Journal of Business and Management Studies (JBMS)
ISSN: 2709-0876
DOI: 10.32996/jbms
Journal Homepage: www.al-kindipublisher.com/index.php/jbms

JBMS
AL-KINDI CENTER FOR RESEARCH AND DEVELOPMENT

| RESEARCH ARTICLE

Exploring the Impact of Internal Organizational Factors on Strategic Management Accounting

Mohamed Rifkhan Ahamed Hibathur Rahuman
Faculty of Commerce and Management Studies, University of Kelaniya, Kelaniya, Sri Lanka
Corresponding Author: Mohamed Rifkhan Ahamed Hibathur Rahuman **E-mail**: ahrmrifkhan@gmail.com

| ABSTRACT

Strategic Management Accounting (SMA) represents a significant evolution in the field of management accounting, integrating both financial and non-financial information to enhance strategic decision-making. Unlike traditional management accounting, which primarily focuses on cost control and internal reporting, SMA adopts a broader perspective by incorporating external market dynamics and long-term strategic insights. The adoption and effectiveness of SMA techniques, however, are not uniform across organizations. Instead, they are influenced by a variety of internal factors, including organizational strategy, culture, structure, information system quality, and firm size. While prior research has extensively examined external factors such as market competition, regulatory changes, and technological advancements, the role of internal factors remains underexplored. This literature review critically evaluates existing studies on internal organizational factors and their impact on SMA adoption. The findings suggest that firms must align SMA practices with their internal characteristics to optimize decision-making and performance. Additionally, understanding how these internal factors interact can provide deeper insights into SMA implementation. Future research should explore the dynamic relationships between internal organizational factors to develop a more comprehensive framework for SMA adoption.

| KEYWORDS

Strategic Management Accounting, Contingency Theory, Organizational Strategy, Culture, Structure, Information system quality, Internal Factors, Management Accounting

| ARTICLE INFORMATION

ACCEPTED: 01 August 2025 **PUBLISHED:** 14 September 2025 **DOI:** 10.32996/jbms.2025.7.5.11

1. Introduction

Strategic Management Accounting (SMA) has emerged as a critical approach within the broader field of management accounting, focusing on providing strategically relevant financial and non-financial information to support managerial decision-making. Unlike traditional management accounting, which primarily emphasizes cost control and internal reporting, SMA takes a more holistic view by incorporating external market factors and long-term strategic insights. SMA integrates tools such as value chain analysis, competitor analysis, balanced scorecards, and target costing to support managerial decision-making and long-term business growth (Cadez & Guilding, 2008).

The adoption and effectiveness of SMA practices, however, are not uniform across organizations. Instead, they depend on various contextual factors, a perspective supported by contingency theory. Contingency theory suggests that there is no single best approach to management accounting; rather, its success depends on how well accounting techniques align with specific organizational conditions (Chenhall, 2003). While external factors such as market competition, regulatory changes, and technological advancements have been extensively studied (McManus, 2013), internal factors have received comparatively less attention. Internal factors such as organizational strategy, culture, structure, information system quality, and firm size play a crucial role in shaping the extent to which SMA techniques are adopted and effectively utilized. Organizational strategy, structure, culture,

information systems, and firm size significantly influence the implementation of SMA techniques. Research highlights that firms with strong strategic alignment and data-driven cultures tend to benefit more from SMA tools (Baird et al., 2011). Furthermore, the role of technology in facilitating SMA adoption has become increasingly relevant, as information system quality affects the accuracy and timeliness of strategic financial data (Gorla et al., 2010). While studies have examined individual internal factors, there remains a gap in understanding their interactive effects on SMA adoption. Future research should explore how these internal factors collectively shape the effectiveness of SMA in different organizational contexts.

Given the increasing complexity of business environments, understanding the internal factors that influence SMA adoption is vital. These factors determine the level of integration, responsiveness, and adaptability of SMA tools within an organization. For instance, a highly decentralized organizational structure may require different SMA tools compared to a centralized structure. Similarly, firms with a strong innovation-driven culture may emphasize different aspects of SMA compared to those with a cost-cutting focus.

This paper provides a comprehensive literature review of key internal organizational factors and their influence on SMA adoption and implementation. By critically examining existing research, this study identifies gaps in the literature and suggests future research directions to deepen our understanding of how internal factors form SMA effectiveness. The review highlights the need for a more integrated approach to analyzing these internal factors, considering not only their individual impact but also their interactive effects on SMA.

2. Research Methodology

This literature review adopts a systematic approach, drawing from a various range of peer-reviewed journal articles, books, and conference proceedings that explore internal organizational factors impact on SMA.

The review categorizes internal factors according to their influence on SMA adoption and effectiveness, providing a structured framework for analysis. Key themes explored include Organizational Strategy, Culture, structure, Quality of Information Systems (IS) Information, technological advancements, and Firm's size. Additionally, this review examines how these factors interact to shape the strategic role of management accounting within organizations.

This study not only identifies gaps in literature but also highlights emerging trends and potential areas for future study. The findings contribute to a deeper understanding of the internal conditions that facilitate or hinder the successful implementation of SMA and are expected to provide valuable insights for both researchers and practitioners in the field.

3. Internal Organizational factors and Strategic Management Accounting

3.1 Organizational Strategy

Organizational strategy is a key internal factor that significantly influences the adoption of Strategic Management Accounting (SMA) practices. Companies tailor their SMA approaches based on their strategic positioning, ensuring alignment with business objectives to enhance decision-making and performance. The strategic orientation of an organization determines the type of information collected, the analytical tools used, and the decision-making processes supported by SMA. In SMA studies various strategic typologies explored as detailed below.

