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# Strategic management accounting: how far have we come in 25 years?

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## Abstract

**Purpose** – The purpose of this paper is to provide a review of the origins of strategic management accounting and to assess the extent of adoption and “success” of strategic management accounting (SMA).

**Design/methodology/approach** – Empirical papers which have directly researched SMA and prior review papers of the adoption and implementation of SMA or SMA techniques are reviewed. As well as assessing the extent of adoption of SMA and the reasons underlying an apparent low adoption rate, the role of accountants in adopting and implementing SMA is considered. Finally, the success or otherwise of SMA is discussed.

**Findings** – SMA or SMA techniques have not been adopted widely, nor is the term SMA widely understood or used. However, aspects of SMA have had an impact, influencing the thinking and language of business, and the way in which we undertake various business processes. These issues cut across the wider domain of management, and are not just the province of management accountants.

**Research limitations/implications** – There is limited value in conducting future surveys of the adoption and implementation of SMA or SMA techniques. Rather, the focus should be on how SMA-inspired techniques and processes diffuse into general practice within organizations.

**Originality/value** – Twenty-five years after the term strategic management accounting was first introduced in the literature, this paper brings together disparate literature and provides a broad assessment of the “state-of-the-art” of strategic management accounting to inform researchers and practitioners.

**Keywords** Strategic management, Accounting, Activity based costs, Budgetary control, Target costs

**Paper type** Literature review

## Introduction

In 1981, Simmonds published a paper in the UK professional magazine, *Management Accounting*, in which he presented a strong case for the adoption of strategic management accounting (SMA) (Simmonds, 1981, p. 12). Many professional and academic papers continued this theme, culminating in an influential paper by Bromwich (1990) and the book *Pathways to Progress* (Bromwich and Bhimani, 1994). At the same time in the USA, influential academics such as Robert Kaplan, Robin Cooper and John Shank were vocal critics of the state of management accounting and urged us to improve our relevance by adopting strategic cost management (SCM).

On both sides of the Atlantic, case studies were published that demonstrated the superiority of SMA or SCM over traditional forms of management accounting, and the



need to take a strategic perspective to management accounting became the accepted wisdom. However, various surveys of practice in the 1990s indicated that the uptake of SMA was slow. Some commentators asked whether SMA was “a figment of academic imagination” (Lord, 1996) and others questioned whether accountants had the capacity or the skills to make SMA a success (Cooper, 1996a, b). Despite the evidence, several commentators continued to believe that it was only a matter of time before SMA was adopted widely across industry and that it would emerge as a major force in shaping modern management accounting (Bromwich and Bhimani, 1994; Dixon and Smith, 1993; Roslender, 1995).

As it is now just over 25 years since Simmonds first introduced the concept of SMA, it is a reasonable time to assess its progress. The purpose of this paper is to provide a review of the origins of SMA and to assess the extent of adoption and “success” of strategic management accounting. As well as reviewing empirical papers which have directly researched these issues, prior reviews of SMA adoption and implementation will also be utilized. Thus, in some respects this paper is a “review of reviews” of SMA. As well as assessing the extent of adoption of SMA and the reasons underlying an apparent low adoption rate, the role of accountants in adopting and implementing SMA is considered. Finally, the success or otherwise of SMA is discussed.

The paper is organized as follows. In the next section SMA will be defined. This will be followed by a recount of the development and possible demise of SMA as provided in a recent chapter by John Shank (2007). Wider perspectives on the origins and development of SMA are then presented, drawing mainly on the works of Bromwich and Bhimani (Bromwich, 1990; Bromwich and Bhimani, 1989, 1994) and Roslender and Hart (Roslender, 1995, 1996; Roslender and Hart, 2002, 2003). This is followed by a selective review of the literature that addresses adoption, implementation and success of specific SMA techniques and practices, which includes descriptive and theoretically-grounded case studies, and surveys of practice. The role of management accountants in the adoption and implementation of SMA is then considered, and in the final section the state of play of SMA is assessed and opportunities for future research are identified.

### Defining the boundaries of SMA

There is no agreed definition of SMA in the literature. At its very simplest, SMA is about making management accounting more strategic (Roslender and Hart, 2003, p. 272). Simmonds defined it as “the provision and analysis of management accounting data about a business and its competitors, for use in developing and monitoring business strategy” (Simmonds, 1981, p. 26).

Bromwich (1990, p. 28) provides a definition that limits SMA to financial information, but which is focused on performance relative to competitors:

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.

The confinement of SMA to financial information and costs may be regarded by some as limiting; many consider that non-financial information is an important component of SMA.

Some commentators define SMA as a process. For example, Lord (1996) describes SMA as a six-stage process as follows:

- (1) Collection of competitor information.
- (2) Exploitation of cost reduction opportunities.
- (3) Matching of accounting emphasis with strategic position.
- (4) Collection of competitor information.
- (5) Exploitation of cost reduction opportunities.
- (6) Matching of accounting emphasis with strategic position.

Dixon and Smith (1993) present four stages to their SMA process: strategic business unit identification, strategic cost analysis, strategic market analysis, and strategy evaluation.

Like many SMA commentators, Lord (1996) and Dixon and Smith (1993) see SMA as lying at the interface of management accounting and strategy. However, some other authors see marketing as the more relevant orientation for SMA (See, for example, Foster and Gupta, 1994; Roslender, 1995, 1996; Wilson, 1995). Roslender and Hart (2002, p. 269) argued that SMA should become “more thoroughly infused with marketing issues, theories and concepts to form a ‘marriage of equal partners’”. The resultant “brand management accounting” would include performance measures such as market share, market growth and brand strength, and customer profitability reports would focus on sub-brands and specific market offerings.

While SMA is a term used by accounting academics and sometimes practitioners in the UK, Australia and New Zealand, in the USA the term strategic cost management (SCM) is more commonly used in the literature. Shank and Govindarajan (1994, p. xiii) describes SCM as “the blending of the financial analysis elements of three themes from the strategic management literature – value analysis, strategic positioning analysis, and cost driver analysis”. Clearly, this description of SCM has similarities with SMA processes, as described by Lord (1996) and Dixon and Smith (1993). However, some would view SMA as broader than SCM.

A unifying link between these various views and definitions of SMA (and SCM) is that SMA entails taking a strategic orientation to the generation, interpretation and analysis of management accounting information, and competitors’ activities provides the key dimension for comparison.

