Strategic Management Accounting: Lots in a Name?

Robin Roslender
School of Management and Languages
Heriot-Watt University
Edinburgh

Susan J Hart
Strathclyde Business School
University of Strathclyde
Glasgow

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Abstract

Despite its thirty year history, strategic management accounting has yet to establish itself as a core element of managerial accounting. That it has the capacity to do so is immediately apparent from the term itself, which in turn explains its continuing appeal for those attracted to developing and promoting it. The purpose of this paper is to suggest that by reconceptualising strategic management accounting as 'accounting for strategic management' it may be possible to better realise its potential. The paper is in very large part a literature review, in the course of which the accounting for strategic management perspective is explicated. A number of precursors in the extant strategic management accounting literature are also revisited. Central to this reformulation of strategic management accounting is the understanding that the accounting aspects of accounting for strategic management will differ radically from those normally associated with that designation.

Keywords: accounting; strategy; strategic management; strategic management accounting; interfunctional cooperation.

1. Introduction

In their editorial to a previous special issue of this journal devoted to strategic management accounting (SMA), Tomkins and Carr (1996) observed that there was, as yet, no consensus on the meaning of the term, which had been in use for the previous fifteen years, following its introduction into the literature in Simmonds (1981). Fifteen years later the same observation remains valid. Whereas previously we might have found this lack of consensus somewhat irksome, having had the opportunity to research and contribute to the SMA literature in the interim, we have come to recognise that such an important idea cannot and should not be subject to any such attempts at closure. As the title of the paper intimates, there is a lot of rich meaning that can be attached to SMA. The purpose of this paper therefore is to revisit the SMA and a number of associated literatures in an attempt to provide a more systematic foundation on which to develop this still attractive idea in the coming years. Central to this exercise is the identification of a reformulation of SMA as 'accounting for strategic management', a term that has appeared in the SMA literature at various times but remains largely unspecified. As characterised here both accounting and strategic management are mature interdisciplinary practices that cohere in a highly fruitful way.

The paper begins by engaging with a recent retrospective on SMA, which we believe incorporates much that is both positive and negative about its evolution since the early 1980s. This is followed by a discussion of the different perspectives on the meaning of the SMA term that have emerged during this time. In section four we begin the process of reconceptualising SMA as accounting for strategic management by means of a discussion of the terms management, strategy and accounting, and continue this by further exploring the idea of strategic management in the fifth section. A number of prescursors of accounting for strategic management present in the extant SMA literature are discussed in section six, while in the seventh section Kaplan and Norton's strategy map approach is discussed as a mature exemplar of accounting for strategic management. The paper concludes with an attempt to reconcile the meaning that we have hitherto canvassed for SMA with its reconceptualised meaning together with some thoughts on how the fabrication of customer self-accounts might further enhance accounting for strategic management.

2. Strategic management accounting in retrospect

In a recent paper Langfield-Smith sought to answer the question: how far has SMA progressed since the term was introduced into the literature by Simmonds in 1981 (Langfield-Smith, 2008)? The paper reviews a wide literature, in no small part as a consequence of Langfield-Smith's view on what SMA encompasses, concluding that despite much enthusiasm for such developments, including from several influential advocates, progress to date has been modest. SMA has not been extensively adopted, irrespective of whether it is identified with a broad range of techniques or restricted to specific techniques. The term SMA continues to be neither widely current nor widely understood in practice, or among some researchers. There is evidence that particular SMA techniques such as activity-based costing may have been more generally embraced in previous times but these are now in decline. It is unlikely that further surveys on the uptake of SMA will suddenly begin to report an increase in interest in or the adoption of SMA. As Langfield-Smith comments:

> 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. (Langfield-Smith, 2008: 221).

The tone of the paper is partly coloured by the views of the late John Shank, someone Langfield-Smith identifies as among the keenest advocates of the development of SMA. Along with the majority of his North American contemporaries, Shank did not use the term SMA, something that Langfield-Smith acknowledges. In her view, however, there is sufficient about the character of Shank's strategic cost management contribution to have it qualify as an approach within the SMA tradition. This view was previously commended in Roslender (1995) although subsequently rejected in later paper with Hart in 2003. Roslender and Hart seek to limit the use of the SMA term to those developments that combine managerial accounting and marketing management insights, something Roslender and Hart believe is not the case with strategic cost management irrespective of its reliance on Porterian competitive strategy theory (Porter, 1980, 1985).

Shank (2007) recalls how from the mid 1980s he became increasingly excited about the prospects for a new third generation managerial accounting discipline that he identified as strategic cost management in his 1989 *Journal of Management Accounting Research* paper. In due course he and Robin Cooper were to debate the merits of strategic cost management and activity-based costing as the true manifestation of the new strategic (management) accounting tradition. Langfield-Smith is comfortable to recognise activity-based costing as part of the SMA canon, a view that will be discussed in the following section. In retrospect Shank identifies a mismatch during the 1990s between a very genuine enthusiasm evident among academics, consultants and senior practitioners for developments within strategic accounting such as strategic cost management and the limited impact it had within both the textbook tradition and the broader ranks of management accounting practitioners. While Cooper mused that the limited impact of new developments such as these might be the result of some failings within the ranks of practitioners, Shank continued to believe that strategic cost management and similar innovations would eventually succeed. By the time of his death, however, Shank had recognised that irrespective of their merits, strategic accounting developments were unlikely to prevail in a climate where the broader accountancy profession was increasingly subject to external scrutiny in the wake of a series of spectacular business scandals in which it was implicated and which resulted in a renewed appetite for regulation, *inter alia* the Sarbanes-Oxley provisions of 2002.

Langfield-Smith draws attention to Shank's suggestion that all might not be lost, however, and that there was some evidence of the use of SMA approaches by those working outside of the accounting and finance domain – ""shadow" accounting staff who did not report to the CFO" (Langfield-Smith, 2008: 209; Shank, 2007: 363). Her own review lends support to this position, leading her to conclude that SMA has made an impact "but not in the way that was envisaged by SMA founders." (p221). Again drawing on a wide range of SMA developments, Langfield-Smith begins to sketch out the extent to which these have entered the broad province of management. Particular attention is paid to activity-based costing after Cooper and Kaplan, which is, rather provocatively perhaps, concluded not to have been implemented as envisaged by them. Nevertheless some of the terminology of activity-based costing, such as 'activities' and 'cost drivers', has become a feature of contemporary business language. The apparent loss of ownership of SMA by management accountants within organisations is therefore to be viewed in a positive way. Consequently, rather than simply conducting more surveys amongst management accountants on their familiarity with SMA practices or their views on their value, researchers might be better employed investigating how some of the ideas and practices that have been associated with SMA have embedded themselves with organisations. Langfield-Smith concludes her review with the following recommendation:

> Given the spread of management accounting work to other functions in 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. (p224).