Miles and Snow (1978) categorize business strategies into four distinct types, each impacting SMA adoption differently:

Prospector: These firms prioritize innovation, market expansion, and new product development. Given their dynamic nature, they adopt advanced SMA techniques such as competitor analysis, value chain costing, and strategic performance measurement to support their growth strategies (Carr et al., 2010). For example, tech companies like Apple and Tesla use SMA tools to monitor competitor activities and assess the profitability of new product lines.

Defender: Organizations in this category focus on maintaining stability, operational efficiency, and cost control. Their strategic orientation leads to the implementation of cost-based SMA tools, such as activity-based costing and standard costing, to optimize internal processes and maintain competitive pricing (Cinquini & Tenucci, 2007). For instance, manufacturing firms like Toyota use SMA to streamline production costs and improve efficiency.

Analyzer: Firms that combine innovation with stability fall under this category. They adopt a hybrid approach, integrating SMA tools based on their strategic needs. For example, companies like Samsung use SMA to balance innovation in consumer electronics with cost efficiency in manufacturing.

Reactor: These organizations lack a consistent strategy and tend to react to external pressures rather than proactively shaping their market position. As a result, their SMA adoption is inconsistent, often lagging competitors (Miles et al., 1978).

Beyond Miles and Snow's framework, Porter's (1980) generic strategies—cost leadership, differentiation, and focus—used to assess SMA adoption.

Cost leadership: Firms pursuing this strategy emphasize cost control and efficiency. They primarily use budgeting, cost variance analysis, and activity-based costing. For example, Walmart uses SMA to maintain its low-cost leadership position in retail.

Differentiation: Companies focused on unique value propositions prioritize SMA tools such as brand valuation, customer profitability analysis, and strategic pricing models to sustain their competitive advantage (Bromwich, 1990). Luxury brands like Louis Vuitton use SMA to assess the profitability of high-end products and customer segments.

Focus strategy: Businesses targeting niche markets adopt tailored SMA approaches that align with their specialized customer segments and industry demands. For example, boutique hotels use SMA to analyze customer preferences and optimize pricing strategies.

Organizations should align their SMA practices with their chosen generic strategy. For example, cost leaders should focus on SMA techniques that support cost control, while differentiators should prioritize SMA practices that enhance value creation.

Gupta and Govindarajan's (1984) typology of strategic missions—Build, Hold, Harvest, and Divest—provides another framework for understanding the role of strategy in SMA.

Build: Organizations following this strategy focus on increasing market share and long-term growth. This strategic focus requires SMA practices that support investment in new products, markets, and technologies. For example, build strategies may use capital budgeting to evaluate investment opportunities and strategic cost management to optimize resource allocation (Gupta & Govindarajan, 1984).

Hold: Organizations pursuing a hold strategy aim to maintain their current market position while generating steady cash flows. This strategic focus requires SMA practices that balance growth and profitability. For example, hold strategies may use balanced scorecards to monitor both financial and non-financial performance metrics (Gupta & Govindarajan, 1984).

Harvest: Companies with this strategy focus on maximizing short-term profits and cash flow. This strategic focus requires SMA practices that emphasize cost control and efficiency. For example, harvest strategies may use variance analysis to identify and address cost overruns and profitability analysis to evaluate the performance of different products or business units (Gupta & Govindarajan, 1984).

Divest: Firms following the divest strategy aim to exit unprofitable markets or business units. This strategic focus requires SMA practices that support decision-making around divestment. For example, divest strategies may use net present value (NPV) analysis to evaluate the financial impact of divestment decisions and scenario analysis to assess the potential risks and opportunities associated with divestment (Gupta & Govindarajan, 1984).

Finally, Mintzberg and Waters (1985) distinguish between deliberate and emergent strategies. They highlight the importance of flexibility and adaptability in strategic decision-making. Deliberate strategies are carefully planned and executed, while emergent strategies evolve over time in response to changing circumstances.

Deliberate Strategies: Firms with deliberate strategies are likely to adopt SMA practices that support long-term planning and control. For example, they may use strategic planning tools to set long-term objectives and performance measurement systems (Mintzberg & Waters, 1985).

Emergent Strategies: Organizations with emergent strategies require SMA practices that support flexibility and adaptability. For example, they may use real-time performance monitoring to respond quickly to changing market conditions and scenario analysis to evaluate the potential impact of different strategic options (Mintzberg & Waters, 1985).

Strategy is a critical internal factor that shapes the design, implementation, and effectiveness of SMA practices. Different strategic typologies provide valuable insights into how organizations align their SMA practices with their strategic objectives. Empirical research highlights that firms aligning SMA practices with their strategic orientation achieve superior financial and operational

performance. Cadez and Guilding (2012) emphasize that strategic-fit SMA implementation enhances decision-making, resource allocation, and long-term competitiveness, highlighting the critical role of strategic alignment in management accounting.

3.2 Organizational Culture

Organizational culture plays a essential role in shaping the adoption, implementation, and effectiveness of Strategic Management Accounting (SMA) tools. Schein (1988) defines the culture as a system of shared values, beliefs, and norms. Organizational culture influences how employees think, behave, and make decisions. This cultural framework determines how SMA tools are perceived and utilized, ultimately impacting strategic decision-making and performance management.