A range of techniques have been included under the umbrella of SMA, and some commentators define SMA in terms of its techniques. These include target costing, life-cycle costing, strategic cost analysis, competitor cost analysis, activity-based costing, activity-based management (sometimes called activity-based cost management), attribute costing, life cycle costing and strategic performance measurement systems. However, some commentators reject the idea that activity-based costing is a part of SMA, as the focus of ABC is on the accuracy of cost allocation, not strategic support. While these techniques may contribute to meeting the needs of organizations, particularly where cost provides a competitive advantage, there are clearly broader strategic notions captured under SMA. Interestingly, over the past 25 years, the majority of published empirical research has focused on the adoption and implementation of specific SMA techniques, and

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activity-based costing in particular. In this paper, activity-based costing will be considered a part of SMA.

### A North American perspective – John Shank

The late John Shank published a chapter in *Contemporary Issues In Management Accounting* (Bhimani, 2007), titled “Strategic cost management: upsizing, downsizing, and right(?) sizing” (Shank, 2007). This chapter provides a fascinating and provocative account of the development of what he variously calls “strategic accounting” and “strategic cost management”, from the perspective of one of its earliest and longest-standing advocates. The chapter provides a US-centric perspective on the developments and influences on the management accounting field, acknowledging the contributions of, and linkages to, parallel developments in the UK. It is a very personal account of the growth, and what he saw as the decline, of SCM, and provides a good context for considering the achievements and future of SMA.

Shank explains that following the emergence of strategy as an identifiable field of study in the leading US business schools in the 1970s and early 1980s, and the move of many business disciplines to append “strategy” to their names – operations strategy, marketing strategy, organizational strategy – it was inevitable for strategic accounting to emerge and supplant management accounting. Shank acknowledges that Simmonds’ (1981) seminal work in strategic management accounting contributed to his thinking at this time, and remembers with fondness discussions with distinguished scholars including Michael Bromwich, Anthony Hopwood, Robert Anthony, Charles Horngren, and Robert Kaplan about the evolution in thinking that was taking place.

The emergence of SCM is described by Shank as the third stage of the development of the management accounting discipline: from cost accounting to managerial accounting to SCM. Cost accounting transformed into management accounting in the period 1945 to the 1960s. While management accounting emphasized the role of financial information in decision making across a range of business problems, it did not consider, explicitly or even implicitly, the business context in which those decisions were embedded.

Shank recalls his excitement, in about 1985, at the possibilities that the new strategic focus could bring to the management accounting discipline and to business in general. He regarded his widely quoted paper published in the first volume of *Journal of Management Accounting Research*, titled “Strategic cost management: new wine, or just new bottles?” (Shank, 1989), as providing the direction for management accounting researchers and practitioners. This paper was supported by a growing professional and academic literature in both the USA and the UK that called for change in the focus of management accounting. The message that financially-focused management accounting systems and costing techniques were not providing useful information for managing manufacturing operations was echoed in Kaplan’s and Johnson’s 1987 book, *Relevance Lost*. At this time, academics in both the operations management and accounting literature supported and contributed to this message (Chenhall and Langfield-Smith, 2007). It was about this time that CAM-I was formed in the USA, being a consortium of people from industry, academe and government, to address the role of cost management in the advanced manufacturing environment.

The rise of activity-based costing (ABC) and activity-based management (ABM) is seen by Shank as supporting the new ideas. Cooper and Kaplan were the main academic writers who promoted these techniques. Shank describes ABC as presenting a revolution in thinking and providing a way for accounting to become more strategically relevant. Certainly, at that time, many academics and practitioners saw ABC as providing a solution to the problems of irrelevancy. Shank describes an ongoing debate between himself and Robin Cooper as to whether ABC was the capstone of strategic accounting (Cooper's view) or whether SCM was the umbrella under which ABC and many other techniques resided (Shank's view).

The 1990s are described as "the glory decade" where academics, consultants and practitioners all played a role in popularizing strategic accounting. Shank notes that many SCM tools were implemented as pilot studies in US companies and published as teaching case studies, or as chapters in books. Professional journals carried articles with SCM themes and the training activities of professional accounting bodies focused on SCM tools and techniques. Global consulting firms developed very active practices in the area of SCM and some specialized in the design and implementation of specific SCM techniques.

In contrast to this activity, Shank notes that in many business programs traditional management accounting continued to be taught and none of the major US management accounting textbooks gave coverage to the new SCM topics. At this time Shank assumed this was simply a publishing time lag. However, during this period, an aspect that disturbed Shank was the lack of involvement of "internal" accounting departments in SCM implementations in corporations. Again he assumed that this would be corrected over time. However, his colleague, Robin Cooper, expressed doubt that this would ever occur, as accountants did not have the ability to learn "new tricks". Cooper highlighted that SCM activity was developing outside of the view of the accounting profession and he is quoted by Shank as saying that accountants are "intellectually and emotionally un-equipped" for the transformations (Shank, 2007, p. 359). At that time, Shank still disagreed with Cooper's views.

Shank chronicles the "unraveling of the pieces" from 2000 to 2005 and documents a litany of troubles that cast doubt on the future of SCM. He noted with surprise that companies that he had documented in case studies, and other corporations that had started to implement SCM, had not moved beyond pilot studies or cameo pieces, and few could showcase their success. The decline of management accounting as a profession in the USA was apparent in their changing focus. The North American professional bodies that had been dedicated to management accounting – IMA in the USA and CIMA in Canada – faced a shrinking membership and their attempts to reposition their professional magazines as "strategic" were not successful. The topic of management accounting was dropped from the core curriculum of major US MBA schools and the large SCM-based management accounting practices of the accounting and consulting firms were dying. The staffing levels of accounting functions in corporations in the 2000s were close to 1 per cent of total staffing numbers, whereas in the 1980s it was typically 2 per cent, and in the 1960s it had been 4 per cent.

The 2000s are seen as a time when the priorities of US companies and CFOs were shifting. Highly publicized corporate collapses led to increased pressures for tight internal controls and fraud detection. This occupied the attention of many corporate accounting departments and left little "emotional energy" for considering the strategic

use of accounting information. The implementation of new international financial reporting standards (IFRS) had become a high priority for many CFOs. Shank suggests that the strategic accounting implementations that did take place were more likely to originate from “shadow” accounting staff who did not report to the CFO, than from the accounting staff themselves.

The chapter concludes with Shank musing that accountants have the intellect and can be trained to adopt the broad focus needed for the transition to SCM, but commiserates that this may not occur in the environment of Sarbanes-Oxley and with the increasing pressure of the capital markets for quarterly profit earnings results.

This is a rather negative view of the progress and the future of both management accounting and SMA. But is it an accurate depiction of the situation? Is Shank’s interpretation of the US experience similar to what has been experienced by others in the USA or in other countries? What evidence do we have about the adoption and use of SMA in other parts of the world – UK/Europe, Australia and New Zealand?