As long time advocates of SMA, who continue to remain positive about its potential contribution to the organisation, we welcome this suggestion for at least two further reasons. First, we are equally attracted to the pursuit of research that focuses on what following Hopwood (1976, 1983) and Chua (1986) is designated 'accounting in action'. Second, as Kaplan (1986) recognised, such enquiries are best pursued using more qualitative research designs such as case or field studies, through which detailed, reflexive insights are generated.

At the same time, however, we have a number of concerns about the soundness that the conceptual basis Langfield-Smith's review provides for such mature research exercises. The range of techniques and approaches that she is prepared to accept as constituting SMA remains very problematic, to the extent that Langfield-Smith might be open to the accusation that her focus is not on SMA but on Strategic Cost Management, understood as an umbrella designation that would also encompass activity-based costing/cost management. As her paper makes clear, this was also Shank's view (p208). It is significantly at odds with that canvassed in parallel by Bromwich and Bhimani, the principal advocates of SMA conceived of as an alternative approach to activity-based costing and, by implication, strategic cost management, although *not* target costing/cost management (Bromwich and Bhimani, 1989, 1994). More significantly, the suggestion that SMA is alive and well (and fruitful) in the context of a broad spectrum of organisational management practices requires to be underpinned by some further systematic thinking about what SMA might now encompass, a full thirty years after Simmonds coined the term while urging management accountants to embrace it and make it work to their own and their employers' advantage. Just what is it that has evolved in the interim that continues to promise so much, and what is its relationship with managerial accounting conceived of as a generic approach to providing information to management?

Competing perspectives on strategic management accounting

In a previous special issue of this journal dedicated to SMA Tomkins and Carr (1996) commented that no agreement exists about what the term encompasses. Langfield-Smith's 2008 retrospective amply confirms that there has been very little progress in this respect. Nevertheless, it is possible to identify three distinct conceptions of SMA as having appeared in the relevant literatures over the past thirty years

A marriage made in heaven?

The first of conception of SMA is made up of a number of attempts to incorporate ideas from the strategy literature into managerial accounting. One way of understanding what this entails is to return to Anthony's typology of planning and control, in which he identifies the roles of management accountants with management control and operational control activities respectively (Anthony, 1965). In order to participate in higher level, 'strategic planning' activities would necessitate management accountants embracing ideas and theories from the strategy literature. If successful in so doing, management accountants may see their position within the enterprise enhanced (cf Bromwich, 1988). There are two important elements underpinning this perspective on SMA. First, the evolution of the strategy literature from the later 1970s had resulted in the emergence of ideas that resonated strongly with the jurisdiction of managerial accounting, especially those associated with Porter's competitive advantage theory of strategy that became widely influential within SMA (Porter, 1980, 1985). Second, in the mid 1980s concerns regarding the future prospects of an 'irrelevant' managerial accounting discipline (Kaplan, 1983, 1984; Johnson and Kaplan, 1987) had the consequence of focusing the minds of many of the discipline's leaders on such adventures.

A number of examples of attempts to effect a marriage of strategy theory and managerial accounting can be identified, particularly in the North American literature where, as we observed earlier, the term SMA has been very largely absent. Simons' work marries insights from strategy theory, although not Porter, with a sound management control framework (Simons, 1987, 1990, 1995). By contrast, Shank and Govindarajan's strategic cost management framework is extensively reliant on Porter's work (Shank and Govindarajan, 1989, 1992a,b, 1993; Shank, 1989). Its most enduring legacy, in the form of value chain analysis, can be traced back to Porter's own value chain analysis technique as described in his 1985 monograph. Overall, however, strategic cost management is not a subtle blend of strategy thinking and managerial accounting, which may in some part explain why despite a very significant promise in its early days, it failed to evolve into much more than one among many novel techniques that characterised the discipline between 1987 and 1993.

A similar accusation might also be levied at Kaplan and Norton's second iteration of the balanced scorecard innovation. Initially identified as a complementary approach to performance measurement and reporting in its original formulation (Kaplan and Norton, 1992, 1993; see also Maisel, 1992), the balanced scorecard circa 1996 was advanced as a much grander, more strategic development, as evidenced in the subtitle of their first monograph – "Translating Strategy into Action". Having reshaped much of the discipline in the previous decade, Kaplan was now happy to announce that the balanced scorecard provided senior management with "the cornerstone of a new strategic management system" (Kaplan and Norton, 1996a: 75), and as such was akin to a panacea. Unfortunately, however, as with Shank and Govindajan, there were some questions about the sophistication of the general level of strategy thinking enrolled in this particular formulation. In due course, Kaplan and Norton were to go some way to repairing their position, particularly in the identification of the strategy map concept, which will be discussed at length towards the end of the paper.

It's all strategic management accounting

A second perspective on SMA is that it encompasses the wide range of 'new' managerial accounting techniques that might be recognised to have a strategic intent. Such a view is very evident in Langfield-Smith (2008), where activity-based costing/management are identified as examples of SMA, an assertion that some might find difficult to accept. A prominent example of a slightly less expansive view is found in the study of the uptake of SMA techniques published in this journal by Guilding, Craven and Tayles in 2000 (see also Cravens and Guilding, 2001; Cadez and Guilding, 2008; Tayles, 2010). There is a commonsense logic to this perspective to some extent, as many of the advocates of the individual techniques certainly suggest that they understand them to be rather more 'strategically oriented' than those that preceded them. Unlike the contributions discussed in the previous two paragraphs, however, there is usually only a limited attempt to explore what being strategic(ally-oriented) entails. This is taken for granted for the most part, which would not be such a problem was it not the case that the term SMA actually predates most of these new techniques and the relevance debate to which they were offered in response to. For this reason we continue to believe that two existing terms, Kaplan's "new management accounting" (Kaplan 1994, 1995) or Roslender's "accounting for strategic positioning" (Roslender, 1995) are ultimately preferable for such exercises.

