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| RESEARCH ARTICLE

Strategic Management Accounting Usage in the Sri Lankan Service Sector

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| ABSTRACT

Strategic Management Accounting (SMA) has emerged as a vital tool for organizations navigating dynamic and competitive business environments. While extensively studied in developed economies, research on SMA adoption in emerging markets, particularly in service-oriented economies like Sri Lanka, remains scarce. This study examines the extent of SMA usage in Sri Lankan service firms and investigates the impact of demographic factors such as firm size, industry type, and managerial experience on SMA adoption. Using a quantitative survey-based approach, data was collected from 202 service sector firms spanning industries such as banking, insurance, healthcare, hospitality, and information technology (IT). The results indicate that strategic pricing (M = 5.04), competitor position monitoring (M = 4.97), and customer profitability analysis (M = 4.96) are the most frequently employed SMA techniques, whereas life-cycle costing (M = 3.93) and lifetime customer profitability analysis (M = 3.98) are underutilized. Findings also reveal that listed firms and larger organizations demonstrate higher SMA adoption rates, whereas smaller firms face challenges due to resource constraints and a lack of expertise. This research contributes to the limited body of SMA literature in developing countries by offering empirical insights into the Sri Lankan service sector. The findings hold practical implications for policymakers, professional accountants, and industry leaders, emphasizing the need for targeted training programs, regulatory support, and digital transformation strategies to enhance SMA adoption.

| KEYWORDS

Strategic Management Accounting, Sri Lanka, Service Sector, Competitive Advantage, Management Accounting Practices.

| ARTICLE INFORMATION

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1. Introduction

The rapidly evolving global business environment has heightened the need for advanced strategic tools that provide organizations with real-time, externally focused insights. Traditional management accounting systems, which primarily emphasize historical cost data and internal performance measures, are often inadequate for firms seeking sustainable competitive advantage (Bromwich, 1990; Cadez & Guilding, 2008). Strategic Management Accounting (SMA) has thus emerged as a forward-looking discipline, integrating financial and non-financial information to support long-term decision-making and competitive positioning (Roslender & Hart, 2003). While SMA techniques such as benchmarking, competitor analysis, value chain costing, and strategic pricing have gained widespread recognition, their adoption remains limited in developing economies (Oboh & Ajibolade, 2017). Most empirical studies focus on developed nations (e.g., the United States, United Kingdom, and Australia), leaving a significant research gap in emerging markets, where institutional, economic, and cultural factors may influence SMA adoption differently (Cinquini & Tenucci, 2010). Despite its potential benefits, the implementation of SMA in developing economies faces numerous challenges. These include inadequate technical expertise, lack of awareness, resistance to change, and the absence of regulatory frameworks that encourage its adoption (Alkhafaji & Khalid, 2019). Furthermore, the volatility of emerging markets, coupled with limited access to advanced data analytics tools, hinders the ability of organizations to effectively integrate SMA into their strategic decision-making processes (Chenhall & Langfield-Smith, 2007).

To bridge this gap, future research should explore context-specific factors influencing SMA adoption in emerging economies. Understanding how organizational culture, government policies, and technological advancements shape the use of SMA can provide valuable insights for businesses aiming to enhance their strategic management practices. Additionally, capacity-building initiatives, such as training programs and collaborations with industry experts, can play a crucial role in fostering the adoption and effective utilization of SMA techniques in these regions.

1.1 Research Context: Sri Lanka's Service Sector

Sri Lanka's economy has undergone a structural shift over the past two decades, transitioning from an agriculture-driven model to a service-dominated economy. As of 2023, the service sector contributes over 60% to the nation's GDP, with industries such as banking, insurance, IT, healthcare, and tourism playing a crucial role (World Bank, 2023). Despite this shift, strategic management accounting (SMA) adoption remains underexplored in service firms, limiting their ability to optimize costs, pricing strategies, and customer profitability. Given the recent economic instability in Sri Lanka, service sector firms must adopt data-driven financial strategies to ensure resilience and long-term sustainability (EIU, 2024). The complexity of service-based operations, characterized by intangible assets, customer-centric business models, and fluctuating demand, makes SMA particularly relevant in this context. However, limited research exists on how Sri Lankan service firms utilize SMA techniques to enhance performance. To bridge this knowledge gap, future research should focus on identifying the key barriers to SMA adoption within the Sri Lankan service sector. Factors such as limited managerial awareness, inadequate financial expertise, resistance to change, and technological constraints may hinder the effective implementation of SMA practices. Additionally, exploring the role of government policies, industry regulations, and global market trends in shaping SMA adoption can provide deeper insights into its potential impact. Furthermore, empirical studies comparing the performance of service firms that have adopted SMA with those that have not could offer valuable evidence on its effectiveness. Case studies of successful implementations in similar economies could serve as benchmarks for Sri Lankan firms looking to integrate strategic cost management and financial analytics into their operations. Ultimately, increasing awareness and accessibility to SMA tools and training programs could play a crucial role in enhancing financial decision-making within the service sector. By leveraging SMA techniques, Sri Lankan service firms can improve efficiency, enhance profitability, and achieve long-term competitiveness in an increasingly volatile economic landscape.

1.2 Research Problem and Objectives

Despite SMA's potential to enhance strategic decision-making, research suggests that service firms in Sri Lanka face multiple barriers to its adoption. Gunawansha (2021) highlights that limited awareness and inadequate training in modern SMA tools hinder firms from effectively integrating strategic management accounting into their operations. Similarly, Chenhall and Langfield-Smith (1998) argue that resource constraints, particularly among small and medium enterprises (SMEs), pose significant challenges to SMA implementation. Furthermore, Goonesekera (2004) notes that many firms in Sri Lanka maintain a traditional cost-focused mindset, prioritizing short-term financial performance over long-term strategic planning. These factors collectively limit the widespread adoption of SMA within the country's service sector.