Research highlights several cultural dimensions that influence SMA adoption. For example, outcome-oriented cultures, which prioritize financial performance, tend to adopt SMA techniques focused on profitability, return on investment, and shareholder value creation (Baird et al., 2011). These organizations emphasize quantitative metrics, cost control, and efficiency-driven tools to optimize financial outcomes. In contrast, innovation-driven cultures, which value creativity and continuous improvement, favor non-financial measures such as customer satisfaction, employee engagement, and learning and growth metrics. These firms often implement frameworks like the balanced scorecard to align strategic goals with long-term value creation (Henri, 2006).

Similarly, control-focused cultures, which emphasize financial discipline and risk management, prefer SMA techniques that reinforce financial control mechanisms, cost containment, and regulatory compliance. Such organizations rely heavily on tools like budgetary control, variance analysis, and financial forecasting to ensure stability and accountability (Ax & Greve, 2017). These examples demonstrate how an organization's cultural orientation shapes its approach to SMA.

In dynamic business environments, cultural adaptability is a key determinant of successful SMA implementation. Organizations with a culture of strategic agility, continuous learning, and data-driven decision-making are more likely to integrate SMA tools effectively. A strong organizational culture that aligns with strategic objectives enhances the relevance and usability of SMA insights. Chenhall (2003) emphasizes that firms with a culture supportive of strategic decision-making are better positioned to implement SMA practices successfully.

Below are list of organization culture related models and its potential impact on SMA adaption.

Schein's Model of Organizational Culture

Edgar Schein's (1988) model of organizational culture is one of the most widely used frameworks for understanding the layers of culture and their impact on organizational behavior. Schein identifies three levels of culture: artifacts, espoused values, and underlying assumptions.

Artifacts: These are the visible elements of culture, such as symbols, rituals, dress codes, and office layouts. In the context of SMA, artifacts may include the use of specific accounting tools (e.g., balanced scorecards). For example, an organization that prominently displays performance dashboards in common areas signals a culture that values transparency and data-driven decision-making (Schein, 1988).

Espoused Values: These are the stated values and norms that guide behavior within the organization. For example, a company that emphasizes innovation and risk-taking is more likely to adopt advanced SMA practices, such as activity-based costing (ABC) or customer profitability analysis. Conversely, a company that prioritizes stability and risk avoidance may resist adopting SMA practices that require significant changes to existing processes.

Underlying Assumptions: These are the deeply ingrained beliefs and unconscious behaviors that shape how employees perceive and respond to their environment. For example, an organization with a strong underlying assumption that "accounting is only for compliance" may struggle to adopt SMA practices that require a shift toward strategic decision-making. In contrast, an organization that views accounting as a tool for value creation is more likely to embrace SMA.

Hofstede's Cultural Dimensions

Geert Hofstede's (1980) framework of cultural dimensions provides another way for understanding how organizational culture influences SMA practices. Hofstede identifies six dimensions of culture: power distance, uncertainty avoidance, individualism vs. collectivism, masculinity vs. femininity, long-term vs. short-term orientation, and indulgence vs. restraint.

Power Distance: Companies with high power distance, decision-making authority is concentrated at the top, and employees are less likely to challenge authority. This cultural trait may hinder the adoption of SMA practices that require collaboration and input from multiple levels of the organization. In contrast, organizations with low power distance are more likely to embrace SMA practices that empower employees to use accounting information strategically.

Uncertainty Avoidance: Firms with high uncertainty avoidance prefer stability, rules, and structured processes. These organizations may resist adopting SMA practices that require flexibility and adaptability. In contrast, organizations with low uncertainty avoidance are more likely to embrace SMA practices that support innovation and risk-taking.

Individualism vs. Collectivism: In individualistic cultures, employees prioritize personal achievement and autonomy. These organizations may adopt SMA practices that focus on individual performance metrics, such as key performance indicators (KPIs). In contrast, collectivist cultures emphasize teamwork and collaboration, which may lead to the adoption of SMA practices that support group decision-making, such as balanced scorecards.

Long-term vs. Short-term Orientation: Organizations with a long-term orientation are more likely to adopt SMA practices that support strategic planning and long-term value creation, such as strategic cost management. In contrast, organizations with short-term orientation may focus on SMA practices that enhance short-term profitability, such as profitability analysis.

Denison's Model of Organizational Culture

Denison's (1990) model of organizational culture identifies four key traits that influence organizational effectiveness: involvement, consistency, adaptability, and mission.

Involvement: Organizations with a high level of involvement encourage employee participation and empowerment. These organizations are more likely to adopt SMA practices that support collaboration, such as balanced scorecards.

Consistency: Companies with a strong emphasis on consistency prioritize stability, control, and adherence to established processes. These organizations may adopt SMA practices that support operational efficiency and cost control, such as standard costing.

Adaptability: Organizations with a high level of adaptability are more likely to embrace SMA practices that support innovation and flexibility, such as scenario analysis. These organizations are better prepared to respond to changes in the external environment and adjust their SMA practices accordingly.

Mission: Firms with a clear and compelling mission are more likely to adopt SMA practices that align with their strategic objectives. For example, a company with a mission to achieve market leadership may use customer profitability analysis and competitor analysis to support its strategic goals.

Firms should assess their cultural traits and align their SMA practices accordingly. For example, organizations with a high level of involvement should focus on SMA practices that support collaboration, while those with a strong emphasis on consistency should prioritize SMA techniques that enhance operational efficiency.