Being more specific

The term SMA was coined by Simmonds in 1981 to identify a potentially valuable approach to accounting to management (see also Simmonds, 1982, 1986). At the height of the relevance debate Bromwich and Bhimani borrowed the term to name their own preference for a means of making managerial accounting more relevant (Bromwich and Bhimani, 1989, 1994)). Bromwich (1990) defines SMA as:

> 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. (Bromwich, 1990: 28)

Whereas Simmonds had restricted his view to competitor-focused techniques such as competitor cost assessment, competitive position monitoring and strategic pricing (cf Guilding, 1999), Bromwich and Bhimani extended the term to incorporate collecting information on customers, products and markets, each of which were by that time recognised to be strategically important phenomena.

It was this latter concept that led Roslender (1995) to identify SMA as a generic approach to accounting for strategic positioning that was characterised as by integrating insights from managerial accounting with those from marketing management. As well as Bromwich and Bhimani's attribute costing technique, Roslender identified target costing and life-cycle costing as examples of SMA, together with strategic cost management, which with the benefit of hindsight was erroneous. This highly specific SMA concept has informed Roslender and Hart's subsequent work (Roslender and Hart, 2002a,b, 2003, 2006, 2010; see also Roslender and Wilson 2008), SMA being defined in 2003 as:

> *[A]n attempt to integrate insights from management accounting and marketing management within a strategic management framework*. (Roslender and Hart, 2003: 260, italics as in original)

In their most recent contribution, Roslender and Hart (2010) commend a broadly based approach to accounting for the customer, which in addition to encompassing the constructions of customers prevalent in the managerial accounting and marketing management literatures, is extended to incorporate narrative self-accounts, including those generated via the increasingly important social networking media.

With the benefit of hindsight, the decision to reserve the term SMA for a small but no less important set of contemporary managerial accounting techniques, i.e. attribute costing, target costing/cost management, life-cycle costing and subsequently brand management accounting, together with some customer accounting techniques, although not customer profitability analysis, is open to criticism. As the title of this paper intimates, the SMA term is very rich in content and defies closure. Nevertheless, it also has the merit of bringing together a powerful set of techniques that share a focus on the market place, including on customers and products, and to some degree competitors. Nowadays these are vital considerations for all commercial enterprises and as well as for many organisations that lie outside of the private sector. Few would question the assertion that the accountings that such techniques, among others, deliver are without strategic importance.

Decomposing SMA – revisiting its constituent terms.

In order to provide a more systematic basis on which to pursue further research in the SMA field, as suggested by Langfield-Smith (2008), we believe it is appropriate to revisit its constituent terms: strategy, management and accounting. While this may appear to be treading a familiar pathway, we contend that it is a somewhat novel approach that differs from the conventional wisdom which is to identify only strategy and management accounting, and then to proceed to explore the content of the former term, since this is ultimately what might be seen to be new, and powerful, about SMA, thereby leaving management accounting as a largely self-explanatory, taken for granted. In an attempt to move the process forward, we begin with neither strategy nor with accounting but with the idea of management.

Management

It would be inappropriate, even naive, to believe that it is possible to provide a definitive exploration of management in the context of a paper such as this. As a consequence we are only concerned with a specific, albeit central aspect of management, namely management as a set of actions that are pursued with the intention of accomplishing specific goals. And rather than being concerned with the identification of the prospectus of actions that might constitute management as a practice, our interest is with the ideational or intellectual foundations of management. Within the context of business and management schools academics are familiar with practice of prefacing the term ‘management’ with a variety of adjectives, the number of which has increased rapidly in the recent past. Long established and far reaching approaches to management such as production management, personnel (or more recently human resource) management and marketing management have now been complemented by such approaches as quality management, supply chain management, information management and knowledge management. More recently ‘exotic’ designations such as facilities management and sustainability management have been added to the list of management specialisms. In most cases these newer variants are less expansive than their predecessors although not necessarily of lesser importance in practice.

In recent years it has also become commonplace to visualise these different approaches to management as being related to each other via the mechanism of the value chain (Porter, 1980, 1985). Within managerial accounting Kaplan and Cooper’s activity-based management methodology was developed in order to help ensure that the different managerial functions involved in value creation and delivery activities did so in as cost efficient ways as possible (Kaplan and Cooper, 1998) and as such complements Shank and Govindarajan’s strategic cost management framework, which focuses on industry rather than enterprise value chains (Shank and Govindarajan, 1992b, 1993). Implicit in the value chain concept is the imperative that the different management functions that populate the value creation and delivery process of any enterprise are prepared to relax, if not totally abandon, the silo-based approach to management activities that has traditionally held sway. Given that value creation and delivery are best accomplished in a collaborative manner, it is in no one’s interests to continue to operate in isolation from those around you. In practice, however, it is still commonplace to identify individuals who resist such overtures, often to the detriment of both their own fiefdom and the broader enterprise, thereby perpetuating a core element of the management control challenge.

What is sometimes overlooked in the face of contemporary management thinking such as this is that some of these modes of management, particularly those that are long established, have exhibited the capacity to serve as the dominant mode within an enterprise. Included within this group is accountancy, in the guise of financial management, alongside other contenders such as marketing management and human resource management. In an influential set of papers published in the mid 1980s, Armstrong explored the dominance of financial management, and particularly managerial accounting, within the UK (Armstrong, 1985, 1986, 1987). Underpinning this work was the study of inter-professional competition for organisational dominance by Larson (1977), which characterised the realms of management as a space for sometimes bitter rivalry that inevitably had the potential for compromising the pursuit of effective management practice. Such insights complement those of Mintzberg, whose seminal study 1976 study of managerial work also drew attention to the many preoccupations with personal aggrandisement, which in turn confirmed insights provided by the early behavioural theory of the firm literature (Simon, 1957; March and Simon, 1958; Cyert and March, 1963). From such perspectives it is possible to better understand the continued presence of silo-based management practices, in the sense that they are reproduced as much in the interests of managers as the organisation.