This study addresses the following research questions:

1. To what extent do Sri Lankan service firms adopt SMA techniques?
2. How do demographic factors (firm size, company type, managerial experience) influence SMA adoption?

Based on the above research questions, the key objectives of the study are:

- To determine the usage of SMA by companies in the Sri Lankan service sector.
- To examine the influence of demographic factors on SMA usage in Sri Lanka's service sector.

1.3 *Contribution to Literature and Practice*

This research contributes to academic and professional knowledge in multiple ways:

1. **Bridging the Research Gap:** While existing studies examine SMA in manufacturing industries, this study focuses on Sri Lanka's service sector, providing insights from an under explored economic context.
2. **Practical Implications:** The findings offer actionable recommendations for accounting professionals, industry leaders, and policymakers, emphasizing the importance of regulatory support and professional training programs to enhance SMA implementation.

1.4 Structure of the Paper

The remainder of this paper is structured as follows: Section 2 reviews existing literature on SMA theories, techniques, and global adoption trends, incorporating insights from prior studies and recent reviews (Mohamed, 2025). Section 3 details the methodology, including data collection, sampling strategy, and analytical techniques. Section 4 presents the findings,

analyzing the extent of SMA usage and demographic influences. Section 5 discusses the implications of the findings, comparing results with global SMA adoption patterns and highlighting the role of digital transformation in shaping modern SMA practices (Mohamed, 2025). Section 6 concludes with key insights, limitations, and future research directions, emphasizing the need for further exploration into SMA adoption in emerging markets.

2. Literature Review

Strategic Management Accounting (SMA) has evolved as a response to the limitations of traditional management accounting, offering firms a forward-looking, externally oriented approach to financial decision-making (Simmonds, 1981; Cadez & Guilding, 2008). Over time, SMA has expanded to incorporate market-driven insights, competitor analysis, and non-financial performance metrics (Mohamed, 2025). This section reviews the theoretical foundations of SMA, examines key SMA techniques, and explores global adoption trends, with a focus on the service sector and emerging economies. Recent studies, including Mohamed (2025), highlight the increasing role of digital transformation and AI-driven analytics in enhancing SMA adoption, particularly in service-oriented industries.

2.1 Theoretical Foundations of Strategic Management Accounting

Evolution of SMA

The concept of Strategic Management Accounting (SMA) was first introduced by Simmonds (1981), who defined it as the provision and analysis of management accounting data about a business and its competitors for strategic decision-making. This definition marked a shift from internally focused, cost-based accounting to a market-driven, competitive intelligence approach (Bromwich, 1990).

Since then, SMA has undergone several evolutionary phases:

i. 1980s: Emergence of SMA as a response to criticisms of traditional management accounting (Kaplan, 1984; Shank & Govindarajan, 1992).

ii. 1990s: Integration of customer-focused and competitor-oriented accounting (Guilding, Cravens & Tayles, 2000; Roslender & Hart, 2003).

iii. 2000s–Present: Expansion of SMA frameworks incorporating digital transformation, data analytics, and sustainability metrics (Cinquini & Tenucci, 2010; Nguyen, Ho & Truong, 2023).

Mohamed (2025) expands on this evolution, highlighting that SMA has transitioned from a purely financial discipline to an interdisciplinary approach, integrating principles from accounting, strategic management, and marketing. He emphasizes that modern SMA frameworks now leverage AI, big data analytics, and sustainability-focused metrics, further enhancing their strategic relevance. This aligns with existing research, which views SMA as a dynamic tool that evolves alongside technological advancements and market conditions (Mohamed, 2025).

2.2 *Key Strategic Management Accounting Techniques*

There is no universally accepted list of SMA techniques; however, several tools have been consistently identified in empirical studies (Guilding et al., 2000; Cadez & Guilding, 2008). The most commonly used SMA techniques include strategic pricing, competitor analysis, value chain costing, benchmarking, and customer profitability analysis.

These techniques can be further categorized into competitor-focused, customer-centric, and cost management tools, based on their role in enhancing strategic decision-making. In service industries such as banking, hospitality, and IT, competitor position monitoring and customer profitability analysis are particularly crucial for maintaining competitive advantage. Additionally, advancements in AI and data analytics have expanded the applicability of SMA techniques, enabling firms to integrate real-time market intelligence into their financial strategies (Mohamed, 2025).

2.2.1 Competitor-Oriented Techniques

i. **Competitor Cost Assessment (CCA):** Analyzes competitors' cost structures to identify cost advantages (Simmonds, 1982).

ii. **Competitive Position Monitoring (CPM):** Tracks competitors' market share, pricing strategies, and financial performance (Guilding, 1999).

iii. **Competitor Performance Appraisal (CPA):** Evaluates competitor profitability, efficiency, and strategic moves using financial statement analysis (Moon & Bates, 1993).

Mohamed (2025) expands on these competitor-focused SMA techniques, emphasizing their growing relevance in dynamic business environments. He highlights that firms in highly competitive industries, such as banking, retail, and IT, leverage these tools to optimize pricing models, assess competitor efficiency, and refine strategic decision-making. Furthermore, the integration of AI and big data analytics has enhanced the accuracy of competitor assessments, enabling real-time tracking of

market movements (Mohamed, 2025).

2.2.2 Customer-Centric Techniques

i. **Customer Profitability Analysis (CPA):** Determines the profit contribution of individual customers or segments, helping firms optimize pricing and resource allocation (Foster & Gupta, 1994).

ii. **Lifetime Customer Profitability Analysis (LCPA):** Extends CPA by incorporating future revenue potential and long-term customer value (Berger & Nasr, 1998).