### **Wider perspectives on SMA – Bromwich and Bhimani**

In 1981, Simmonds claimed that SMA was “spreading rapidly in practice” and that “management accountants are spending a significant proportion of their time and effort in collecting and estimating cost, volume, and price data on competition and calculating the relative strategic position of a firm and its competitors as a basis for forming business strategy” (Simmonds, 1981, p. 26). This is a curious claim, as in later years, several writers maintained that such practices have not been adopted widely (Guilding *et al.*, 2000; Lord, 1994, 1996; Shank, 2007). Was Simmonds exaggerating, or was he using the term SMA, or viewing SMA, more loosely than of subsequent researchers and writers?

In the years following Simmonds (1981), many papers that promoted SMA appeared in the professional literature and were largely normative papers or descriptive case studies. It was not until the late 1980s that more significant academic writing emerged presenting SMA within a more theoretically-grounded research framework. Prominent were works by Bromwich (1990) and Bromwich and Bhimani (1989, 1994).

#### *The economic case for SMA*

Bromwich (1990) provided persuasive arguments in favour of SMA. Compared to papers, which up to that time relied on common sense to justify the case for SMA, Bromwich draws on economic theories. He stated that we need to release “management accounting from the factory floor” to assist it to meet the global challenges in product markets, and to allow management accountants to focus on the firm’s value-added relative to competitors. There are two key themes captured in this paper.

The first theme, is that products are desired for the attributes that they provide (Lancaster, 1979), and, thus, accountants have a role to play in costing various product attributes and monitoring the performance of such attributes over time. “Attribute costing” would require accountants to embrace strategic information as well as cost information. This would entail costing the attributes or characteristics provided by goods and monitoring and reporting these costs regularly. However, information about the demand and cost factors associated with those attributes must be relative to those of current and future competitors. To survive, a firm must continue to offer the cheapest way for consumers to obtain the desired bundle of attributes. Bromwich



stated that this may require some organizational restructuring to enable the accounting and finance functions to be situated closer to the function that require and work with this new information. In a later work, Bromwich explained that attribute costing was quite distinct from ABC and ABM: ABC/ABM costs the functions in the value chain that provide value to the customers, whereas under attribute costing it is the attributes provided by a product that customers desire which are costed (Bromwich and Bhimani, 1994, p. 128).

The second theme draws on the theory of contestable markets, which suggests that a company needs to maintain its cost advantage over current and potential competitors to have a sustainable strategy (Baumol, 1982; Baumol *et al.*, 1988). This will involve reporting on the cost structures of competitors and potential rivals, to survive in a competitive market that is horizontally differentiated. The costs of barriers to entry and sunk costs related to those cost barriers, requires accountants to adopt a more external focus to cost analysis (Bain, 1965).

In their books, *Management Accounting: Evolution not Revolution* and *Pathways to Progress*, Bromwich and Bhimani (1989, 1994) provide a commentary on the US “relevance” debate and the state of SMA on both sides of the Atlantic, as at that time. There are several aspects of these books that are relevant for this paper.

#### *Management accounting in crisis?*

Bromwich and Bhimani (1994) rejected the US view that management accounting was in crisis. They suggested that the real issue for management was the inappropriateness of continuing to maintain the short term and internally-focused approach of accounting information in the face of intense global competition that demands goals of long-term sustainability and strategic positioning. They questioned the prevailing wisdom of the time that the “perceived malaise” of management accounting was attributable to its subservience to financial accounting. Rather, they suggested it was attributable to a lack of ability among senior corporate managers who allowed this to happen, and suggested that the conditions documented in descriptive US case studies revealed that much more than just the accounting systems needed to change. They saw a major benefit of the new costing techniques, as revealed by many of the published case studies emanating from the USA, as making visible weak management strategies.

Bromwich and Bhimani’s (1994) view was that there were strong arguments supporting the contention that traditional forms of management accounting were based on redundant assumptions. In particular, they saw ABC as having the potential to overcome some of the problems of conventional management accounting techniques, through providing a better understanding of how overheads vary in relation to a range of cost drivers, and viewed statistical studies as supporting the notion that non-volume related activities may drive costs.

#### *The slow take-up of SMA techniques*

Bromwich and Bhimani reviewed the findings of major surveys of practice in the late 1980s and up to 1994, in the UK and North America, which led them to conclude that there had been a low level of adoption of SMA techniques. However, the surveys found that SMA techniques were generally regarded by adopters as useful, and there were clear indications among survey respondents of their intent to adopt ABC in the future.

Like Shank, they noted that a number of the published ABC implementations were pilot studies, and few companies were using ABC in any major applications – they suggest an adoption rate of ABC of 10 per cent. Their review of the published evidence reveals disconnect between the rational arguments provided by academics and other commentators, and the uptake of such practices, and like Shank they considered that wide-scale adoption was only a matter of time. Gosselin (2007) was to later describe this disconnect as the “ABC paradox”. This is captured in two quotations:

Techniques such as activity based costing and product life cycle costing no doubt are reasoned on logical terms and it may be posited that once accountants, managers, and other potential processors and users of accounting information comprehend more fully the implications and rationales underlying their use, increased application will follow (Bromwich and Bhimani, 1994, p. 202).

Changes in practice tend to lag behind the views voiced by certain consultants, academics and practitioners. Exhortations favouring alterations in accounting techniques in many case fall on deaf ears . . . Theoretical rationales underlying such call are persuasive . . . managers’ practical wisdom for side stepping normative calls for change often prevails (Bromwich and Bhimani, 1994, p. 207).

Bromwich and Bhimani (1994) suggest that this accounting lag may be due to resistance to change that can arise from an adverse effect that a move to ABC can have on short-term profits and perceptions of the capital markets, as well as unfavourable changes to employee’s performance reports in response to the new costing information (Shields and Young, 1989).

They finish their analysis by concluding that “it may be too early to judge the propriety of changes taking place (or failing to take place) . . . The empirical evidence for the take up of new accounting ideas is not yet substantial” (Bromwich and Bhimani, 1994, p. 208). Clearly, they saw hope in the years ahead. However, in the years following Bromwich and Bhimani (1994), evidence of increased adoption of SMA continued to be weak. In 1996, in a special issue of *Management Accounting Research* that was devoted to SMA, Tomkins and Carr (1996) claimed that SMA was still ill-defined and most of the SMA research was at the conceptual level. They stated that up to that time, there were no more than 20 key articles in mainstream academic journals. Much of the evidence of SMA adoption was in professional journals.