O'Reilly's Organizational Culture Profile

O'Reilly, Chatman, and Caldwell's (1991) Organizational Culture Profile (OCP) identifies six key dimensions of culture: outcome orientation, teamwork/respect for people, innovation, attention to detail, stability, and aggressiveness.

Outcome Orientation: Organizations with a strong outcome orientation focus on achieving results and performance. These organizations are more likely to adopt SMA practices that support performance measurement and accountability, such as balanced scorecards.

Teamwork/Respect for People: Organizations that value teamwork and respect for people are more likely to adopt SMA practices that support collaboration and shared decision-making, such as team-based performance metrics.

Innovation: Firms with a strong emphasis on innovation are more likely to embrace SMA practices that support creativity and experimentation, such as activity-based costing (ABC).

Attention to Detail: Organizations that prioritize attention to detail are more likely to adopt SMA practices that emphasize accuracy and precision, such as profitability analysis.

Stability: Firms with a strong emphasis on stability are more likely to adopt SMA practices that support operational efficiency and cost control, such as standard costing.

Aggressiveness: Organizations with a strong emphasis on aggressiveness are more likely to adopt SMA practices that support competitive positioning, such as competitor analysis and strategic pricing.

Organizational culture is a critical internal factor that shapes the adoption, implementation, and effectiveness of SMA practices. Different cultural frameworks provide valuable insights into how culture influences SMA.

Organizational culture is one of the key elements in the successful adoption and utilization of SMA tools. To maximize the benefits of SMA, firms must cultivate an adaptive culture that embraces both financial and non-financial performance measures. This will enable organizations to leverage SMA tools for sustained competitive advantage. A culture that supports strategic agility and data-driven decision-making, can enhance the effectiveness of SMA implementation and result in long-term success.

3.3 Organizational Structure

Organizational structure is another critical internal factor that significantly influences the design, implementation, and effectiveness of SMA practices. The structure of an organization determines how tasks, responsibilities, and authority are distributed. It also shows how information flows, and decisions are made. In the context of SMA, organizational structure affects the accessibility of information, the level of collaboration across departments, and the ability to align accounting practices with strategic objectives.

According to Burns and Stalker (1994), organizational structures can be categorized into two primary types:

Mechanistic Structures: Characterized by centralized decision-making, rigid hierarchies, and formalized procedures. These structures often hinder the adoption of SMA due to their inflexibility and resistance to change. The strict chain of command and slow information flow make it challenging to implement dynamic and innovative SMA techniques.

Organic Structures: Key features of these structures are decentralized decision-making, adaptability, and open communication. These structures foster an environment conducive to SMA adoption by enabling rapid response to market changes, facilitating cross-functional collaboration, and for the integration of various analytical techniques.

Mintzberg (1979) categorizes organizational structures into five key configurations, each with distinct implications for SMA adoption:

Simple Structure: A flat, informal organization with direct supervision, often suitable for SMEs, where SMA adoption depends on the owner's strategic vision.

Machine Bureaucracy: Highly formalized with standardized processes, limiting the flexibility required for sophisticated SMA techniques.

Divisionalized Form: Large organizations with semi-autonomous divisions, where SMA adoption varies based on divisional autonomy and strategic priorities.

Professional Bureaucracy: Firms driven by expertise and professional standards (e.g., law firms, hospitals), where SMA is used selectively for performance evaluation.

Adhocracy: A highly flexible, innovative-driven structure where SMA techniques such as activity-based costing and customer profitability analysis succeed due to continuous adaptation.

Centralization vs. Decentralization

One of the most fundamental dimensions of organizational structure is the degree of centralization or decentralization in decision-making. Centralized structures concentrate decision-making authority at the top of the organization, while decentralized structures distribute decision-making authority across multiple levels.

Centralized Structures: In centralized organizations, decision-making authority is held by top management, and information flows vertically from the top down. This structure may limit the effectiveness of SMA by restricting access to information and reducing the ability of lower-level managers to use accounting information strategically. For example, in a centralized organization, SMA practices such as activity-based costing (ABC) or balanced scorecards may be underutilized because lower-level managers lack the authority to act on the information provided.

Decentralized Structures: In decentralized firms, decision-making authority is distributed across multiple levels, and information flows more freely across departments. This structure facilitates the adoption of SMA practices by empowering managers at all levels to use accounting information strategically. For example, decentralized organizations are more likely to adopt SMA practices such as customer profitability analysis and strategic cost management.

Formalization

Formalization refers to the extent to which rules, procedures, and policies govern organizational activities. Highly formalized organizations have clearly defined processes and standardized procedures, while less formalized organizations allow for greater flexibility and adaptability.

High Formalization: Firms with high levels of formalization may adopt SMA practices that support standardization and control, such as standard costing. However, high formalization can hinder the adoption of more flexible SMA practices, such as real-time performance monitoring which require adaptability and innovation.

Low Formalization: Organizations with low levels of formalization are more likely to adopt SMA practices that support flexibility and adaptability. For example, they may use balanced scorecards to monitor both financial and non-financial performance metrics.

Specialization

Specialization refers to the extent to which tasks and responsibilities are divided among employees. Highly specialized organizations have clearly defined roles and responsibilities, while less specialized firms allow for greater role flexibility.

High Specialization: Organizations with high levels of specialization may adopt SMA practices that support role-specific performance measurement, such as key performance indicators (KPIs). However, high specialization will not support cross-functional collaboration, which is essential for the effective implementation of SMA practices such as strategic cost management.