Mohamed (2025) highlights that CPA and LCPA have become increasingly essential in service industries, where customer retention and personalized pricing strategies play a crucial role in profitability. He emphasizes that advancements in big data analytics and AI have enhanced CPA models, allowing firms to predict customer lifetime value with greater accuracy. Additionally, service firms in banking, telecommunications, and e-commerce heavily rely on these techniques to refine marketing efforts and improve long-term financial performance (Mohamed, 2025).

2.2.3 Cost and Performance Measurement Techniques

i. **Strategic Costing (SC):** Aligns cost structures with long-term strategic objectives, integrating value chain analysis (Shank, 1996).

ii. **Activity-Based Costing (ABC):** Allocates overhead costs based on actual resource consumption, improving cost accuracy (Kaplan & Cooper, 1998).

iii. **Life Cycle Costing (LCC):** Assesses the total cost of ownership over a product/service lifespan, aiding in long-term pricing decisions (Woodward, 1997).

iv. **Integrated Performance Measurement (IPM):** Encompasses financial and non-financial KPIs, such as the Balanced Scorecard (Kaplan & Norton, 1996).

Mohamed (2025) highlights that modern Strategic Costing techniques have evolved to integrate sustainability and digital transformation considerations, making cost management more dynamic and responsive to market conditions. He further emphasizes that firms leveraging AI and big data analytics in Activity-Based Costing and Life Cycle Costing can enhance cost efficiency and strategic decision-making. Additionally, Integrated Performance Measurement frameworks, such as the Balanced Scorecard, are now widely used in service industries to align financial objectives with non-financial performance metrics, including customer satisfaction and sustainability goals (Mohamed, 2025).

2.3 Global Trends in SMA Adoption

2.3.1 SMA in Developed Economies

Empirical research indicates that SMA adoption is highest in developed economies, where firms benefit from advanced accounting frameworks, regulatory support, and digital transformation.

i. **United Kingdom and Europe**: Extensive use of Balanced Scorecard, customer analytics, and benchmarking (Cinquini & Tenucci, 2010).

ii. **United States:** Strong emphasis on Activity-Based Costing (ABC) and competitor analysis (Ittner & Larcker, 2001).

iii. **Australia and Canada:** Widespread implementation of strategic cost management techniques (Chenhall, 2005).

Despite high adoption rates in developed economies, research highlights implementation challenges, such as:

i. **Integration complexity:** Firms struggle to align SMA tools with existing accounting systems (Bhimani & Langfield-Smith, 2007).

ii. **Skill gaps:** Many accountants lack training in strategic and market-driven financial techniques (Cadez & Guilding, 2008).

iii. **Resistance to change:** Traditional cost-based accounting cultures often hinder SMA adoption (Chenhall & Langfield-Smith, 1998).

Mohamed (2025) further emphasizes that while developed economies lead in SMA adoption, firms still face hurdles in fully integrating these techniques with AI-driven analytics and digital transformation tools. He notes that even in markets with strong regulatory support, resistance to change and a lack of specialized training remain significant barriers. Additionally, his research highlights the increasing role of AI, cloud computing, and blockchain in modernizing SMA practices, making adoption more accessible for firms willing to invest in technological advancements (Mohamed, 2025). These challenges indicate that even in mature economies, SMA adoption requires strong leadership, training programs, and technological integration (Nguyen et al., 2023).

2.3.2 SMA in Developing and Emerging Markets

In contrast, SMA adoption in developing countries remains limited due to economic constraints, regulatory gaps, and limited

access to advanced financial tools (Oboh & Ajibolade, 2017).

i. **Asia:** Studies in Malaysia and Indonesia highlight slow adoption of SMA techniques, with firms relying primarily on traditional cost control methods (Nik Abdullah, Said & Hui, 2022). Vietnamese firms report low usage of competitor analysis and customer profitability techniques, attributed to poor data availability and weak regulatory enforcement (Nguyen et al., 2023).

ii. **Africa:** Nigerian studies suggest that only large multinational firms utilize SMA tools, while local businesses struggle with limited SMA awareness (Oboh & Ajibolade, 2017).

iii. **Middle East:** Saudi Arabian firms show a growing interest in Balanced Scorecard and Activity-Based Costing, but implementation remains inconsistent across industries (Al-Mawali, 2015).

Developing countries face unique barriers, including:

1. Lack of skilled professionals trained in strategic cost management.
2. Limited access to market intelligence, restricting competitor analysis.
3. Short-term financial planning, prioritizing immediate cost reduction over long-term strategic investments (Gunawansha, 2021).

2.4 Strategic Management Accounting in the Service Sector

2.4.1 Why the Service Sector Needs SMA

Unlike manufacturing, service firms face intangible cost structures, customer-driven revenue models, and high variability in demand, making traditional accounting techniques insufficient (Sharma, 2002).

SMA is particularly relevant to service-based economies like Sri Lanka, where:

1. Customer profitability analysis can optimize customer retention and pricing strategies in industries such as banking and healthcare.
2. Benchmarking and competitor analysis are critical for hotels, telecom firms, and IT companies facing global competition.
3. Value chain costing can improve cost efficiencies in logistics and financial services.

Despite these advantages, studies indicate that service firms in developing countries still rely on traditional cost control methods, limiting their ability to leverage SMA for strategic growth (Fonseka & Subasinghe, 2009).

2.4.1 SMA Adoption in Sri Lanka

While Sri Lanka's service sector contributes over 60% of GDP, its adoption of modern management accounting practices remains low (World Bank, 2023). Studies suggest several barriers to SMA adoption in Sri Lankan service firms:

i. **Lack of awareness:** Many firms perceive SMA as a manufacturing-focused discipline, failing to recognize its applicability to services (Goonesekera, 2004).

ii. **Skill shortages:** Few accounting professionals in Sri Lanka receive formal training in SMA techniques (Gunawansha, 2021).

iii. **Short-term focus:** Sri Lankan firms prioritize short-term financial reporting over long-term strategic planning (NCAS, 2021).