### **An additional perspective – Roslender and Hart**

Robin Roslender has published a series of papers that review developments in SMA, from a sociological perspective. Roslender’s (1996, p. 533) review assessed the response of some “critical” accountants to the emergence of SMA. He considered many of the papers as too negative, having a “dismissive tone with the almost predictable conclusion that there is little here that promises to contribute to a more attractive accounting praxis”. He classified the critiques of SMA into three categories. The first category critiques Kaplan and Johnson’s 1987 book, and includes Ezzamel *et al.* (1990) who use a Foucauldian framework, Hopper and Armstrong (1991) who take a Marxian approach and Johnson himself (Johnson, 1992, 1994) who provides an “autocritique” (that is, a critique of his own work). The second category of critiques are case studies that promote accounting for strategic positioning, including Bhimani and Pigott (1992), Miller and O’Leary (1994) and Munro (1995). Roslender’s third category of



commentaries is papers written as a response to Johnson's autocritique (Ezzamel, 1994; Williams *et al.*, 1994; Yuthas and Tinker, 1994).

In general, Roslender asserts that many of the critical accounting commentaries focus on the threats that are posed by the introduction of various SMA techniques and frameworks. However, Roslender is more positive and believes that while threats have to be acknowledged, the opportunities that are captured in SMA frameworks must also be considered. In particular, he focuses on the "empowerment option" that is captured by many of the SMA techniques, which, while being perhaps based on "questionable underpinning", were worthy of exploration.

Roslender and Hart (2002) provide a framework for integrating management accounting and marketing, to advance the potential of SMA. Building on Roslender (1996), Roslender and Hart (2002) distinguish between the approaches that have been taken to integrate management accounting and strategy, from those which seek to integrate management accounting and marketing, and generally find shortcomings in the first approach. They return to the initial formulations of Simmonds (1981) to refocus on the link between management accounting and marketing. In presenting their critique, they categorize SMA research into three groups.

First is the area of quantitative research which links strategy and management control systems, of which Simons (1987) is one of the first examples. Simons' paper led to a stream of research that has continued to the present day, which focus largely on contingency relationships (see Langfield-Smith, 2007, for a review of the literature). The focus of these papers is on how MCS can be designed to directly support the specific strategy of the firm. The notion of "fit" between strategy, MCS and other contextual variables is the core of such studies. Roslender and Hart (2002, p. 260) are quite critical of the contribution of this body of work, stating that it only results in a "more strategically informed approach to management accounting".

The second group, which they assess more positively, is the balanced scorecard (BSC) literature (Kaplan and Norton, 1992, 1996). Rather than adopting the more traditional control bias of MCS, Roslender and Hart (2002) state that the BSC "puts strategy and vision, not control, at the centre" (Kaplan and Norton, 1992, p. 79) to allow organizations to compete more effectively. However, they are critical of the BSC as placing strategy as a higher order preoccupation to management accounting, so that management accountants become "guardians of strategy providing a mechanism that will allow their counterparts in the other business functions to successfully accomplish strategy" (p. 261). They consider that the greater contribution of the BSC is that it is a tool that is used by managers across the organization. Interestingly, Roslender and Hart (2003) point to some management accountants regarding the BSC as their own, whereas in reality it has been adopted far more broadly by many disciplines. The BSC, and to a lesser extent ABC, are SMA techniques which have a wide recognition beyond the accounting discipline. The BSC, in particular, is part of the teaching curriculum in many fields, including management, marketing, information systems, strategy and operations management.

The third group relates to SCM research, as presented by Shank and Govindarajan (1989). With its tools of value chain analysis, strategic positioning analysis and cost driver analysis, SCM explicitly links management accounting with strategic management, so there is a far greater precision that can be attributed to SCM, compared to SMA.

By focusing on the marketing, rather than the strategy link, Roslender and Hart (2002) view target costing as providing a strong foundation for SMA, and present “brand management accounting” as providing a further dimension of the target costing philosophy. They envisage brand management accounting as encompassing basic measures that focus not only on market share and market growth, but measures of brand strength; brand awareness, brand recognition and brand loyalty. It would also emphasize brand income statements, informed by customer profitability analysis, and analysis that focuses on price sensitivity and price/value tradeoffs. In a field study of ten organizations, Roslender and Hart (2002) reveal the growing importance of brands for company success and the varying degrees of cooperation between accounting and marketing.

Roslender and Hart (2003) build on the concept of integration of management accounting and marketing as providing the new direction in SMA. They see the synergistic relations that are needed to progress SMA as being at the opposite end of the spectrum from traditional relationships. These relationships will require managers to abandon their discipline-focused practices to adopt greater inter-functional co-ordination, and possibly more toward an area that they term “strategic marketing management accounting”.

### A review of some evidence

The published works that address SMA fall into several camps. These include normative papers that focus on case studies of the implementation of specific SMA techniques emanating mostly from the professional literature; descriptive case studies used largely for teaching purposes and to demonstrate the benefits of SMA (or SCM); case studies or fieldwork that are grounded in theory that focus on a variety of topics, and; surveys of practice that gauge the adoption and/or benefits of SMA and of SMA techniques.

An analysis of many of these works have been captured in review papers that have appeared in academic journals or in books (see, for example, Anderson, 2007; Ansari *et al.*, 2007; Bromwich and Bhimani, 1994; Gosselin, 2007; Roslender and Hart, 2003). Indeed, the number of publications, in both the professional and academic literatures, that address SMA runs into the thousands. Thus, in this paper, some key publications will be reviewed to give a flavour of the type of work and findings that have emerged since the early 1980s.

#### *North American case studies*

Many of the major case studies that appeared in the 1980s and 1990s were written for teaching purposes, and sometimes were also captured in academic papers and books. In the main, these case studies were not theoretically-based, and focused on “real life” demonstrations of the benefits of moving away from “traditional” costing techniques and adopting a particular SMA technique.

Kaplan (1990) is a book that consists of a series of case studies that were originally presented at a colloquium held at Harvard Business School in January 1989. A common theme for each case study presented in the book is the recognition of the problems of old measurement systems (usually costing systems), the vision for improvement and then the early stages of implementation of a new system. In his introduction to the book, Kaplan highlighted two unresolved issues that link the case studies. First, each

case study captured the move away from financial measures, towards non-financial measures at the operational level, but it was unclear as to what was the appropriate mix at each hierarchical level of the organizations. Second, it was not clear how to design incentive and reward systems for manufacturing managers to support continuous improvement. Kaplan considered that link the between local manufacturing measures and long-run measures of competitive success would become clearer over the following years.