Low Specialization: Organizations with low levels of specialization are more likely to adopt SMA practices that support cross-functional collaboration. For example, they may use team-based performance metrics to align the goals of different departments with the organization's strategic objectives.

Empirical research suggests that decentralized firms, characterized by participatory decision-making and open information sharing, are more likely to integrate SMA techniques effectively (Chenhall & Morris, 1986). These firms use SMA to gain competitive advantages through real-time cost analysis, performance measurement, and strategic forecasting.

Organizational structure is a critical internal factor that shapes the design, implementation, and effectiveness of SMA practices. Different structural dimensions provide valuable insights into how structure influences SMA.

3.4 Quality of Information Systems (IS) Information

The quality of information systems (IS) is a critical internal factor that significantly influences the adoption, implementation, and effectiveness of Strategic Management Accounting (SMA) practices. High-quality information systems provide accurate, timely, and relevant information, which is essential for effective decision-making. In the context of SMA, the quality of IS determines the reliability of data used for strategic planning, performance measurement, and control.
The effectiveness of SMA heavily relies on the quality of information provided by an organization's Information Systems (IS). High-quality IS information ensures that decision-makers have access to accurate, relevant, and timely data, enhancing the strategic application of management accounting. Gorla et al. (2010) classify information quality based on the following attributes: Accuracy, reliability, and completeness of data.

Dimensions of Information Quality

The quality of information systems can be evaluated based on several dimensions, as outlined by Wang and Strong (1996). These dimensions include intrinsic, contextual, representational, and accessibility quality.

Intrinsic Quality: This dimension refers to the inherent accuracy, objectivity, and believability of the information. In the context of SMA, intrinsic quality is critical for ensuring that the data used for strategic decision-making is free from errors and bias. For example, inaccurate cost data can lead to flawed strategic decisions, such as incorrect pricing or resource allocation.

Contextual Quality: This dimension refers to the relevance, completeness, and timeliness of the information. In SMA, contextual quality ensures that the information provided is aligned with the organization's strategic objectives and is available when needed. For example, real-time performance data is essential for organizations that operate in dynamic environments.

Representational Quality: This dimension refers to the clarity, consistency, and interpretability of the information. In SMA, representational quality ensures that the data is presented in a format that is easy to understand and use. For example, dashboards and visualizations can enhance the interpretability of SMA data, enabling managers to make informed decisions quickly.

Accessibility Quality: This dimension refers to the ease with which information can be accessed and used. In SMA, accessibility quality ensures that the right people have access to the right information at the right time. For example, cloud based IS platforms can enhance accessibility by allowing managers to access SMA data from anywhere, at any time.

Role of Emerging Technologies in Enhancing IS Quality

Emerging technologies, such as artificial intelligence (AI), machine learning, and cloud computing, have the potential to significantly enhance the quality of information systems and in turn improve the effectiveness of SMA practices.

Artificial Intelligence (AI) and Machine Learning: AI and machine learning can enhance IS quality by automating data collection and analysis, identifying patterns and trends, and providing predictive insights. For example, AI-powered analytics platforms can analyze large volumes of data in real-time, enabling organizations to make more informed strategic decisions (Davenport & Ronanki, 2018).

Cloud Computing: Cloud-based IS platforms can enhance accessibility and scalability, enabling firms to store and process large volumes of data more efficiently. For example, cloud-based SMA tools can provide managers with real-time access to performance data, enabling them to make strategic decisions anytime (Marston, Li, Bandyopadhyay, Zhang, & Ghalsasi, 2011).

Blockchain Technology: Blockchain technology can enhance the intrinsic quality of IS data by providing a secure and transparent way to record and verify transactions. For example, blockchain can be used to ensure the accuracy and integrity of cost data used in SMA practices such as Strategic cost management (Tapscott & Tapscott, 2016).

Challenges and Risks Associated with IS Quality

While high-quality IS can significantly enhance the effectiveness of SMA practices, there are also challenges and risks associated with maintaining IS quality as detailed below:

Data Security and Privacy: As organizations collect and process increasingly large volumes of data, ensuring data security and privacy becomes a critical challenge. For example, breaches of sensitive financial data can undermine the credibility of SMA practices and lead to significant reputational damage with sometimes legal consequences.

Data Integration: Many firms struggle to integrate data from multiple sources, leading to inconsistencies and inaccuracies in SMA data. For example, if cost data from different departments is not integrated effectively, it can lead to flawed strategic decisions.

Data Overload: The increasing volume of data available to organizations can lead to data overload, making it difficult for managers to identify relevant information for strategic decision-making. For example, if managers are overwhelmed with data, they may struggle to focus on the key performance metrics that matter most (Davenport & Harris, 2007).

Organizations should implement robust data security and privacy measures to protect sensitive SMA data. For example, they may use encryption and access controls to prevent unauthorized access to financial data.

The quality of information systems is a critical internal factor that significantly influences the adoption, implementation, and effectiveness of SMA practices. High-quality IS ensures that SMA data is accurate, relevant, and usable, enabling organizations to make informed strategic decisions.

3.5 Firm Size and Strategic Management Accounting (SMA)

Firm size plays a crucial role in determining the extent and effectiveness of SMA adoption. Larger firms typically have greater financial and technological resources, allowing them to invest in sophisticated SMA tools. In contrast, smaller firms may face constraints in adopting SMA due to limited resources, lack of expertise, and lower economies of scale.

The size of an organization not only influences the adoption of SMA practices but also affects how these practices are implemented and their overall effectiveness. Larger organizations often have more formalized processes and dedicated teams for SMA, while smaller organizations may rely on ad hoc or informal approaches.