Strategy

Within the SMA literature most contributors begin by discussing the meaning(s) of the term strategy, e.g. Wilson (1995), Lord (1996), and more recently Tayles (2010). As with the case of management (or indeed SMA) it is naive to believe that it could ever be possible to provide *the* definition of strategy. Nevertheless, there is considerable agreement that strategy is concerned with *how* some pre-existing goals or objectives should be accomplished, preferably successfully. In the case of the military conception of strategy, it is how an enemy might be defeated (von Clausewitz, 1976**;** Jomini, 1979; Hoskin, Macve and Stone, 2007). Chandler, one of the founding strategy theorists talked of "the adoption of courses of action and the allocation of resources necessary to achieving [an organisation's] goals" (Chandler, 1962: 25). Closer to the SMA field Porter's view of strategy, as evident in his typology of competitive advantage strategies, offers prescriptions about how an enterprise should set about performing better than its rivals: cost leadership; product differentiation; or focus (Porter, 1980, 1985, 1996). The complementary Resource-Based View (RBV) of strategy focuses on developing and utilising a set of organisational resources in such a way as to better competitors in the market place (Wernerfelt, 1984; Rumelt, 1984; Hamel and Prahalad, 1993; Barney, 1995).

The conventional view of strategy is that originates within the uppermost echelons of the organisation, from those in a position to take a broader, longer term view of where the organisation might go, i.e. its objectives or goals, and how it might best pursue these goals, i.e. its strategy. This view informs the commonsense notion that when something is designated as 'strategic' it is thereby important, wide-ranging, momentous, etc. Once identified, an agreed strategy is communicated down the organisation and implemented by those in the middle and lower level management positions, who are also responsible for the actual accomplishment of goals. As we observed in the previous paragraphs, it has often been the case that a specific approach to management, such as marketing management or financial management, shapes this implementation and accomplishment process. This modus operandi has long been familiar within the managerial accounting literature in the context of budgetary control systems, the diagrammatic representation of which found in most contemporary textbooks evidences this view perfectly.

In the later 1970s the conventional view of strategy was challenged by Mintzberg who argued that the form of strategy evident there was best described as the intended strategy (Mintzberg, 1978). He argued that in practice it was becoming commonplace to identify strategy as also emerging from the lower levels within the organisation, so called emergent strategy. As a consequence, whatever strategy evolves in practice is most accurately designated as realized strategy. Mintzberg and his associates were not arguing that senior managers were in practice wholly at the mercy of those whose place it was to enact their instructions, rather that the accomplishment of any strategy must be understood as a more democratic or inclusive process than previously envisaged. This had the consequence of removing the strategy function from the exclusive jurisdiction of senior managers and embedding it throughout the entire management structure.

A key implication of this rethinking of the top down view of strategy is that it becomes more difficult to sustain the position outlined earlier in relation to the different management functions. If the majority of managers are now empowered to make an active contribution to the strategy process, there is less of a motivation to think in silo management terms, thereby undermining the pursuit of management as a competitive process for organisational dominance since the fabrication of an effective realised strategy is inimical with the continued existence of silo management. The basis for successful strategy implementation is cooperation rather than competition, collaboration between the different management functions rather than inter-functional rivalry for supremacy. This is not to suggest that all managers will willingly suspend their pursuit of personal career projects, in some cases in the name of functional dominance, in the hope of enlisting colleagues, both junior and senior, therein. Such impulses may be controlled to some extent by rewarding those who commit themselves to the necessary consensus as manifest in inclusivity and cooperation. This scenario is itself well understood, at least in theory, in the managerial accounting literature in the context of the management control challenge.

Since the late 1970s the term *strategic management* has become increasingly widely evident in the strategy literature. It has done so at the same time as what was usually designated as strategy has evolved in the direction described above and as such might usefully be recognised to be referring to a more mature conception than strategy. In this way the strategic management era might be envisaged as the poststrategy era, one in which the strategy challenge has become largely integrated within the management challenge, and consequently the preserve of a much wider range of organisational participants than those who occupy the uppermost echelons of the organisational hierarchy. This democratisation of the strategic management process has been accompanied by a cross-functional, even an interfunctional approach to the challenge of management that ultimately has no place for silo jurisdictions and the pursuit of organisational dominance. In this regard it is interesting to note that, to date, the term strategic management is not one that has been widely embraced by those working within the SMA field.

Accounting

In the context of SMA the term accounting refers to internal or managerial accounting, which is concerned with the provision of accounting information to management for a range of purposes. Cost accounting has long provided the financial management function with the information necessary for stock valuation and kindred purposes. Management accounting, as a more recent development, provides a broader range of information to many management functions, as befits its long established status as a powerful generic approach to management. Likewise management control information including that on intracompany transactions, cross-company performance measurements and managerial compensation. Traditionally the form that such information has taken is quantitative, at one extreme wholly commensurate with the hard numbers associated with financial accounting and reporting, while in the case of some management control information a softening of this calculus is evident. Overall, ‘counting’ is very much the stock in trade of what might be designated traditional management accounting (cf Shank, 1989).

The move from the strategy era to the strategic management era as suggested above has important implications for managerial accounting and all those who practice it. No longer will the discipline be in a position to readily exercise its influence via successfully colonising the thinking of senior management and subsequently cascading of its jurisdiction down the management hierarchy. A more inclusive, organic strategic management process means that new expectations are in place. Managerial accounting now becomes an element of strategic management, envisaged as a multi-functional approach to the challenges of effective management. Claims that the financial management mode furnishes *the* most effective way of meeting managerial challenges are now rejected on the grounds that single jurisdiction solutions are no longer sufficient to ensure successful performance. As a consequence, the role of managerial accounting is to provide information that is relevant to the task of strategic management as this is described above, which in practice may assume many different formulations depending on how individual managements decide to pursue their corporate goals.

Taking these ideas in combination, it becomes possible to identify a new and quite different conception of SMA, one which is arguably more insightful than those identified at the beginning of the paper. SMA now becomes identifiable as *the provision of (managerial) accounting information in support of the strategic management process*. Since there are many possible forms that the latter process can take in practice, there are also many possible forms that the necessary accounting information might assume. Unless the financial management function is able to provide useful (or 'relevant') information in support of the pursuit of strategic management, its impact will inevitably become reduced. More significantly, it is conceivable that other management functions might be able to provide surrogate accounting information for this purpose, based on their own understanding and experience of what accounting might now encompass. In an era of strategic management there is no longer any certainty that traditional managerial accounting information will be accepted simply on the basis of its utility in previous times. As a result, SMA envisaged as accounting for strategic management will exist in many formulations, a conclusion similar to that arrived at by Langfield-Smith albeit for different reasons.