Classic case studies include the Portable Instrument Division (PID) of Tektronic, Hewlett Packard's Roseville Network Division and Zytec (Cooper and Turney, 1990). These cases were issued as individual teaching cases by Harvard Business School, as well as appeared in a single integrating chapter in Kaplan (1990). Each of the three cases demonstrates how ABC was used to motivate improvements in the manufacturing capabilities of the firms. The three ABC implementations were designed to provide, respectively, incentives to reduce the number of unique parts used in the manufacture of products, to improve the design of products utilizing cost and performance tradeoffs and to reduce the lapsed time from the order of components from the supplier to the shipping of the product to customers. The objective of each ABC implementation was not to determine accurate product costs, but to provide incentives for certain managerial decisions. In each case, the judicious choice of cost drivers influenced management decisions to change the product design or process design. Cooper and Turney (1990) explained the benefits of implementing such "internally-focused" ABC systems, but also highlighted the risk of allowing motivational effects to dominate the need for accurate product costs, particularly if the "motivational" product costs are the only costs available within the firm. There is also a credibility issue associated with such product costs and a lack of acceptance of the product costs by managers, when they are known to be inaccurate.

Berlant *et al.* (1990) relate another case of Roseville Networks division of Hewlett Packard, where ABC was implemented to uncover accurate product costs. It was revealed that production managers had developed "private" costing systems which were affirmed by the new ABC system. Thus, the new costing system provided a common language which was accepted by operations personnel and accountants. In this case the message was how the new system became an effective communication system which cut across functional boundaries and resolved a long-running atmosphere of conflict and suspicious, but also facilitated its informational use.

A research study sponsored by the Institute of Management Accountants, Cooper *et al.* (1992) focused on eight ABCM (activity-based cost management) case studies and highlighted the benefits of such systems, the implementation steps, key design decisions and pitfalls that can effect success. The book was designed to capture the "state of the art" of ABC principles and implementation at that time. In brief, the findings were as follows. First, ABCM is a management process, not just a cost management system, which allows managers to manage activities and business processes across the firm. Second, ABCM provides benefits for strategic and operational decisions. Third, ABCM can co-exist with conventional financial accounting systems. Finally, management must implement processes or organizational change and implementation to reap the benefits from the insights that result from an ABC analysis (Cooper *et al.*, 1992, pp. 1-2). Interestingly, as with the

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case studies reported in Kaplan (1990), the eight cases seem to be either pilot studies or were in the early stages of implementation.

But not all case studies have focused on ABC or ABM. Cooper (1996c) provided summaries of 23 Japanese case studies which illustrate the successful use of Japanese style cost management such as target costing, value engineering and inter-organizational cost management. However, it was not clear that these experiences were directly translatable to a non-Japanese context.

### *Theoretically-grounded case studies*

The case studies that can be found in the research literature are wide ranging and focus on many different aspects of accounting and strategy. Rarely have they focused simply on adoption or implementation of SMA, or of one of the SMA techniques. Rather, they have tended to emphasize the complexity of the accounting-strategy relation, and to focus more on processes and issues concerning the use and the influence of accounting information.

One of the “classic” case studies is Roberts (1990), which is a study of strategic change in a large decentralized company (Conglom). This study relied on structuration theory to focus on processes of accountability. Giddens’ (1976, 1979) structuration theory distinguishes between structures, which are static and consist of practices, and structuration, which is the process where actors drawn on structures and effect change (Ahrens and Chapman, 2002). In Conglom, accounting information was a powerful influence in shaping managers’ activities and relationships, and created an external image of success. However, the excessive emphasis on financial returns concealed some potentially damaging strategic outcomes for the company. Strategy formation and implementation processes were thus compromised. The distorted communications that emanated from accounting information needed to be countered with informal controls, such as management meetings, in an attempt to resolve the conflict between accounting information and strategy.

Miller and O’Leary (1997) provide a case study of Caterpillar which focuses on the processes used to align capital investment decisions with strategy. The case study tracks the changes that were made to capital investment evaluation processes, as the business strategy changed from a mass production technology to flexible manufacturing systems. Capital investment proposals were evaluated as discrete projects, which seemed appropriate to managing investment in the company’s mass production technologies. However, with the move to flexible systems, the interrelationships between projects needed to be explicit, so investments came to be evaluated through the creation of new responsibility centres, called “investment bundles”, which consisted of diverse and mutually reinforcing assets needed to manufacture a set of core product modules. Capital investment implementation was managed through highly visible performance reports (called bundle monitors), that became one of the three major measurement systems for cost management at the plant level. The intense involvement by senior managers in the management of the implementations through consultation, meetings and reports was important in emphasizing the critical strategic issues and in encouraging managers to orient their thinking towards the new strategy. The case provides a demonstration of the use interactive controls (as defined by Simons (1995)).

Chenhall and Langfield-Smith (2003) is a case study that examines how a manufacturing company used a group performance-related based reward system (gainsharing) to achieve strategic change over a 15-year period. This case draws on motivation theories and theories of trust. During the first ten years of the gainsharing system, manufacturing performance was high and this was argued to be a function of organizational trust and in operation of the gainsharing system. The specific performance measures that underpinned the gainsharing system were adjusted over time, as the strategic direction of the company changed. However, in an increasingly competitive environment, structural change (the adoption of manufacturing teams) was introduced in an attempt to sustain high levels of employee performance. The adoption of teams promoted personal trust and the sharing of values and goals, but did not result in significant performance improvements. This performance shortfall was attributed to the continuation of the gainsharing system, which was seemed as incompatible with the development of personal trust.

Roslender and Hart (2003) presented ten case studies of companies and found there was limited evidence that SMA techniques, such as attribute costing, strategic cost analysis, and lifecycle costing were being used or understood by managers. However, in their pursuit of "brand management accounting", they found that managers had a positive attitude towards the benefits of exploring closer relationships between management accounting and marketing. In some of the cases, where there was a high level of interfunctional cooperation. Also, in the reported case studies, VBM-based measures of brand performance were being used and there was a high level of awareness of such approaches. Roslender and Hart (2003, p. 274) saw the possibility of the emergence of a new subset of SMA developments, namely brand accounting. However, they concluded by reflecting on the influence that a specific consulting firm had on the adoption of VBM in each of the cases, and also whether brand management accounting, like SMA, might be another "figment of the academic imagination".

An interesting aspect of the case studies outlined in this section, is that they focus on the use management accounting information to support strategy or strategic decision making, and also the impact that information can have on organizational outcomes. This seems to be a more fruitful and interesting focus, compared to assessing levels of adoption and implementation of specific SMA techniques.

#### *Surveys that address adoption and implementation*

One of the earliest surveys of practice was commissioned by the National Association of Accountants (NAA) in the USA and by CAM-I (Howell *et al.*, 1987), and this was also presented in a series of five articles in the professional journal *Management Accounting* (see for example, Howell and Soucy, 1987). The survey was sent to 1,000 preparers and 1,000 users of management accounting information, and 217 others[1], working in many industries. This was followed by 22 on-site interviews to study the state of art in management accounting practice in manufacturing industry at that time. The areas covered by the survey included capital investment justification, cost accounting and performance measurement. In general, they found a wide range of traditional management accounting practices in place, such as job costing and process costing, but little evidence of "advanced" accounting practice, even though advanced manufacturing technologies were widely adopted. There was a high level of dissatisfaction with the cost data by preparers, who did not find it useful for decisions.

