of the information on competitors publicly available through press releases, research contracts with universities, and papers at scientific conferences to develop competitive strategies and monitoring competitors.

The fifth category – Customer accounting – comprises three practices that focus on customers. According to several authors (e.g. Cadez & Guilding, 2008; McManus, 2013; McManus & Guilding, 2008) those practices are SMA practices given their strong external orientation and the relevance of the customers within the context of the organizations. The customer profitability analysis allows to assess the profitability by customer or customer segment. In turn, the lifetime customer profitability analysis assesses the profitability by customer or customer segment taking into account the lifetime, which also confers a forward-looking orientation. In addition, the third customer accounting practice that is labelled in some studies (Cadez & Guilding, 2008; Guilding & McManus, 2002) as valuation of customers as assets and customer lifetime valuation in other studies (Andon & Baxter, 2011; McManus & Guilding, 2008), also assumes an external and forward-looking orientation given that it assesses the present value of all future profits streams to a particular customer or segment of customers. These customer accounting practices assume a strategic orientation (McManus & Guilding, 2008) and allow to assess the relationships with customers and improve the development of strategies, decision-making related with product development and marketing, pricing, and management of resources related with the customers. In addition, those practices allow to improve the cooperation among the management accounting and other managerial functions, such as strategic management and marketing (Andon & Baxter, 2011; McManus & Guilding, 2008).

After the analysis of the practices considered by Cadez & Guilding (2001, 2008) into the SMA scope it is important to analyse the inclusion or exclusion of other management accounting practices. One of the practices considered by Cinquini and Tenucci (2010) and Cravens and Guilding (2001) as SMA practice – the activity-based costing and management (ABCM) – it has caused its division among several researchers of SMA. Some authors (e.g. Chenhall, 2008; Langfield-Smith, 2008; Shah et al., 2011; Tillmann & Goodward, 2008) have considered this practice into the SMA scope because it contributes to the management of activities and allows achieve competitive advantages. Others (e.g. Bromwich & Bhimani, 1989; Cadez & Guilding, 2008; Guilding et al., 2000; Roslender & Hart, 2003) have not considered the ABCM into the SMA scope. They argued that this practice does not assume an external orientation and only provides historical and internal information, because its main objective is to compute the product and service costs with more accuracy (which is only internal and historical information).

The strategic investments analysis which has not been considered in any list of SMA practices presented in Table 2 has been pointed by several authors (e.g. Bromwich & Bhimani, 1994; Carr, Kolehmainen, & Mitchell, 2010; Carr & Tomkins, 1996; Roslender & Hart, 2002, 2003; Tillmann & Goodbard, 2008; Tomkins & Carr, 1996) as an essential SMA practice to organizations. It involves the process of identifying, evaluating, and selecting among strategic projects that may improve the competitive position and other non-financial and intangible benefits (related with quality, efficiency, flexibility, innovation, and customers satisfaction) and may have effects on sustainable long-term development (Adler, 2000; Alkaraan & Northcott, 2006; Carr et al., 2010; Carr & Tomkins, 1996). The strategic investment analysis is not based on the financial viability like conventional practices of investment analysis, but on the viability of commercial opportunities and to create markets (Tomkins & Carr, 1996). This practice analyses the market, customer needs, and ability of the competitors to satisfy these
needs; after, investment opportunities are assessed to take into account the attributes of products and services, design, and all operations required to the production and provision of services (Adler, 2000; Roslender & Hart, 2002). According to Alkaraan and Northcott (2006) strategic investments analysis may also request the contributions of other SMA practices such as the benchmarking, balanced scorecard, and value chain analysis.

In addition, it is considered the inclusion of practices that adopt an orientation to the internal resources and organizational capabilities (intellectual capital). These resources already mentioned above represent the focus of the strategic management and sources of competitive advantages that are enhancers of sustainable value. Although some practices analysed previously (e.g. attribute costing, quality costing, target costing, value chain costing, benchmarking, brand valuation, and valuation of customers as assets) allow the identification, measurement and/or management of some of those resources none can make it in a comprehensive manner, with the possible exceptions of both balanced scorecard and performance prism (Kaplan & Norton, 2004; Nelly et al., 2002; Tayles et al., 2002; Tayles et al., 2007). In this sense and according to some studies (Fincham & Roslender, 2003; Tan et al., 2008; Tayles et al., 2007) are also considered into the SMA scope two specific practices of intellectual capital: Skandia navigator and intangible asset monitor. These practices identify many components of the intellectual capital and allow the selection of appropriate indicators and indexes to each organization (Edvinsson, 1997; Sveiby, 1997; Tan et al., 2008).