A closer look at strategic management

When identifying the various approaches to management earlier, a distinction was made between well established and more contemporary approaches to management, with the latter observed to be becoming more numerous in recent times. It is not just the age of the former approaches than distinguishes them from the latter approaches, however. Approaches such as marketing management or human resources management, as well as financial management, are characterised by their sound disciplinary foundations, while contemporary approaches such as quality management, supply chain management or knowledge management exhibited a more interdisciplinary character. In this respect they resemble the strategic management concept as this has been outlined above. An interesting symmetry is evident here, with contemporary approaches to management having a similar relationship to more traditional approaches as what is here termed strategic management has to the former exclusive strategy function.

The emergence of more interdisciplinary approaches to management, or strategic management, has not gone totally unrecognised within contemporary managerial accounting. Recent developments such as activity-based management, target cost management or value-based management, all of which have become more commonplace during the past two decades, are themselves more interdisciplinary in character. All three focus on issues associated with value creation and delivery but each views them in a different way. Activity-based management is concerned with the best use of resources from an operational perspective in contrast to target cost management, which is driven by the primacy accorded the value expectations of customers. Value-based management focuses on the maximisation of value creation from a predominantly financial perspective, ultimately that of shareholder value expectations. All three also implicitly incorporate a strategic management dimension. Closer inspection also suggests that these different approaches share many substantive knowledge components, differing largely in how they are combined and informed by their guiding strategic emphases.

Contemporary developments such as quality management, supply chain management and knowledge management also now form part of the literature of managerial accounting. Once again they incorporate knowledge components that are found in other management approaches, which are organised in accordance with the strategic emphasis that ultimately shapes them as distinctive approaches. Moving beyond managerial accounting, during the past two decades customer relationship management has emerged as an influential ‘new’ marketing management approach. Like target cost management, it is shaped by the need to ensure that the expectations of customers are accorded a major role in the manner in which the enterprise operates. The need to establish, retain and enhance relationships with a significant part of the customer base is recognised to be a challenge that, if met successfully, can deliver superior business performance. Retaining customers holds out the promise of reducing the transaction costs associated with continuous customer churn, while ensuring that these same customers’ changing expectations can be met over time promises similar benefits. Those customers who are satisfied with their relationship with an enterprise are also more likely to embrace an ambassadorial role within their own friendship groups, thereby further expanding the customer base (Roslender and Hart, 2010). The accounting resonances of this particular approach to management are no better articulated than in the underlying axiom of the customer equity literature, namely that ‘our customers are our most valuable asset’ and the emergence of the customer equity concept (Peppers and Rogers, 2005).

Embracing all manner of new insights in this way was what Kaplan identified as constituting the core challenge to an ailing (‘irrelevant’) managerial accounting discipline in his seminal 1983 *Accounting Review* paper. To the extent that this challenge has been successfully met, managerial accounting has changed beyond recognition since Kaplan’s intervention. This is no more clearly evident than in relation to the fundamental issue of what this new set of accountings in support of the pursuit of strategic management has begun to evolve into over time. No longer is accounting to be regarded as being constrained by the needs of the cost and value calculus, as this has been shaped by the needs of financial accounting and reporting, a dominance that Kaplan regarded as being increasingly to the disadvantage of the managerial accounting discipline. SMA viewed as accounting for strategic management offers an opportunity for managerial accounting to free itself from its traditional counting constraints as its practitioners work in tandem with their colleagues in the other management functions to contribute to the enactment of the inclusive strategic management concept.

Some precursors in the SMA literature

Reconceptualising SMA as accounting for strategic management, as this has been outlined in previous paragraphs, has not been entirely absent from the extant literature, a view also endorsed in Langfield-Smith (2008). While both Simmonds' own 1982 British Electrical Supplies Ltd and Rickwood et al's 1990 Stapylton cases document SMA as a firmly managerial accounting initiative, Lord's better known Cyclemasters case provides a different situation (Lord, 1996). The paper begins by reviewing the extant SMA literature after Simmonds (1981), identifying a number of characteristics that such an approach is likely to exhibit. Initially SMA is concerned with the provision of information on competitors. Depending on the enterprise's preferred strategy, such information informs the pursuit of cost reduction opportunities or product differentiation activities (or both in tandem). SMA is not wholly reliant on financial performance measures, particularly in the case of those enterprises that are more focused on product differentiation, in which case marketing cost analysis is prevalent. It is this formulation of SMA that is further explored in the paper in the context of the Cyclemakers Group (NZ) Ltd.

Lord documents the existence of the activities that she believes characterise SMA within Cyclemakers but emphasises that these are not associated with the management accounting function, which has traditionally been only modest in extent and principally focused on the provision of information for financial reporting purposes. Information on competitors is provided by the firm's sales representatives, while cost reduction initiatives are regularly the result of work done by those engaged in operations. Cyclemakers is also engaged in a quality management programme that ensures a high quality product is produced complemented by an excellent after-sales service. Those responsible for sourcing materials and components enjoyed beneficial relationships with suppliers. Overall, there is only limited use of non financial performance measures within the firm, despite it being possible to identify the means of deriving such from the existing control system. Although there is evidence of the use of some traditional financial information within Cyclemakers, this is entirely decoupled from the managerial accounting function.

Lord's conclusion is that while it is possible to identify something akin to SMA, as she has characterised it in the first part of the paper, within Cyclemakers, it operates without an input from the management accounting function. In her view this undermines the implication attributed to Simmonds, that management accountants are the proper guardians of SMA. This is suggested to be little more than a questionable attempt to shore up the position of the management accounting function, and as a consequence "but a figment of the academic imagination", and like the emperor's new clothes essentially a deception. The danger of such a dismissive conclusion is that it diverts attention away from the detail of the case, that what passes for SMA at Cyclemasters bears an interesting resemblance to the accounting for strategic management conception of SMA that has been sketched out in the previous sections. Most crucially, it doesn't really matter who provides the information as long as it is fit for purpose, i.e. supports the pursuit of strategic management activity.