However, there is growing interest in SMA due to:

i. Economic recovery initiatives post-crisis, emphasizing strategic cost management (EIU, 2024).
ii. Increased digitalization, enabling firms to implement data-driven SMA tools.
iii. Global competitiveness pressures, especially in tourism, finance, and IT.

2.5 Research Gaps and Justification for Study

While previous studies have examined SMA in manufacturing and developed economies, research on SMA adoption in the Sri Lankan service sector remains sparse.

This study addresses critical research gaps by:

i. Providing empirical evidence on SMA usage in Sri Lankan service firms, where adoption trends are largely undocumented.
ii. Exploring the impact of firm demographics (size, type, managerial experience) on SMA adoption patterns.
iii. Offering practical recommendations for enhancing SMA implementation in Sri Lanka's service-based economy.

Given Sri Lanka's transition to a service-dominant economy, this research contributes to both academic literature and industry practice, informing policymakers, professional accountants, and corporate leaders on how to integrate SMA for long-term business sustainability. Mohamed (2025) emphasizes the lack of empirical research on SMA in Sri Lanka's service sector, noting that most existing studies focus on manufacturing industries. His review highlights that firm size and managerial expertise significantly influence SMA adoption, with larger firms and those with trained financial managers being more likely to implement SMA techniques. Furthermore, he argues that targeted training programs, regulatory support, and digital transformation initiatives could enhance SMA adoption in Sri Lanka's evolving service economy (Mohamed, 2025).

3. Methodology

This study employs a deductive approach, testing hypotheses. Existing theories suggest that firm characteristics influence SMA adoption (Cadez & Guilding, 2008).
Hypotheses are formulated based on prior research findings.
Empirical data is collected and analyzed to validate or reject these hypotheses.
This approach is appropriate because it enables the study to examine cause-and-effect relationships between firm demographics and SMA adoption in Sri Lanka's service sector.

3.1 Research Philosophy and Approach

3.1.1 Positivist Research Paradigm

This study adopts a positivist research paradigm, which assumes that reality is objective and measurable (Saunders, Lewis & Thornhill, 2019). Positivism is widely used in accounting and management research, as it enables researchers to test hypotheses using statistical methods (Bryman, 2012).
Under this paradigm:

i. The study uses structured data collection (survey-based approach).
ii. Findings are derived using quantitative statistical analysis.
iii. The researcher remains independent from the subject, ensuring neutrality and objectivity.

The use of positivism in SMA research, emphasizing that quantitative approaches allow for a more rigorous examination of SMA adoption patterns across different firm demographics. Those previous empirical studies on SMA have relied on survey-based methodologies to establish statistical correlations between firm characteristics and SMA usage. Additionally, integrating digital tools in survey analysis can enhance the accuracy of SMA research in emerging economies like Sri Lanka.

3.1.2 Deductive Research Approach

This study employs a deductive approach, testing hypotheses. Existing theories suggest that firm characteristics influence SMA adoption (Cadez & Guilding ,2008). Hypotheses are formulated based on prior research findings.
Empirical data is collected and analyzed to validate or reject these hypotheses. This approach is appropriate because it enables the study to examine cause-and-effect relationships between firm demographics and SMA adoption in Sri Lanka's service sector.

3.2 Research Design

This study follows a cross-sectional, survey-based research design to capture SMA adoption trends at a specific point in time.

3.2.1 Justification for a Quantitative Survey

A structured survey questionnaire was chosen because: It enables statistical comparisons between firms of different sizes, industries, and organizational structures.
It allows for the collection of large-scale empirical data efficiently (Creswell & Creswell, 2018). Prior SMA studies have successfully used survey-based approaches (Cadez & Guilding, 2008; Oboh & Ajibolade, 2017).

3.3 Population and Sampling Strategy

3.3.1 Target Population

1. The target population consists of service sector firms in Sri Lanka, including industries such as:
2. Banking and Insurance
3. Healthcare and Pharmaceuticals
4. Hotel and Tourism
5. Information Technology and Telecommunications

These industries were chosen because they represent over 60% of Sri Lanka's GDP (World Bank, 2023). These sectors also have intangible cost structures, making SMA particularly relevant. Finally, these industries face intense market competition, requiring advanced cost and pricing strategies.

3.3.2 Sampling Frame

Due to the lack of a centralized database of Sri Lankan service firms, multiple sources were used to construct the sampling frame, including:

i. Colombo Stock Exchange (CSE) (Publicly listed service firms).
ii. Sri Lanka Association for Software and Services Companies (SLASSCOM) (IT sector).

iii. Hotel Association of Sri Lanka (Tourism and hospitality).
iv. Central Bank of Sri Lanka (Banking and finance firms).
A total of 544 firms were identified as part of the sampling frame.

3.3.3 Sampling Technique

This study employs a stratified random sampling technique, ensuring representation across different service sub-sectors. Stratification was based on:
i. Firm size (Small, Medium, Large).
ii. Industry type (IT, Banking, Tourism, Healthcare).
iii. Company type (Listed vs. Non-listed).
A sample of 400 firms was selected, targeting a final response rate of 50%, based on previous SMA survey response trends (Cadez & Guilding, 2008).

3.3.4 Response Rate and Data Collection

i. **Survey distribution:** The survey was distributed electronically via email and LinkedIn to senior finance professionals (CFOs, Finance Directors, Management Accountants).
ii. **Final response rate:** Out of 400 firms contacted, 202 completed responses were received, resulting in a 50.5% response rate.
iii. **Data screening:** Incomplete responses were removed, leading to a final dataset of 202 valid responses. This response rate is higher than the typical 30%-40% observed in accounting surveys, increasing data reliability (Pavlatos, 2015).