Areas of criticism included the methods used to allocate overheads to products. The major obstacles to adopting improved product costing information were management policies and priorities, habit and a lack of understanding of alternative methods. While non-financial measures, such as those relating to quality, deliver and service, were available, management accounting reports tended to focus on financial measures, which was viewed with a high level of dissatisfaction by users (69 per cent were dissatisfied or thought improvement was needed) as well as preparers (57 per cent responded unfavourably).

Two other surveys published in the few years after the NAA study revealed similar results. Enmore and Ness (1991) studied cost management practices in mid-western US manufacturing companies and found the high implementation of advanced manufacturing technologies was not accompanied by changes in the cost accounting systems and nor were most companies planning to make changes. Cohen and Pacquette (1991) surveyed US manufacturing and service companies and also found a very small take up of new costing systems and limited awareness of the problems associated with their traditional volume-based costing systems. 67 per cent used standard costing systems and 62 per cent used DL as a product allocation based and only 13 per cent used different costing systems for internal management purposes. Karmacker *et al.* (1991) conducted a survey of US manufacturing plants and found dissatisfaction with the orientation of the costing information that was provided for internal decision making purposes. They attributed the slow pace of change to the cost of change relative to the potential benefits of the new systems.

Bright *et al.* (1992) conducted a major survey of 677 UK manufacturing companies, of which more than half had over 500 employees. They reported confusion in the manner in which various advanced costing tools were adopted and used. For example, in many companies costing information was collected but not reported to managers and costing systems grew in an ad-hoc, unplanned manner. Interestingly, 32 per cent of companies reported using ABC, and a further 28 per cent planned to use the technique. A similarly high usage and planned usage was reported for SMA (44 per cent), cost of quality (52 per cent), target cost planning (46 per cent) and throughout accounting (40 per cent). These results are difficult to reconcile with those of other surveys done during this period. The authors state that this might be an outcome of confusion with terminology.

There have been many surveys of practice in the UK over the past 25 years. Of particular note is a series of surveys by Innes and co-authors (including Innes and Mitchell, 1995; Innes *et al.*, 2000). In Innes *et al.* (2000) a comparison was made between two surveys of ABC practice in the UK, undertaken in 1994 and 1999. Overall, they found that there were few changes in use over that period. However, the proportion of ABC users and those companies currently assessing ABC had dropped, and the percentage companies rejecting ABC had increased slightly. They interpreted their results as indicating a leveling off in interest in ABC.

Gosselin (2007) provides a comprehensive review of 1,477 papers published on ABC, including 25 surveys published between 1990 and 2005. He points to the survey evidence which highlight an “ABC paradox”. That is, while ABC is considered by many accountants and managers as very attractive, well known and accepted as a valuable technique, and studied in most business schools, the research evidence points to a low level of adoption globally. The findings of the surveys reported in Gosselin,



indicate that the majority of organizations have never considered ABC, and some firms which did adopt it in the 1990s, have since abandoned it. Surveys indicate adoption rates as low as 2 per cent (Ask and Ax, 1992, in Swedish engineering firms), or as high as 36 per cent (Institute of Management Accountants, 1993), in a survey of 1,500 CMAs in US firms). However, it has been suggested by some authors (Institute of Management Accountants, 1993) that some adoption rates might be overstated, due to confusion over ABC terminology used in the survey instruments and non-response bias. Gosselin also reports, drawing on his own experience, that ABC models differ dramatically from firms, which adds to the confusion and imprecision of the survey results.

Surveys of practice also typically fail to address the questions as to why ABC is adopted or not adopted, and what ABC is actually used for in firms. While Gosselin summarizes the results of prior ABC surveys to identify a series of contextual factors that affect ABC adoption – competition, environmental uncertainty, organizational structure, product diversity, production process, size, strategy and ownership by a multinational firm – the impact of these factors differs for each stage of implementation of ABC.

Even the assessment of success of ABC, which is attempted in some surveys, is problematic. Although, Gosselin assesses that measures of success have improved in sophistication, from the first attempt by Shields (1995). However, Gosselin concludes that the evidence of the success of ABC implementations, or the positive impact of ABC on organizational performance is not strong. Recent studies that have assessed performance outcomes of ABC implementations include Cagwin and Bouwman (2002), Anderson *et al.* (2002) and Anderson and Young (1999) who provide evidence of a link between ABC and financial performance.

In a wide-reaching review paper of target costing, Ansari *et al.* (2007) claimed that target costing is being increasingly adopted by a number of leading firms through the world, even pointing to some diffusion in India and Malaysia. They point to individual companies in the USA, like Chrysler and Caterpillar, who attribute their financial success in the mid-1990s to the adoption of target costing. They argued that while TC is fairly mature in Japanese assembly industries, it is fairly young in the USA and Europe and is found in some auto and assembly companies. They stated that many managers underestimate the potential of target costing, and this may be one reason for low adoption.

Ansari *et al.* (2007) presented a comprehensive review of more than 80 publications in English and 100 in Japanese that deal with target costing. These are mostly normative or technical papers, but also include case studies of TC success, including those in the US automotive industry. But they do point to the work of Koga (1999) and Koga and Monden (2000) who found many companies in the camera manufacturing industry did not meet cost targets. There are only a few surveys of practice. Tani *et al.* (1994) found that 109 of the corporations surveyed had implemented target costing. Boer and Ettlie (1999), in a survey of 126 US corporations, found that many estimated costs in the product design phase. This could be interpreted as a very partial, or preliminary implementation of target costing.

Guilting *et al.* (2000) were critical of the progress of SMA stating that it has received little attention beyond the confines of conceptual consideration. Thus, in their paper they identify a range of SMA practices – attribute costing, brand value budgeting and

monitoring, competitor cost assessment, competitive position monitoring, competitor appraisal based on published financial statements, life cycle costing, quality costing, strategic costing, strategic pricing, target costing and value chain costing – and study the adoption and benefits of these practices across large companies in New Zealand, the UK and the USA. Overall, they found most practices were not adopted widely. Competitor accounting and strategic pricing were the most widely used. However, as found in some prior surveys, perceptions of the merit of SMA practices were higher than the level of actual usage.

Interestingly, Guilding *et al.* (2000) found that there was very limited familiarity with the term SMA, and the term SMA was virtually unused within the organizations surveyed. However, there was slightly more familiarity with the term in the UK, which is not unexpected, given the origins of SMA and the considerable prominence that SMA has been given by UK professional body, CIMA. Roslender and Hart (2003) also found that SMA had limited meaning for managers in their study of ten companies.