Implementation in Larger Organizations

Formalized Processes: Larger organizations typically have formalized processes for implementing SMA practices. These processes often involve cross-functional teams, detailed project plans, and rigorous performance monitoring. For example, a large corporation may establish a dedicated SMA team to oversee the implementation of balanced scorecards across all business units.

Resource Allocation: Larger organizations can allocate significant resources to SMA implementation, including investments in technology, training, and personnel. For instance, they may invest in enterprise resource planning (ERP) systems that integrate SMA practices with other business functions, enabling seamless data flow and real-time decision-making (Hoque & James, 2000).

Scalability: Larger organizations often design SMA systems that are scalable and can accommodate growth. For example, they may use cloud-based SMA tools that can be easily expanded to include new business units or markets (Marston et al., 2011).

Implementation in Smaller Organizations

Informal Approaches: Smaller organizations often rely on informal approaches to SMA implementation, with limited resources and less structured processes. For example, an SME may implement customer profitability analysis using spreadsheets and manual data entry (Hoque & James, 2000).

Resource Constraints: Smaller organizations may face resource constraints that limit their ability to implement SMA practices effectively. For instance, they may lack the budget to invest in advanced SMA tools.

Flexibility: Despite these challenges, smaller organizations often have the advantage of flexibility, which allows them to adapt SMA practices to their specific needs. For example, an SME may use key performance indicators (KPIs) to monitor financial performance without the need for a formal SMA system.

Larger organizations should ensure that their SMA implementation processes are well-structured and supported by adequate resources. For example, they may establish a dedicated SMA team and invest in advanced SMA tools. Smaller organizations should focus on adopting SMA practices that are cost-effective and aligned with their strategic objectives. For instance, they may prioritize customer profitability analysis over more resource-intensive techniques, such as activity-based costing.

The Impact of Organizational Size on SMA Outcomes

The size of an organization also influences the outcomes of SMA practices, including their impact on financial performance, strategic decision-making, and competitive advantage.

Outcomes in Larger Organizations

Financial Performance: Larger organizations often achieve significant improvements in financial performance through the adoption of SMA practices. For example, they may use strategic cost management to identify cost-saving opportunities and improve profitability.

Strategic Decision-Making: Larger organizations benefit from SMA practices that support strategic decision-making at various levels of the organization. For instance, they may use balanced scorecards to monitor both financial and non-financial performance metrics, enabling more informed strategic decisions.

Competitive Advantage: Larger organizations often use SMA practices to gain a competitive advantage in their industry. For example, they may use competitor analysis to identify market trends and adjust their strategies accordingly.

Outcomes in Smaller Organizations

Financial Performance: Smaller organizations may achieve more modest improvements in financial performance through the adoption of SMA practices. For example, they may use variance analysis to identify and address cost overruns, leading to improved profitability.

Strategic Decision-Making: Smaller organizations often use SMA practices to support basic financial management and decision-making. For instance, they may use key performance indicators (KPIs) to monitor financial performance and make informed decisions.

Competitive Advantage: Smaller organizations may use SMA practices to gain a competitive advantage in niche markets. For example, they may use customer profitability analysis to identify high-value customers and tailor their strategies accordingly.

Organizational size is a critical internal factor that significantly influences the adoption, implementation, and effectiveness of SMA practices. Larger organizations typically have more resources and greater complexity, which enable them to adopt sophisticated SMA practices, while smaller organizations may face resource constraints that limit their ability to implement advanced SMA techniques.

4. Discussion and Implications

The literature suggests that internal organizational factors play a crucial role in SMA adoption. Firms must align SMA techniques with their internal characteristics to enhance strategic decision-making. Future research should explore:

1. Interactive effects of internal organizational factors on SMA adoption.
2. Industry-specific analyses to understand how internal factors influence SMA in different sectors.
3. Longitudinal studies to examine how changes in internal factors impact SMA practices over time.

A contingency-based framework integrating internal factors would provide a more comprehensive understanding of SMA adoption.

The findings from this literature review underscore the critical role that internal organizational factors play in shaping the adoption, implementation, and effectiveness of Strategic Management Accounting (SMA) practices. These factors are not isolated factors but are interconnected and often influence each other in complex ways.

Alignment of SMA Practices with Organizational Strategy

The review highlights that strategy is one of the most influential internal organizational factors in SMA. Organizations that align their SMA practices with their strategic objectives are more likely to achieve competitive advantage. For instance, Prospector organizations, which prioritize innovation and market leadership, tend to adopt SMA practices that emphasize flexibility, real-time data analysis, and forward-looking metrics. In contrast, Defender organizations, which focus on cost efficiency and stability, are more likely to rely on traditional cost accounting methods.

Organizations should conduct a thorough analysis of their strategic objectives before designing SMA systems. For example, a company pursuing a differentiation strategy (Porter, 1980) should focus on SMA techniques such as customer profitability analysis and value chain analysis to understand how to create unique value for customers. Managers should ensure that SMA practices are adaptable to changes in strategy. For instance, if an organization shifts from a Defender to a Prospector strategy, its SMA system should be redesigned to support innovation and market exploration.

The Role of Organizational Culture in SMA Adoption

Organizational culture plays a pivotal role in determining whether SMA practices are successfully adopted and implemented. A culture that values innovation, collaboration, and continuous improvement is more likely to embrace advanced SMA techniques, such as the balanced scorecard. Conversely, a conservative culture that resists change may hinder the adoption of SMA, even if the organization has the necessary resources and technology.