In view of the above they are considered into the SMA scope 22 practices. In addition to 16 SMA practices considered by Cadez and Guilding (2007, 2008) other six practices are also considered: i) balanced scorecard; ii) performance prism; iii) Skandia navigator; iv) intangible asset monitor; v) brand management accounting; and, vi) strategic investments analysis. The balanced scorecard and performance prism are considered in addition to integrated performance measurement practice because they represent not only integrated performance measurement systems but also practices of strategic management and they contribute to identification, measurement, and management of the intellectual capital. The Skandia navigator and intangible asset monitor are considered into the SMA scope for their specificities and relevance to identification, measurement, and management of the capital intellectual. Similarly, the brand management accounting practice is added to the list for allowing a better brands' management. The ABCM is not considered into the SMA scope.

4. Discussion and Conclusion

The two purposes of this paper were to discuss prior definitions of strategic management accounting (SMA) in order to identify some common elements to understand the aim and the scope of SMA, and to know and discuss its dimensions related with the management accountant’s participation in the strategic decision-making and the SMA practices.

From the analysis of the SMA literature it is concluded that after more than three decades since its emergence there is no agreed definition of SMA and still no agreement about what constitutes SMA. This lack of consensus limits the development of the practice and SMA research and helps to understand the diversity of approaches used in its research (Roslender & Hart, 2003). This also helps to understand the relatively low SMA practices use levels that have been found in some studies (e.g. AlMaryani & Sadik, 2012; Alnawaiseh, 2013; Cadez & Guilding, 2007; Cinquini & Tenucci, 2010; Guilding et al., 2000). According to Nixon and Burns (2012a) the main
reason for this diversity and lack of consensus is related with the difficulty in the definition with precision of the concept of strategy, which is a dynamic and multidimensional concept.

The definitions presented by several authors and analysed above (see the section 2 for details) are restrictive on the orientations, dimensions, and SMA scope. However, those definitions allow us to conclude that the SMA represents a development of management accounting that shall cooperate and provide strategic information for the strategic management, marketing, and other managerial functions. For this purpose, SMA adopts: i) a more outward-looking orientation; ii) an orientation to the internal resources and organizational capabilities; iii) a forward-looking orientation; and, iv) both financial and non-financial typologies of measurement.

To accomplish its goals SMA comprises two dimensions. The first dimension related to the management accountant’s role on cooperation with several managerial functions and particularly on its participation in the strategic decision making. Although less explored this dimension has been pointed by several authors since the emergence of the SMA (e.g. Cadez & Guilding, 2008; Carr & Tomkins, 1996; Chiucchi, 2013; Coad, 1996; Cravens & Guilding, 1999; Langfield-Smith, 2008; Ma & Taykes, 2009; Nyamori et al., 2001; Roslender, 1995; Roslender & Hart, 2003, 2006, 2010; Tayles et al., 2007; Tillmann & Goddard, 2008). The second dimension related to management accounting practices with a strategic orientation (SMA practices) which although more explored continues to present some concerns due to the limited consensus with respect to what practices constitute a definitive list of SMA practices. However, taking into account the SMA literature the practices that may be considered into the SMA scope comprise the following: i) attribute costing; ii) life cycle costing; iii) quality costing; iv) target costing; v) value chain costing; vi) benchmarking; vii) integrated performance measurement; viii) balanced scorecard; ix) performance prism; x) Skandia navigator; xi) intangible asset monitor; xii) strategic costing; xiii) strategic pricing; xiv) brand valuation; xv) brand management accounting; xvi) strategic investments analysis; xvii) competitor cost assessment; xviii) competitor performance appraisal; xix) competitive position monitoring; xx) customer profitability analysis; xxi) lifetime customer profitability analysis; and, xxii) valuation of customers as assets. These practices may be grouped in the following categories: i) costing; ii) planning, control, and performance measurement; iii) identification, measurement, and management of intellectual capital resources; iv) strategic decision making; v) strategic investments analysis; vi) competitor accounting; and, vii) customer accounting.

In this context, some authors (e.g. Lord, 1996; Roslender & Hart, 2010; Tomkins & Carr, 1996) have been sceptical about the development of SMA. Lord (1996), for instance, considered that SMA practices may be implemented and used without the management accountant’s involvement. In its turn, Roslender and Hart (2010) considered that SMA and others developments of management accounting have only allowed restore a part of the management accounting’s relevance. On the other hand, several authors (e.g. Cadez & Guilding, 2008; Carlsson-Wall et al., 2015; Cinquini & Tenucci, 2010; Ma & Tayles, 2009) have been shown optimistic about the development and SMA’s role. They have highlighted the relevance of this issue and defended the research and dissemination of SMA and its potentials and dimensions.

The conclusions presented in this paper should be interpreted in light of several limitations. The main limitation, however, results of the lack of consistency of the SMA literature and by the fact that this is widely dispersed which limits its collection, analysis, and interpretation. In addition, the lack of consensus about the definition and what constitutes SMA also hampers to discuss the issue. In this sense, it is essential to promote discussion on this field with the practitioners and other researchers.
References