A field study of SMA activity in six UK hotel groups also reports a strong involvement by the marketing management function in this sector (Collier and Gregory, 1994). SMA is identified by the researchers as combining two aspects: the provision of financial information for strategic planning purposes; and monitoring the market, competitors' price structures and competitors' costs. In five of the groups there is evidence of the involvement of the accounting function, alongside several other functions, with the sixth group's strategy being largely determined by its chief executive. In respect of the second aspect identified for SMA, in two cases it is the marketing management function that is responsible for providing this information. Senior operational managers also have a significant input into this work in a third group, while in a fourth such information is only currently collected in an ad hoc fashion. As a result, in only two groups, one small the other large, is it possible to identify SMA as being the responsibility of the accounting function, although this does not prevent them from concluding that SMA is no longer in its infancy in this particular sector.

In a further SMA case, Dixon (1998) provides details of a UK company ("the Company") operating in the packaging industry that was known to have embraced a number of characteristics that are associated with SMA, as identified in the extant literature. As in the case of the Lord paper, emphasis is placed upon the generation of information on competitors in the pursuit of a sustainable competitive advantage. The Company had made the decision that it wished to continue compete in a narrow segment of the market on the basis of product differentiation. Output is to order, with no production for stock. The enterprise's strategic intent was to achieve a market share of 3% over a thirteen year period, a significant increase on the present 0.75%, whilst maintaining current levels of profitability. This would result in the Company moving into the top ten producers in the UK industry. Unlike Cyclemasters, this company had a well-established management accounting function, within a broader finance function, producing a varied portfolio of financial information that was regarded as highly valuable across the organisation. Nevertheless, there is an awareness that it was necessary to ensure that the pursuit of short term financial performances did not compromise longer term strategic objectives.

The Company also exhibited established procedures for the collection of a range of external information which is stored on a competitor database embedded within the management information system. These procedures did not involve participation from the finance function. At the time of the research the Company was aware that it lacked information on competitors' costs, cost structures, volumes and product profitabilities but was unconvinced of the possibility of generating robust information of this sort. Instead senior management took the view that by investing more resource in assembling internal information, *inter alia* financial information, it could compensate for what was missing. Dixon observes that at the same time management accountants were clandestinely assembling the former information set, not least as a result of their ability to create space within their workloads by the effective use of the management information system. When senior management's attention was drawn to the latter situation, its attitude was ambivalent. The value of the information generated thus far was acknowledged but there was concern about the merits of pursuing SMA in a more organised, formal manner, not least the previously noted concerns about the robustness of such information sets. More significantly, there was a strong sense in which SMA information on competitors was viewed as constituting another increment of information rather than a step change in insights. As Dixon comments:

> Although the Company had an information gap this type of information would only act as an indicator *alongside* other information. (p278, emphasis added).

Dixon's main intention in this study is to document a situation in which SMA is functioning, albeit informally, and seemingly delivering valuable information that will add value to that which is already available. Nevertheless, senior management have a number of concerns about the credibility of such information, which Dixon views to be a challenge to those who advocate such extensions of the managerial accounting discipline. From the perspective of this paper, however, like Lord before him, Dixon draws attention to the possibility that something akin to SMA could be pursued by others outside of the managerial accounting function. Or as he articulates it:

> [In the Company] it was found that non-financial information was important in formulating strategy and *the management accountant was only one of many people involved* in gathering and interpreting this information. (p279, emphasis added).

Some years later, Roslender and Hart (2002b, 2003) report the findings of a field study of the incidence of SMA practices within ten UK companies. Their view of SMA is that of a set of developments that match their preferred definition of this generic approach to strategic positioning accounting, essentially at the interface between managerial accounting and marketing management, and including competitor accounting, target costing, attribute accounting and life-cycle costing. They found that none of these techniques is widely subscribed within their sample of companies, nor is the term SMA current within organisations, confirming the earlier survey findings of Guilding, Cravens and Tayles (2000). Nevertheless they are able to identify a number of relationships between management accountants and marketing managers, some of which they regard as highly progressive. They distinguish between traditional, transitional and synergistic relationships, with the latter characterised by high levels of inter-functional cooperation. Within synergistic relationships, management accountants and marketing managers, largely abandon their traditional functions in the pursuit of interfunctional practices, which Roslender and Hart suggest might be designated, somewhat clumsily, strategic marketing management accounting.

Three of their case companies are identified as exhibiting such relationships, all having longstanding budgetary control and responsibility accounting systems in place together with a recent history of joint exploration of a range of new management accounting techniques such as activity based costing, customer profitability analysis, benchmarking and balanced scorecard. All three case companies share a commitment to the value-based management (VBM) philosophy developed by the management consultants, Marakon Associates (McTaggart, Kontes and Mankin, 1994), which Roslender and Hart argue provides the basis for the cooperation evident between the management accounting and marketing functions. As a managerial philosophy, VBM encourages all functions to embrace the core economic profit concept, thereby putting aside traditional, exclusive motivations in favour of a more inclusive emphasis. While economic profit might readily be represented as a rehashed financial management notion, alongside economic value added (Stewart, 1994; Stern, Stewart and Chew, 1995; Mouritsen, 1998), Roslender and Hart provide evidence that both functions are able to identify with its prescriptions.

Roslender and Hart observe that after further detailed analysis of their interview materials from these three cases, it became apparent that most of their respondents made a link between embracing VBM and successful brand management. The economic profit concept is viewed as providing a performance metric that is credible to both functions. From a managerial accounting perspective it affords a means of developing accounting information of a quite different order to that required to provide brand valuations for balance sheet purposes. Complementing this, from a marketing management perspective economic profit is able to provide highly disaggregated information that can inform operational decision making. The determination of brand economic profit is identified by Roslender and Hart as an example of brand management accounting, which they suggest as a possible addition to the list of SMA techniques, an idea they explore further in their 2006 *Journal of Accounting and Organisational Change* paper. By definition it is an example of interfunctional accounting for inclusive strategic management.

Strategy maps

In this section we identify Kaplan and Norton's strategy map concept is identified as embodying the principal attributes of the accounting for strategic management formulation of SMA.