The survey response rates in SMA research are often constrained by limited awareness of strategic accounting practices and the reluctance of finance professionals to disclose financial strategies. However, higher response rates can be achieved by targeting senior decision-makers through professional networks like LinkedIn and industry-specific associations. Further, digital survey distribution expected to improve participation rates in SMA research.

3.4 Measurement of Variables

This study examines two key constructs:
1. SMA Adoption
2. Demographic Factors

3.4.1 SMA Adoption

SMA adoption was measured using a 7-point Likert scale, assessing the extent to which firms use 12 SMA techniques, including:

i. Benchmarking
ii. Competitor Cost Assessment
iii. Strategic Pricing
iv. Customer Profitability Analysis
v. Integrated Performance Measurement
(See Appendix A for the full list of techniques and definitions).

A composite SMA Usage Score was calculated by averaging responses across all 12 techniques, following Cadez and Guilding (2008). Likert-scale measurements are widely used in SMA adoption studies to capture the degree of implementation across different firms and industries. It is noted that calculating a composite SMA Usage Score provides a standardized metric for comparing adoption levels across sectors.

Demographic Factors

Demographic factors were measured as follows:
i. **Firm Size:** Coded as Small (0), Medium (1), Large (2).
ii. **Industry Type:** Categorized as Banking, IT, Tourism, and Healthcare.
iii. **Managerial Experience:** Measured in years (0-10, 10-15, 15+).
iv. **Company Type:** Coded as Listed (1) vs. Non-listed (2).
These variables were selected based on prior SMA contingency studies (Chenhall, 2005; Cadez & Guilding, 2012).

3.5 Data Analysis Techniques

The collected data was analyzed using IBMSPSS Statistics 27, employing the following statistical methods:

3.5.1 Descriptive Statistics

Mean and standard deviations were calculated for SMA adoption levels. Frequency distributions were used to profile respondents.

3.5.2 Inferential Statistics

ANOVA (Analysis of Variance) was used to test differences in SMA adoption across firm demographics.

3.5.3 Reliability and Validity Testing

Cronbach's Alpha was used to test the reliability of the SMA Usage Scale ($\alpha = 0.86$, indicating high internal consistency). Factor Analysis confirmed that the 12 SMA techniques clustered into distinct strategic categories.

4. Data Analysis and Results

This section presents the findings from the quantitative survey analysis conducted on 202 Sri Lankan service firms. The results are organized into three key areas: descriptive statistics, SMA adoption patterns, and the influence of firm demographics on SMA usage. The analysis utilizes descriptive statistics to summarize SMA adoption trends across different industries, while ANOVA tests are employed to assess variations in adoption levels based on firm size, industry type, managerial experience, and company listing status. These statistical techniques provide insights into how organizational characteristics influence the extent to which firms integrate SMA practices into their financial and strategic decision-making processes.

4.1 Descriptive Statistics

The demographic profile of the participating firms provides essential context for understanding the factors influencing SMA adoption. Among the 202 valid responses, 50.5% were from listed firms, while 49.5% were from non-listed firms, indicating a balanced representation of publicly traded and privately held companies. In terms of firm size, 41.1% of respondents represented large firms with more than 1,000 employees, while 26.2% came from medium-sized enterprises with 101–500 employees, and 17.8% were from small firms with fewer than 100 employees. Industry representation varied, with the banking and insurance sector comprising 30.7% of the sample, followed by IT and telecommunications (27.2%), tourism and hospitality (19.8%), and healthcare (22.3%). Managerial experience among respondents also varied significantly. More than half (53.5%) had less than 10 years of experience, while 24.8% had 10 to 15 years, and 21.7% had over 15 years of experience. These figures suggest a balanced representation of experienced financial professionals across different service industries. The demographic breakdown based on qualification and experience is presented in Tables 1 and 2.

Table1: Demographic Profile of Respondents- by Qualification

	Frequency	**Percent**
Partly Qualified	23	11.4
Advance Diploma	18	8.9
Associate	132	65.3
Fellow	29	14.4
Total	**202**	**100.0**

Table2: Demographic Profile of Respondents- by Experience

	Frequency	**Percent**
Below 10years	108	53.5
10 - 15Years	50	24.8
15 - 20Years	11	5.4
16 - 20Years	9	4.5

20 Years and Above	24	11.9
Total	**202**	**100.0**

These demographic insights highlight the diverse characteristics of firms operating within Sri Lanka's service sector. Given the significant role of these industries in the economy, analyzing their SMA adoption trends provides valuable insights for both academic research and managerial practice. These demographic factors can be shown via graphs as depicted in the figure 1 below:

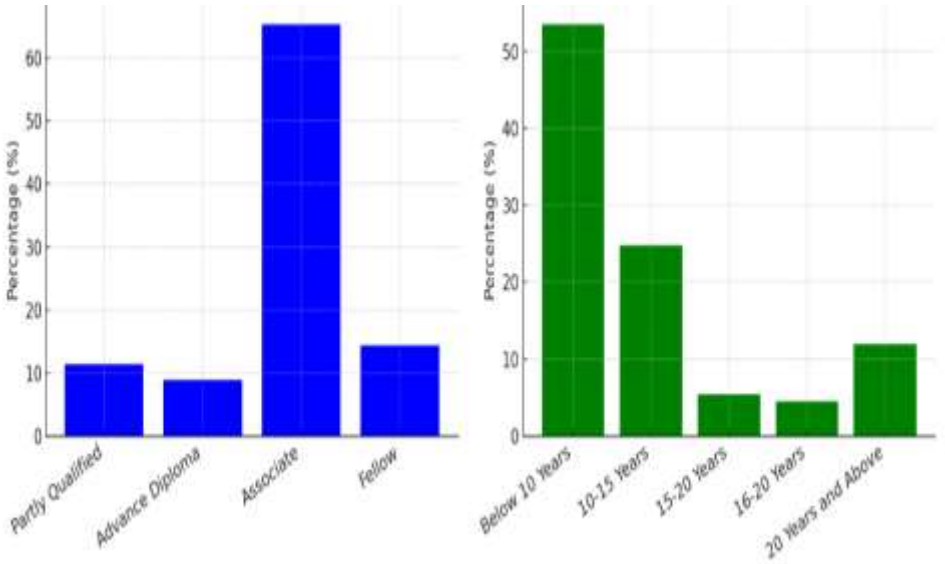

Fig 1: Profile of Survey Participants by Qualification and Experience

4.2 Strategic Management Accounting Adoption in Sri Lankan Service Firms

To examine the extent to which SMA techniques are utilized, respondents were asked to rate the adoption of 12 SMA techniques on a 7-point Likert scale ranging from 1 (Not at all) to 7 (To a great extent). The mean adoption scores for each technique are summarized in Table 2.