### **The role of accountants in the adoption and implementation of SMA**

Over 25 years ago, Simmonds (1981, p. 26) declared that accountants have highly developed skills to provide the necessary bases for undertaking SMA:

Management accountants are spending a significant proportion of their time and effort in collecting and estimating cost, volume, and price data on competition and calculating the relative strategic position of a firm and its competitors as a basis for forming business strategy.

Dixon and Smith (1993) also argued that the analytical, decision-making and financial skills of management accountants provide them with the potential for contributing to the strategy evaluation process. Case studies by Shank and Govindarajan (1988) and Rickwood *et al.* (1981) provide examples of how management accounting can develop to embrace a more strategic context. Dixon and Smith (1993) propose further that management accounting can link strategy with shareholder value analysis and also assist in the valuation of potential acquisition targets. Despite proposing that management accountants were suited to promoting and implementing SMA, Dixon and Smith (1993) concluded by acknowledging that some of the SMA processes might already be undertaken by other functions within a firm, such as the marketing function, so in these cases, the role of management accountant would be to audit such data. However, they did see a great future for SMA in bringing together different functions and disciplines within the firm. They highlighted that the UK professional bodies were responding to the call for SMA, through their professional training, and acknowledged that SMA was embryonic but “through time both practitioners and academics are likely to improve techniques for collecting and analyzing data” (Dixon and Smith, 1993, p. 617).

Bromwich and Bhimani (1994) supported this argument as did Shank in his earlier works, and in his final chapter (Shank, 2007), he still held to the notion that management accountants have the intellect and skills but circumstances are such that CFOs and companies have other priorities.

In a recent review of the origins and future of SCM, Anderson (2007) provides evidence of research in other disciplines in laying the groundwork for understanding SCM, and seems ambivalent about the need for specifically trained accounting

practitioners to reside in corporate accounting departments to use the narrow range of MA tools. However, she claims that management accounting researchers are well suited to the task of creating a unified body of SCM knowledge. This is due to their training in the economics of the firm, and in the core accounting principles of measurement and management control. Gosselin (2007) suggests that **a successful implementation of ABC requires a multi-functional team, where accountants work closely with operations and marketing employees.**

However, some commentators have a different view. Lord (1996) disagrees with Simmonds' assertions that management accountants with their highly developed skills are in the best position to exploit opportunities for cost reduction. She contends that operational people have intimate knowledge and experience of the firm's processes and products.

Two professional articles published by Cooper at around this time in the US practitioner journal, *Management Accounting* (Cooper, 1996a, b) reflect this viewpoint:

As companies move to cost management, they will need more management accounting information but fewer management accountants, and the remaining management accountants will play a supporting role, not a leadership role. For activity-based cost management systems to be effective, everyone in the company must view them as cost management tools rather than as accounting tool. (Cooper, 1996a, p. 20).

A similar view was expressed by Chenhall and Langfield-Smith (1998) in a paper that presents five case studies of the implementation of innovative performance measurement systems. The main case study, Cleanco, developed three new performance measurement systems. These initiatives were managed largely by the human resources department, and did not involve the accounting function, which was preoccupied with taxation and other financial reporting matters. Functional managers at Cleanco were not very complimentary about the skills or customer service provided by the accountants. In this paper, it is argued that accountants have a lot to offer in being involved in these developments but need to develop not only sufficient technical skills, but also social skills. In a subsequent case study of the development of a gainsharing performance measurement and incentive system that was linked to strategic goals, Chenhall and Langfield-Smith (2003) again find that the accountants were not involved in its development, which was the province of manufacturing and HR.

Coad (1996) argued that to undertake SMA projects, accountants need to work smart and hard. Smart work involves choosing clever and ingenious approaches to deal with a task, and then modifying the approach intelligently and resourcefully when needed. Hard work is the use of effort to complete the task. Coad argues that SMA requires a learning orientation, as this motivates both smart and hard work, whereas a performance orientation only motivates hard work, and is not sufficient to undertake SMA. He speculated that in addition to undertaking smart work, the effective strategic management accountant requires high levels of communication skills and the ability to empathize with others. This has important implications for the training of accountants. He saw the future role of management accountant as remaining the acknowledged expert in costing and accounting, but also becoming including a coaching or advisory role, as SMA activities move beyond the accounting function. Clearly, this places many challenges in the path of future accountants. In what was probably his last publication,

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Shank (2007) came to reluctantly agree with Cooper's assessment of the inability of accountants to rise to the challenge of SMA.

### **Conclusion – what have we achieved and where do we go next?**

In this final section, the state of play of SMA is assessed. The success of SMA as a concept, and of specific SMA techniques, is reviewed. The future role of management accounting as the “owner” of SMA is considered and opportunities for future research on SMA are identified.

#### *Has SMA been widely adopted?*

The above discussions would be considered by some as indicating a lack of success of SMA. Clearly, in the 1980s, SMA started with great promise and for many years there was much enthusiasm from the professional and academic accounting communities. Overall, the clear message that emerges from empirical studies is that there is no compelling evidence that SMA, in the form envisaged by Simmons, is used widely in practice. The normative papers extolling the benefits of SMA and early conceptual developments have not led to widespread adoption of SMA, and the lack of widespread adoption also makes it difficult to determine the success or otherwise of SMA implementations. Also, the term SMA is not well understood by researchers or in practice, and in some cases the term is not even recognized.

Evidence on the widespread adoption of specific SMA techniques is also not strong. The main evidence relates to activity-based costing. There have been several surveys of practice and case studies of ABC implementations. However, there is consistent evidence that adoption has been low, and may have even decreased over time, and many companies have not even considered implementing ABC (see for example, Innes *et al.*, 2000).

There has been much written about the success of Japanese companies, and the benefit of many Japanese management accounting techniques, such as target costing, functional analysis and value engineering. However, there is limited evidence of widespread adoption of Japanese-style SMA techniques, outside of Japan, and those Western companies that have adopted are often subsidiaries of Japanese companies. Twenty-five years down the track it is difficult to continue to argue that it is early days for SMA, and that there exists an accounting lag. In addition, several case studies reveal that SMA tools and techniques are sometimes implemented without the involvement of the accounting function, by “shadow” accounting staff.

#### *The impact of SMA on practice, scholarship and accounting*

So has SMA had any impact? It can be argued that SMA has made an impact on practice, scholarship and accounting, but not in the way that was envisaged by the SMA founders.