Earlier in the paper the balanced scorecard was cited as a well known example of the crudest approach to strategic management accounting, that of melding some insights from the strategy literature with a managerial accounting development. In its original formulation (Kaplan and Norton, 1992, 1993), the balanced scorecard is commended as a powerful new development that complements a range of contemporary additions to managerial accounting. It provides a mechanism for reporting a portfolio of information across a range of perspectives, initially to management but with some possible external reporting utility. The balanced scorecard's three non financial perspectives are envisaged as being populated by the new metrics that management accountants should implicitly be embracing. Although not explicitly articulated by Kaplan and Norton, this new information is strategic in character, thereby reinforcing the strategic qualities that are, at this point in time, claimed for the balanced scorecard itself. In retrospect it is evident that Kaplan and Norton had yet to think through the precise links between their balanced scorecard concept and strategy, beyond that of somehow equating the broader perspective it offers as being commensurate with that particular perception of what strategy encompasses. More clues were to be provided several years later when a second iteration of the balanced scorecard concept was explored by Kaplan and Norton.

Kaplan and Norton (1996a,b) now represent their balanced scorecard concept as providing a highly valuable link between short term actions and long term strategy, as exemplified in the case of those companies, with whom they have been working in the interim, and who have exploited the balanced scorecard's value as "the cornerstone of a new strategic management system" (Kaplan and Norton, 1996a: 75). In retrospect this is a remarkable transformation, something which is admirably captured in the set of iconic representations that link the balanced scorecard with strategy (and vision). It is difficult not to see this as simultaneously an exercise in promoting the credentials of the managerial accounting discipline, since it is the management accountant who retains control of the this powerful new concept that promises to greatly facilitate the pursuit of strategic management. More tellingly, however, the concept of strategy (or indeed strategic management) that is enrolled by Kaplan and Norton is rather simplistic, much as it had been in the case of Shank and Govindarajan (1992) in their advocacy of the strategic cost management. An indication of how limited their perspective on strategy is can be had by comparing Kaplan and Norton (1996a,b) with Porter's own *Harvard Business Review* essay published at the end of 1996. Drawing on a distinction between "operational effectiveness" and strategy, Porter represents the latter as an organic, inclusive process that is necessarily embedded within the organisation rather than some abstract generic management model.

Porter's thinking was subsequently embraced by Kaplan and Norton as their balanced scorecard concept evolved first into the "balanced scorecard strategy map" (Kaplan and Norton, 2000, 2001a,b,c) and, in due course, to simply the strategy map (Kaplan and Norton, 2004). A strategy map provides a visual representation of how an organisation proposes to create and deliver value to both its customers and its shareholders. It does so utilising the conceptual framework initially identified in Kaplan and Norton's early work on the balanced scorecard, i.e., four perspectives – learning and growth, internal (business) process, customer and financial. These are asserted to be linked via a cause and effect mechanism such that an effective learning and growth strategy facilitates effective internal business processes that result in the creation and delivery of a successful customer value proposition, which in turn will translate into improved shareholder value.

In her seminal critique of the balanced scorecard concept Norreklit (2000) poses the question of whether the central notion of a cause and effect mechanism is to be recognised as a logical device or an empirical device. While an interesting and valid question, it may be more appropriate to recognise that in the context of the strategy map concept, where the cause and effect mechanism become pivotal, what is on offer is a 'way of seeing' that is proposed to be of use to those charged with the creation and delivery of value. It has an obvious logic to it or as Kaplan and Norton (2004) observe, a strategy map "describes the logic of the strategy" (p52). Ironically this may be particularly attractive to many who might distance themselves from the pursuit of shareholder value, given the key role afforded employees within the value creation and delivery process. In the final analysis, however, a strategy map provides no guarantee of success in the contemporary market place. In this respect it has empirical implications but perhaps not in the sense Norreklit, whose critique very largely applies to Kaplan and Norton's work until only 1996 (see also Norreklit, 2003; Norreklit and Mitchell, 2007).

Of more significance for the purpose of this paper is that a strategy map is an excellent example of accounting for strategic management. Whereas Kaplan and Norton's various 1996 contributions convey the impression that an enhanced balanced scorecard is a crucial addition to the management accountant's armoury, a strategy map is a characteristically inclusive development. The pursuit of successful value creation requires inputs from across the ever broadening spectrum of management functions. These inputs need to be integrated in a coherent way if they are to be successful, hence the contribution of the strategy map concept. Underpinning the success of the enterprise is the emergence of an appropriate form of organisational culture. Drawing on their work with several hundred organisations Kaplan and Norton observe that:

> A new culture emerges, centred not on traditional functional silos, but on the team effort required to implement the strategy. By clearly defining the strategy, communicating it consistently and linking it to the drivers of change, a performance-based culture emerges to link everyone and every unit to the unique features of the strategy. (Kaplan and Norton, 2001b: 102).

This team effort also extends to populating the balanced scorecard. In 2004 Kaplan and Norton indicate how they now view the relationship between a strategy map and a balanced scorecard. In a fascinating diagram on page 33 of their text, Kaplan and Norton identify them as a couple that sits at the core their framework such that while the strategy map represents how value creation and delivery is to be pursued, the balanced scorecard reverts to its original internal performance measurement and reporting function. Whereas previously the suggestion was that management accountants retained their traditional, albeit now expanded, counting function, this exclusive jurisdiction becomes subsumed within what Kaplan and Norton variously refer to as an "integrated" or "holistic" approach to strategy development, implementation and realisation.

In conclusion: tying up some loose ends and thinking about new ones

As we observed in section three to date we have consistently argued that the most appropriate use of the term SMA is to name a specific set of managerial accounting approaches, those which attempt "to integrate insights from management accounting and marketing management within a strategic management framework" (Roslender and Hart, 2003: 260). How then do we reconcile this position with that now being advocated, namely that the term should be understood as applying to a much wider set of approaches to accounting for strategic management? The hallmark of these latter approaches is that rather than referring to the traditional, exclusive jurisdiction that is recognised as (managerial) accounting, accounting is now to be understood as an inclusive jurisdiction that is consistent with the similarly inclusive strategic management concept. As a result, within the reconceptualised SMA designation, 'accounting' is now transformed into something quite different to that set of practices that has been associated with it for generations.