Table3: Mean Usage of SMA Techniques

Abbreviation	**SMA Name**	**Mean**	**Std. Deviation**
SMA_SP	Strategic Pricing	5.04	1.558
SMA_CPM	Competitive position monitoring	4.97	1.54
SMA_CPA	Customer profitability analysis	4.96	1.647
SMA_BM	Bench marking	4.79	1.522
SMA_IPM	Integrated performance measurement	4.76	1.562
SMA_CCA	Competitor cost assessment	4.71	1.476
SMA_SC	Strategic costing (strategic cost management)	4.66	1.715
SMA_CPAP	Competitor performance appraisal	4.59	1.649
SMA_BV	Brand Valuation	4.30	1.941
SMA_VCC	Value chain costing	4.18	1.754
SMA_LCPA	Life time customer profitability analysis	3.98	1.705
SMA_LCC	Life-cycle costing:	3.93	1.708

Among the most widely adopted techniques, Strategic Pricing (M = 5.04, SD = 1.56) and Competitor Position Monitoring (M=4.97, SD=1.54) were the most frequently used, suggesting that Sri Lankan service firms prioritize market - driven pricing

strategies and competitive analysis. This aligns with previous research indicating that pricing strategies and competitor insights are critical for service firms, particularly in industries such as banking, tourism, and telecommunications (Cadez & Guilding, 2008). Conversely, Life Cycle Costing (M = 3.93, SD = 1.71) and Lifetime Customer Profitability Analysis (M=3.98, SD=1.70) received the lowest adoption scores, reflecting a lack of emphasis on long-term cost management and customer lifetime valuation. These findings suggest that Sri Lankan service firms focus more on short-term financial planning rather than comprehensive long- term strategic cost assessments.

4.2 Firm Characteristics and SMA Adoption

4.2.1 Impact of Company Type on SMA Usage

To examine whether listed and non-listed firms differed in their adoption of SMA, an ANOVA test was conducted. The results are presented in Table 4.

Table 4: ANOVA Results for SMA Usage by Company Type

ANOVA

SMA

	Sum of Squares	**D f**	**Mean Square**	**F**	**Sig.**
Between Groups	12.756	1	12.756	19.16	.000
Within Groups	133.090	200	.665	9	
Total	**145.846**	**201**			

The results indicate a statistically significant difference in SMA adoption between listed and non-listed firms (F = 19.169, p-value = .000), suggesting that publicly traded companies are more inclined to implement SMA practices. This trend may be attributed to greater regulatory pressures, increased stakeholder scrutiny, and the need for enhanced strategic decision-making in listed entities. In contrast, non-listed firms, particularly family-owned or privately held businesses, may prioritize traditional cost control measures over strategic accounting techniques due to limited external reporting requirements.

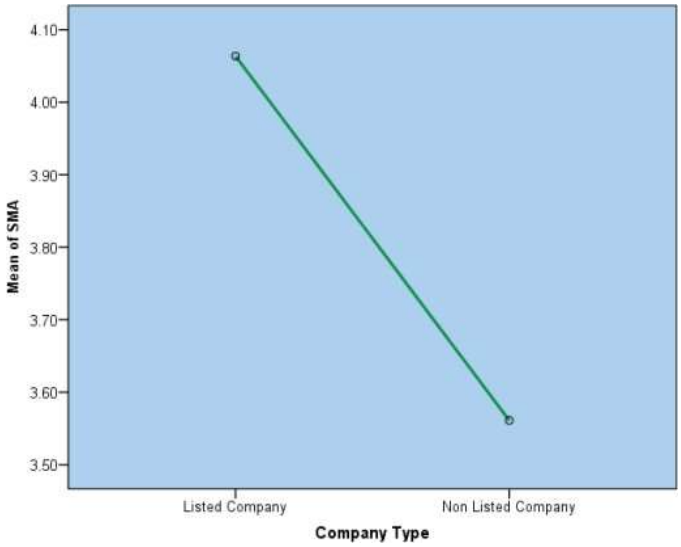

Fig 2: Mean Differences in SMA Usage by Company Type

4.2.2 Influence of Firm Size on SMA Adoption

A one-way ANOVA test was conducted to determine whether SMA adoption differs significantly across small, medium, and large firms. The results of this analysis are presented in Table 4.

Table 5: ANOVA Results for SMA Usage by Firm Size

ANOVA

SMA

	Sum of Squares	df	Mean Square	Frequency	Sig.
Between Groups	7.126	3	2.375	3.390	.019
Within Groups	138.720	198	.701		
Total	**145.846**	**201**			

Regarding the mean differences between company size and SMA usage, the ANOVA results indicated a significant mean difference (F = 3.390, p-value = .019). However, since company size had multiple categories, a pairwise multiple comparison test was conducted using the Bonferroni method, as shown in Table 6. The detailed results reveal that there is only a significant difference (p = .041) in SMA usage between companies with fewer than 100 employees and those with more than 1,001 employees. However, there are no significant differences in SMA adoption between companies with 101–500, 501–1,000, and 1,001+ employees. As shown in figure 3.