Organizations should assess their cultural readiness before implementing SMA practices. For example, if a company has a hierarchical and risk-averse culture, it may need to invest in change management initiatives to foster a more innovative and collaborative environment. Leaders should actively promote a culture that values data-driven decision-making and strategic thinking. This can be achieved through training programs, workshops, and incentives that encourage employees to embrace SMA practices.

Organizational Structure and Information Flow

The organizational structure determines how information flows within an organization and how decisions are made. Centralized structures, where decision-making authority is concentrated at the top, may limit the effectiveness of SMA by restricting access to information. In contrast, decentralized structures, where decision-making is distributed across multiple levels, may facilitate the adoption of SMA by empowering managers to use accounting information strategically.

Organizations with centralized structures should consider decentralizing decision-making authority to enable more effective use of SMA. For example, divisional managers should be given the autonomy to use SMA data to make strategic decisions for their units. Companies should design SMA systems that align with their organizational structure. For instance, organizations with a matrix structure may need SMA practices that support cross functional collaboration and information sharing.

Quality of Information Systems and Decision-Making

The quality of information systems (IS) is a critical factor in the success of SMA practices. High-quality IS provides accurate, timely, and relevant information, which is essential for effective decision-making. Organizations with advanced IS are more likely to adopt sophisticated SMA techniques, such as real-time performance monitoring and predictive analytics.

Organizations should invest in upgrading their IS to ensure that SMA data is accurate, reliable, and accessible. This may involve implementing new technologies, such as cloud-based platforms and data analytics tools. Managers should regularly assess the quality of IS information and address any issues that may hinder the effectiveness of SMA. For example, if data is outdated or incomplete, steps should be taken to improve data collection and processing.

Organizational Size and Resource Constraints

Organizational size influences the complexity of information needs and the resources available for SMA. Larger organizations tend to have more complex information needs and are more likely to adopt sophisticated SMA practices. Smaller organizations, on the other hand, may face resource constraints that limit their ability to implement advanced SMA techniques.

Larger organizations should leverage their resources to implement comprehensive SMA systems that support strategic decision-making across all levels of the organization. Smaller organizations should focus on adopting SMA practices that are cost-effective and aligned with their strategic objectives. For example, they may prioritize customer profitability analysis over more resource-intensive techniques, such as activity-based costing.

Interplay Between Internal Organizational factors

One of the key findings of this review is that internal factors do not operate in isolation but are interconnected and often influence each other. For example, an organization strategy may shape its organizational culture, which in turn influences the quality of information systems and the organizational structure. Understanding these interrelationships is crucial for designing effective SMA systems.

Organizations should take a holistic approach to SMA by considering how internal factors interact. For example, a company pursuing a Prospector strategy should not only focus on innovation but also ensure that its culture, structure, and IS support this

strategic orientation. Managers should regularly assess the alignment between internal factors and SMA practices. For example, if an organizations culture becomes more risk-averse, it may need to adjust its SMA practices to reflect this change.

5. Conclusion

This literature review underscores the significance of internal organizational factors in shaping SMA adoption and effectiveness. Factors such as strategic alignment, cultural adaptability, organizational structure, IS quality, and firm size collectively influence how firms implement and utilize SMA to drive decision-making and achieve competitive advantages.

To enhance SMA's strategic relevance, firms must adopt a tailored approach that aligns SMA practices with their internal characteristics. Large firms can leverage advanced data analytics and enterprise-wide SMA systems, while smaller firms may benefit from cost-effective, scalable SMA solutions that support agility and innovation.

Future research should focus on developing an integrated contingency-based framework that systematically incorporates internal factors. This would not only bridge existing research gaps but also ensure that SMA methodologies evolve in response to the dynamic and complex business environment. By doing so, SMA can remain a valuable strategic tool that enhances financial performance, operational efficiency, and long-term organizational success.

This expanded version of the literature review provides a comprehensive analysis of internal organizational factors and their impact on SMA adoption, offering valuable insights for both researchers and practitioners in the field. By exploring the dynamic relationships between these factors, future research can develop a more nuanced understanding of how SMA can be effectively implemented across different organizational contexts.

Despite offering valuable insights into internal factors influencing SMA adoption, this study has some limitations. Firstly, the review primarily focuses on internal factors, while external factors, such as industry-specific challenges and market competition, may also influence SMA adoption. Secondly, the study relies on existing literature without any empirical analysis, which may not fully capture the facts empirically. Thirdly, Findings may not be universally applicable, as internal factors vary across industries, firm sizes, and business models. Finally, while individual organizational factors are discussed, their combined effects on SMA adoption require further empirical investigation. Future research should adopt a more comprehensive approach by incorporating both internal and external factors and conducting empirical studies to validate theoretical insights.

Funding: This research received no external funding
Conflicts of Interest: The author declares no conflict of interest.
ORCID iD : Mohamed Rifkhan Ahamed Hibathur Rahuman **(**https://orcid.org/0009-0002-0287-5727)
Publisher's Note: All claims expressed in this article are solely those of the authors and do not necessarily represent those of their affiliated organizations, or those of the publisher, the editors and the reviewers.