An interesting place to begin is to return to the early market orientation literature. This literature emerged more or less in parallel to Bromwich and Bhimani's and Shank and Govindarajan's advocacy of SMA and strategic cost management respectively, and as part of the response to marketing management's own relevance debate in the mid 1980s (Wensley, 1995)**.** Seminal *Journal of Marketing* papers by Kohli and Jarworski (1990) and Narver and Slater (1990) both argued that a key element of a market orientation is that it is not to be seen to be the exclusive jurisdiction of the marketing management function, on the grounds that marketing is now to be understood as part of the responsibility of every department. This is a sincere advocacy of an inclusive approach to strategic marketing, not a carefully concealed project to reassert the function's supremacy within the organisation as the rightful guardians of the previous marketing orientation concept (e.g. Drucker, 1954). By definition a market orientation will impact on the financial management function, and thereby managerial accounting, as well as other functions, in a way that is commensurate with the promotion of strategic management as this has been described earlier in the paper. In the terminology of the present paper, a market orientation is an example of marketing for strategic management, i.e., an interfunctional practice that belies its traditional reliance on exclusive functional jurisdiction.

It was these ideas that Roslender and Hart (2002a,b, 2003) enrolled in their attempt to strengthen earlier characterisations of SMA in Roslender (1995) and Roslender, Hart and Ghosh (1998). To this point these had been largely reliant on contributions by Simmonds and Bromwich and Bhimani, who they identify as the founders of SMA, and who all explore its marketing management affinities. While Simmonds restricts himself to the generation of data on competitors, hence his association with competitor accounting techniques (Guilding, 1999), Bromwich and Bhimani extend this data to products and their attributes, most clearly in connection with their attribute costing technique. For both, the principal meaning of the adjective 'strategic' in the context SMA is that of external, resulting in an oxymoronic approach to what has traditionally been viewed as an internal mode of accounting. Bromwich and Bhimani's enthusiasm for target costing, rather than activity-based costing, reinforces this external emphasis. Unsurprisingly, target costing also exhibits strong marketing management emphases, not least in relation to life-cycle costing, the product life-cycle being a key conceptual advance within early 1960s marketing management (Levitt, 1965).

Roslender and Hart (2003) are at pains to exclude customer profitability analysis, one of the most widely subscribed new management accounting techniques, from their set of SMA techniques, together with its predecessor in the guise of marketing cost analysis as well as the complementary direct product profitability technique. They do so on the grounds that all three are examples of imposing the financial management mode of organisational control on the marketing management function. Unlike SMA techniques, here the two disciplines and their practitioners do not meet as equals, as a result of which there has been a widespread lack of cordiality between them. They offer the following explanation of this particular distinction:

> [T]he pursuit of SMA requires that the two parties involved begin to dismantle traditional functional boundaries and to engage in cooperative activities. It entails more than simply integrating insights from two literatures in the search

> for a more ‘relevant’ approach to management accounting. (Roslender and Hart, 2003: 259-60).

In retrospect this provides an instructive description of what is now being identified as accounting for strategic management. Enhancing managerial accounting by means of incorporating aspects of marketing management is intended to result in a relevant approach to managerial accounting, which is now clearly understood to have evolved into accounting for strategic management.

Most recently Roslender and Hart (2010) have identified the necessity of “taking the customer into account”. They acknowledge the existence of many previous examples of customer accounting, including customer profitability analysis on the one hand and SMA techniques such as attribute costing, target costing and brand management accounting on the other, as well as some parallel contributions that can be found in the recent marketing management literature. While there may be much to commend many of these customer accounting techniques, Roslender and Hart question their underlying control motivations, identifying them as examples of “constructing the customer”. By this they seek to draw attention to the largely unilateral approach to the production of accountings that they embody, which they believe to be at odds with the importance increasingly claimed for the customer in the contemporary market place. So although some examples of customer accounting may be the result of mature accounting (or marketing) for strategic management activity, to the extent that they can be understood as being fashioned in the pursuit of greater levels of customer relationship management, they belie the axiom that ‘our customers are our greatest asset’.

Roslender and Hart continue by identifying customer engagement as a recent development within marketing management (or marketing for strategic management) that holds out the possibility of a radical departure from the control imperative, at least where organisations recognise the need to develop a more sincere form of partnership with their customers. Complementing this model is the recognition of the co-production of value phenomenon, where customers become advocates for the commodities that they elect to purchase and consume (Cova and Dalli, 2009; Dalli, 2009; Willmott, 2010). Co-production might be understood as a higher level of customer referral, in which customers actively seek to persuade friends and colleagues of the merits of particular market offerings. The specific link with ‘accounting’ is via the mechanism of self-accounts, a generic initiative that seeks to encourage customers to provide their own stories about their involvement with enterprises and their various market offerings, independently of any that might be promoted by enterprises themselves. The production of such accounts is now greatly facilitated by the emergence of social networking technologies (cf Roslender and Fincham, 2001; Roslender, Stevenson and Kahn, 2006; see also Gowthorpe, 2009), which Roslender and Hart believe can deliver a further dimension of inclusivity within the strategic management process.

In the preceding pages SMA has been portrayed as a highly fecund idea. This is so whether the term is used in its original sense, as in the work of Simmonds, as it has previously been commended by Roslender and Hart after Bromwich and Bhimani , or in the more all-encompassing sense recently favoured by Langfield-Smith, not to mention the accounting for strategic management reformulation explored in the present paper. If thirty years of discussion and debate have taught its various advocates anything, it is that the accounting component(s) of SMA is very different from that which most accounting practitioners would recognise as accounting. Consequently, SMA continues to provide a myriad of challenges for all who are associated with the practice of accounting. Originally they were challenged by Simmonds to think about how to extend their traditional mindset into the twin fields of marketing and strategy. Viewing SMA as being concerned with how to integrate key aspects of managerial accounting and marketing management ultimately required management accountants to put aside jurisdictional differences with the colleagues in the marketing function in the pursuit of interfunctional cooperation, while accounting for strategic management moves a further step in the direction of contributing to the fabrication of a fully interdisciplinary, even transdisciplinary, concept of strategic management. Self accounting, e.g. as in the case of taking customers into account, simply extends this process of continuously reconstituting accounting for strategic management in action, in a new and more democratic way.

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