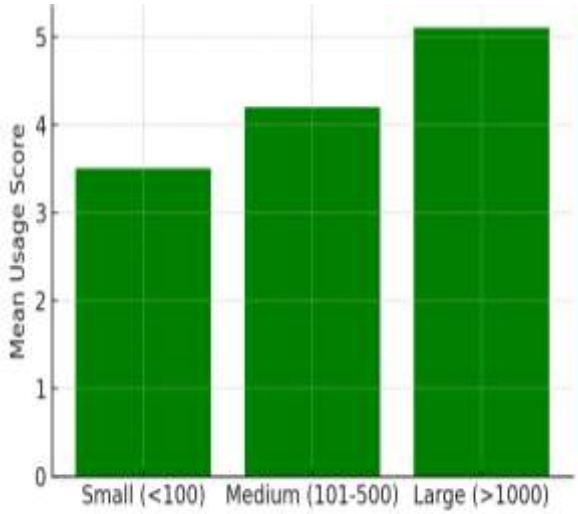

Figure 3: Firm Size and SMA Adoption

Table 6: SMA Usage by Company Size- Multiple Comparison

Multiple Comparisons

Dependent Variable: SMA Bonferroni

		Mean Difference			95% Confidence Interval	
(I)NOEMPL	(J)NOEMPL	(I-J)	Std.Error	Sig.	Lower Bound	Upper Bound
Below100	101–500	-.10332	.18078	1.000	-.5851	.3785
	501–1000	-.17012	.20692	1.000	-.7216	.3813
	1001 and Above	-.45721*	.16704	.041	-.9024	-.0120
101–500	Below100	.10332	.18078	1.000	-.3785	.5851
	501–1000	-.06681	.19124	1.000	-.5765	.4429
	1001 and Above	-.35389	.14717	.103	-.7461	.0383
501–1000	Below100	.17012	.20692	1.000	-.3813	.7216
	101–500	.06681	.19124	1.000	-.4429	.5765
	1001 and Above	-.28708	.17831	.654	-.7623	.1881
1001 and Above	Below100	.45721*	.16704	.041	.0120	.9024
	101–500	.35389	.14717	.103	-.0383	.7461
	501–1000	.28708	.17831	.654	-.1881	.7623

*. The mean difference is significant at the 0.05level.

These findings are consistent with previous studies (Cadez & Guilding, 2008) that suggest larger organizations have more resources, financial capacity, and expertise to implement advanced SMA techniques. Small firms, on the other hand, face significant barriers such as limited financial resources, lack of skilled personnel, and insufficient awareness of strategic management accounting tools. The preference for simpler, traditional cost management approaches over sophisticated SMA techniques is likely a function of these constraints. Figure 4 shows SMA usage by firm size

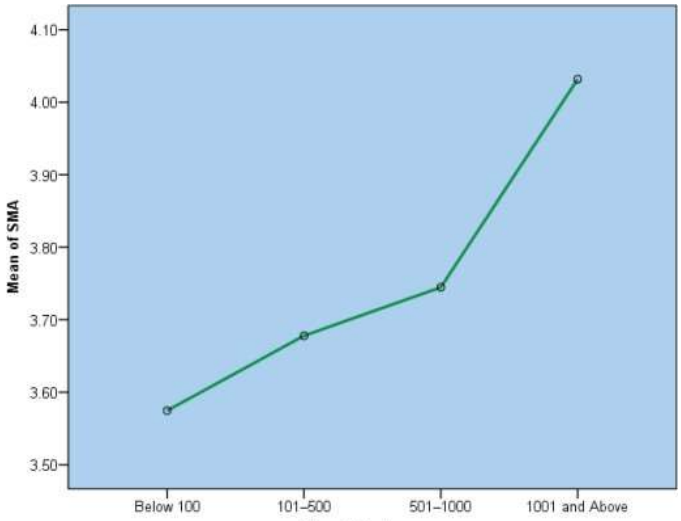

Figure 4: SMA Usage by Firm size

4.2.3 Managerial Experience on SMA Usage

It is noted that various levels of experience did not differ in using SMA in an organization.
This result is evident by the insignificant mean difference among various levels of experience (F = 0.145, P = 0.965).
The ANOVA table and mean plot graph are shown below.

Table7: SMA usage by Experience

ANOVA

SMA

	Sum of Squares	df	Mean Square	Frequency	Sig.
Between Groups	.429	4	.107	.145	.965
Within Groups	145.417	197	.738		
Total	**145.846**	**201**			

These results do not indicate that managers with more experience are more likely to implement SMA techniques in their firms. This finding is not consistent with previous literature, which suggests that senior managers possess a greater understanding of long-term strategic financial planning and are better equipped to integrate SMA tools into decision-making processes (Chenhall, 2005). Less experienced managers, particularly those with fewer than 10 years in financial roles, may rely more on traditional accounting systems due to a lack of exposure to SMA methodologies and limited access to professional development opportunities. Figure 5 shows managerial experience and SMA adoption.