Anderson (2007) argues that SCM has been a success because it has permeated the research and teaching of virtually all management disciplines. She sees the future challenge is for management accounting researchers to engage with other disciplines and to integrate what has been learned from other disciplines with management accounting theory. Similarly, Gosselin (2007) suggests that ABC can be regarded as successful, due to its influence on the development and renewal of management accounting. He also claims that ABC has enhanced the role and created positive

perceptions of management accountants. However, he also points to the ABC paradox, the gap between conceptual strength and awareness of ABC and the low levels of adoption and implementation.

Otley (2001) claims that SMA has had a major impact on the thinking of practising management accountants and managers. This may be due to the influence of the books and papers written by key SMA advocates, such as Shank, Bromwich, Cooper and Kaplan, but also due to the influence of activities of professional accounting bodies (particularly CIMA, in the UK, or CPA Australia) who have sponsored research reports and included SMA as part of professional training and professional development programs. This has created a broad awareness of SMA tools and techniques over many years.

Management consultants who have promoted specific SMA techniques have also had a strong influence, as have high profile books promoting techniques, which have sometimes been written by those same consultants. We have the consulting firms to thank for the widespread promotion of techniques, such as ABC, VBM, and the BSC, in many western countries in the 1990s. High profile publications, such as the *Harvard Business Review*, have also brought many of the SMA techniques and processes to the attention of managers globally.

SMA can be regarded as a success because of the way that it has permeated other management disciplines. SMA as a term may be “a figment of the academic imagination”, but if we move beyond the terminology, we can examine what has been achieved in more subtle ways within organizations and across management in general. As Anderson (2007) indicates, there is a lot of “strategic” management accounting happening in organizations, but not always with the leadership or the involvement of the accounting function.

Some of the techniques that we often consider are a part of the management accounting toolbox are considered by other disciplines as their own. Some concepts that we classify as SMA have entered the province of “management”. The way that modern performance measurement systems are implemented and managed in organizations provides an example. In universities, many aspects of SMA are taught not only as part of the management accounting curriculum. They can also be found in subjects in the marketing and management and even IT areas. This is the case for the BSC, cost management, process analysis, and KPIs. The BSC, in particular, is considered by many to be a management tool and not the province of accountants. Software vendors and internal IT departments have also been important in this area; some SMA tools are implemented as an outcome of software implementations. It is interesting to consider the impact that packages like SAP have had on the type of accounting implementations found in organizations.

As well as some techniques infiltrating many management disciplines, so has some of the language. While the type of ABC systems envisaged by Cooper and Kaplan may not have been implemented, it is not unusual for both accountants and managers to talk about activities and cost drivers. This is now part of the language of business. The apparent low adoption of ABC systems may not take into account that many aspects, that form part of an ABC system, may now have slipped into accepted practice. This includes the more informed use of overhead cost drivers and the broadening of product cost beyond manufacturing, to include up-stream and down-stream costs. The term “activity-based costing” may not be used in these situations. Many of the surveys of

ABC adoption do not focus on the use of these component practices. To focus on the “low adoption” of ABC implies it has had little impact on practice. Not all implementation of SMA techniques are “as per the textbooks”. In considering ten organizations, Bhimani and Langfield-Smith (2007) found high variety in the form and nature of strategic management accounting processes used within organizations, which was in contrast to the prescriptions of the SMA literature, which focused on the structure and formality of strategic activities and a need for a balance of financial and non-financial information to support strategic processes. There were differences across firms as to what they considered to be strategic and in the role played by financial and non-financial information.

Does it matter if the SMA developments are not managed or “owned” by the accounting function? The key issue is to consider whether management accountants have any specific or unique skills that would benefit SMA implementations and management. Several commentators have argued that they do (See, for example, Anderson, 2007; Dixon and Smith, 1993; Simmonds, 1981).

Anderson (2007) argues there is a case for the development of a body of work in SCM to integrate fragmented developments into a coherent body of knowledge. This creates an opportunity for management accounting researchers. However, there remains the difficulty of whether these frameworks, if developed by management accountants, can be transmitted easily to broader management disciplines. In the same way that Kaplan popularized activity-based costing and the BSC, this may require high-profile personalities, books and activities. It is up to the accountants to make such a move. The second issue relates to the future role and identity of management accountants. Note that this is not management accounting as a discipline area – clearly much of the management accounting in organizations is undertaken by many functional areas, not just accounting – it is management accountants as a profession. Cooper summed up his concerns:

To survive, management accountants must develop skills in systems design and implementation, change management, and strategy as well as cost management and management accounting. Individuals involved in management accounting have to accept that their professional lives are going to be altered significantly over the next decade by the growing importance of cost management. For management accounting professionals, the central challenge lies in choosing their future role. Management accountants who do not develop the right skill set either will have to develop functional expertise to allow them to transfer to the functional areas of the company or risk finding themselves at a career dead-end (Cooper, 1996b, p. 40).

#### *Future research opportunities*

The term, “strategic management accounting”, may no longer be very useful when describing a set of advanced management accounting techniques or an approach to competitive financial analysis, so to be concerned with identifying and locating SMA within organizations does not seem to be a productive exercise. We know that the term “strategic management accounting” is not used widely in practice, and it is specific techniques and processes, such as cost management, strategic analysis, product costing, performance measurement, which are the more relevant and recognizable focus. The generic terms used to describe these techniques may have been in use for many years. However, it is the way that we undertake the techniques that may have



changed. Product costing practices undertaken in the 1970s or 1980s may look very different from those same practices in 2007. Similarly, the style and content of performance measurement systems have changed over the decades, to reflect a more strategic orientation.

There is limited value in conducting surveys of practice that focus on rates of adoption or stage of implementation of specific SMA techniques, such as ABC. The decrease in published research in this area supports this reflection. As the apparent low adoption of ABC systems has not taken into account that many aspects that were first developed as part of an ABC system, may now have slipped into accepted practice, it might be useful to examine those specific practices. These might include studying how cost drivers are used to cost product, services and other activities.

Future research might focus on considering the nature of contemporary management accounting work and management accounting information that is used within organizations. It would be useful to understand how techniques diffuse into more general practice and into organizational processes. Target costing is an elaborate cost management technique, which in its fully-developed form, requires the adoption of an intense and ongoing cost management discipline across all aspects of the life cycle of a product, including product design, manufacturing process design, manufacturing activities and after sales support. However, some of the practices associated with target costing, such as functional analysis or the market-driven approach to cost management, may already have been adopted successfully by some organizations and now be part of the accepted practices. There is much we can learn about how the principles underlying SMA techniques that can be used to inform wider organizational practices and processes.

Given the spread of management accounting work to other functions the organization future research should not just be focused on the output of accounting departments. Understanding how management accounting practices come to the attention of organizational actors and how they are implemented and developed will continue to be a source of interesting research.

#### Note

1. The response rates were 79 per cent for preparers, 18 per cent for users and 26 per cent other corporate respondents.

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