References

[1] Ax, C., & Greve, J. (2017). Adoption of management accounting innovations: Organizational culture compatibility and perceived outcomes. Management Accounting Research, 34, 59–74. https://doi.org/10.1016/j.mar.2016.07.007

[2] Baird, K., Jia Hu, K., & Reeve, R. (2011). The relationships between organizational culture, total quality management practices and operational performance. International Journal of Operations & Production Management, 31(7), 789–814. https://doi.org/10.1108/01443571111144850

[3] Bromwich, M. (1990). The case for strategic management accounting: The role of accounting information for strategy in competitive markets. Accounting, Organizations and Society, 15(1–2), 27–46. https://doi.org/10.1016/0361-3682(90)90011-I

[4] Burns, T., & Stalker, G. M. (1994). The Management of Innovation. Oxford University Press

[5] Burns, J., & Vaivio, J. (2001). Management accounting change. Management Accounting Research, 12(4), 389-402. Discusses the evolution of SMA practices in response to internal organizational factors.

[6] Cadez, S., & Guilding, C. (2008). An exploratory investigation of an integrated contingency model of strategic management accounting. Accounting, Organizations and Society, 33(7–8), 836–863. https://doi.org/10.1016/j.aos.2008.01.003

[7] Cadez, S., & Guilding, C. (2012). Strategy, strategic management accounting and performance: A configurational analysis. Industrial Management & Data Systems, 112(3), 484–501. https://doi.org/10.1108/02635571211210086

[8] Carr, C., Kolehmainen, K., & Mitchell, F. (2010). Strategic investment decision-making practices: A contextual approach. Management Accounting Research, 21(3), 167–184. https://doi.org/10.1016/j.mar.2010.03.004

[9] Chenhall, R. H. (2003). Management control systems design within its organizational context: Findings from contingency-based research and directions for the future. Accounting, Organizations and Society, 28(2–3), 127–168. https://doi.org/10.1016/S0361-3682(01)00027-7

[10] Chenhall, R. H., & Morris, D. (1986). The impact of structure, environment, and interdependence on the perceived usefulness of management accounting systems. The Accounting Review, 61(1), 16–35.

[11] Cinquini, L., & Tenucci, A. (2007). Is the adoption of strategic management accounting techniques really "strategy-driven"? Evidence from a survey. Munich Personal RePEc Archive, 66700, 1–27.

[12] Davenport, T. H., & Harris, J. G. (2007). Competing on analytics: The new science of winning. Harvard Business School Press

[13] Davenport, T. H., & Ronanki, R. (2018). Artificial intelligence for the real world. Harvard Business Review, 96(1), 108–116

[14] Denison, D. R. (1990). Corporate culture and organizational effectiveness. John Wiley & Sons.

[15] Gorla, N., Somers, T. M., & Wong, B. (2010). Organizational impact of system quality, information quality, and service quality. The Journal of Strategic Information Systems, 19(3), 207–228. https://doi.org/10.1016/j.jsis.2010.05.001

[16] Gupta, A. K., & Govindarajan, V. (1984). Business Unit Strategy, Managerial Characteristics, and Business Unit Effectiveness at Strategy Implementation. Academy of Management Journal, 27(1), 25–41. https://doi.org/10.2307/255955

[17] Henri, J. F. (2006). Organizational culture and performance measurement systems. Accounting, Organizations and Society, 31(1), 77–103. https://doi.org/10.1016/j.aos.2004.10.003

[18] Hofstede, G. (1980). Culture's consequences: International differences in work-related values. Sage Publications.

[19] Hoque, Z., & James, W. (2000). Linking balanced scorecard measures to size and market factors: Impact on organizational performance. Journal of Management Accounting Research, 12(1), 1–17. https://doi.org/10.2308/jmar.2000.12.1.1

[20] Marston, S., Li, Z., Bandyopadhyay, S., Zhang, J. and Ghalsasi, A. (2011) Cloud Computing—The Business Perspective. Decision support systems, 51, 176-189. https://doi.org/10.1016/j.dss.2010.12.006

[21] McManus, L. (2013). Management accounting and control systems: An organizational and sociological approach. John Wiley & Sons. Miles, R. E., Snow, C. C., Meyer, A. D., & Coleman, H. J. (1978). Organizational strategy, structure, and process. Academy of Management Review, 3(3), 546–562.

[22] Mintzberg, H. (1979). The structuring of organizations: A synthesis of the research. Prentice-Hall.

[23] Mintzberg, H., & Waters, J. A. (1985). Deliberate and Emergent strategies. Strategic Management Journal, 6(3), 257–272.

[24] Miles, R. E., & Snow, C. C. (1978). Organizational strategy, structure, and process. McGraw-Hill.

[25] O'Reilly, C. A., Chatman, J., & Caldwell, D. F. (1991). People and organizational culture: A profile comparison approach to assessing person-organization fit. Academy of Management Journal, 34(3), 487–516. https://doi.org/10.2307/256404

[26] Porter, M. E. (1980). Competitive strategy: Techniques for analyzing industries and competitors. Free Press.

[27] Schein, E. H. (1988). Organizational culture and leadership. Jossey-Bass. Wang, R. Y., & Strong, D. M. (1996). Beyond accuracy: What data quality means to data consumers. Journal of Management Information Systems, 12(4), 5–33.

[28] Shank, J. K., & Govindarajan, V. (1993). Strategic cost management: The new tool for competitive advantage. The Free Press

[29] Tapscott, D. and Tapscott, A. (2016) Blockchain Revolution: How the Technology behind Bitcoin Is Changing Money, Business, and the World. Penguin, New York.

[30] Wang, R. Y., & Strong, D. M. (1996) – Highlighted the importance of high-quality IS data for SMA techniques like value chain analysis and CLV measurement.