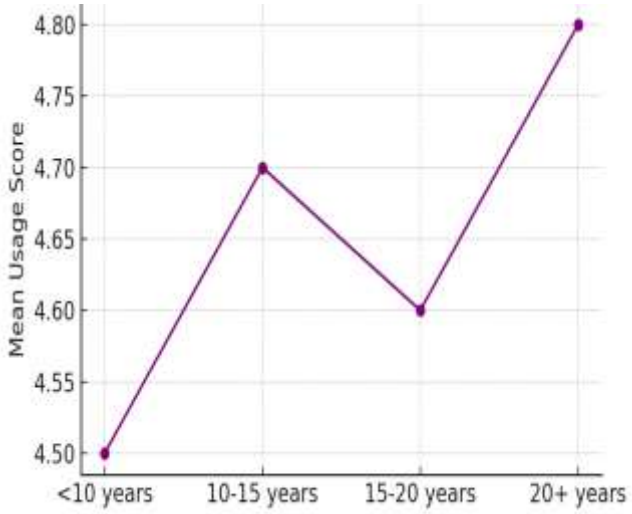

Figure 5: Managerial Experience and SMA Adoption

4.3 Summary of Key Findings

The results of this study highlight several important insights regarding the adoption of SMA in Sri Lanka's service sector:

i. SMA adoption is higher in listed firms compared to non-listed firms, suggesting that regulatory compliance and external stakeholder requirements drive greater SMA usage in publicly traded companies.

ii. Firm size is a significant determinant of SMA adoption, with larger firms demonstrating greater usage of strategic cost management tools than smaller enterprises.

iii. Strategic pricing, competitor analysis, and customer profitability assessment are the most widely used SMA techniques, reflecting the customer-driven nature of service sector firms.

iv. Long-term cost management techniques, such as Life Cycle Costing and Lifetime Customer Profitability Analysis, are underutilized, indicating a short-term financial focus among Sri Lankan service firms.

v. Managers with greater professional experience are not necessarily more likely to implement SMA tools, emphasizing the importance of strategic financial expertise in organizational decision-making.

These findings provide a strong empirical foundation for understanding SMA adoption trends in the Sri Lankan service sector. In the next section, we will discuss these findings in the context of global SMA adoption trends and provide practical recommendations for service firms.

5. Discussion, Conclusions, and Implications

5.1 Discussion of Key Findings

The findings reveal several important trends regarding the adoption of SMA techniques in Sri Lanka's service sector. These results align with previous research on management accounting in emerging economies, while also highlighting unique regional challenges. SMA adoption is inconsistent across industries, with banking and IT firms demonstrating higher adoption rates, whereas tourism and healthcare sectors lag behind due to limited expertise and resource constraints. Firms that adopt SMA tend to integrate competitor analysis, strategic pricing, and benchmarking, which aligns with global SMA adoption patterns Mohamed, 2025). Additionally, regulatory and market pressures influence SMA adoption, particularly in publicly listed firms, which are more likely to implement structured strategic cost management frameworks. However, emerging economies like Sri Lanka face unique barriers, including skill shortages, limited access to reliable financial data, and resistance to change. Furthermore, economic volatility and currency fluctuations continue to impact firms' ability to invest in advanced SMA tools, while digital transformation and AI-driven analytics present opportunities for firms to modernize their SMA practices (Mohamed, 2025).

5.1.1 Influence of Company Type on SMA Adoption

The study found that listed firms exhibit higher SMA adoption than non-listed firms. This result supports prior findings by Cadez and Guilding (2008), who observed that publicly traded companies are more likely to implement advanced SMA techniques due to greater regulatory scrutiny, investor expectations, and competitive pressures. In Sri Lanka, publicly listed firms are required to disclose financial and strategic information to external stakeholders, making competitor analysis, strategic pricing, and integrated performance measurement more relevant. Conversely, non-listed firms, particularly family-owned businesses and SMEs, may rely more on traditional cost accounting due to limited regulatory requirements and resource constraints (Gunawansha, 2021).

5.1.2 Impact of Firm Size on SMA Adoption

The results confirm that larger firms exhibit higher SMA adoption rates than small firms, aligning with previous research (Chenhall, 2005; Oboh & Ajibolade, 2017). This trend can be attributed to greater financial and technological resources, which enable larger organizations to invest in advanced management accounting tools and specialized finance teams trained in strategic cost management. Additionally, the complex decision-making processes in larger firms necessitate the use of competitor analysis and strategic pricing techniques to maintain a competitive edge. In contrast, small firms face significant barriers to SMA adoption, including limited financial resources, a lack of expertise, and a reliance on traditional cost control mechanisms. These constraints often prevent smaller enterprises from integrating long-term strategic management accounting practices into their operations. Given these challenges, the findings emphasize the need for government and industry-led training initiatives to enhance SMA awareness and adoption among SMEs, ensuring that smaller firms can also benefit from strategic cost management techniques to improve financial performance and competitiveness.

5.1.3 Preferred SMA Techniques in Service Firms

The results show that strategic pricing (M = 5.04) and competitor position monitoring (M = 4.97) are the most widely adopted SMA techniques in Sri Lankan service firms. This is consistent with global trends, where pricing strategies and competitor analysis are considered essential for service-based industries (Cinquini & Tenucci, 2010). However, long-term cost management techniques, such as Life Cycle Costing (M = 3.93) and Lifetime Customer Profitability Analysis (M = 3.98), remain underutilized. This suggests that Sri Lankan firms prioritize short-term financial performance over long-term cost planning and sustainability strategies.

5.1.4 Role of Managerial Experience in SMA Usage

The study identified no significant influence between managerial experience and SMA adoption, which contrasts with previous research (Chenhall & Langfield-Smith, 1998) that suggested experienced financial professionals are more likely to integrate strategic cost management tools into decision-making. This finding emphasizes the importance of professional development programs to equip younger financial managers with SMA expertise. Industry associations, such as CIMA Sri Lanka and ACCA, could play a crucial role in promoting SMA training initiatives, ensuring that financial professionals are well-prepared to implement strategic management accounting practices effectively.

5.2 General Implications

This study contributes to strategic management accounting (SMA) in several ways:

i. Extension of SMA Research to Developing Economies

ii. Most prior SMA studies have focused on developed markets such as the UK, USA, and Australia (Cadez & Guilding, 2008).

iii. This study provides new empirical evidence from Sri Lanka, offering regional insights into management accounting adoption in emerging economies.

Service Sector Focus in SMA Literature

Previous research has primarily examined SMA in manufacturing firms (Cinquini & Tenucci, 2010). This study fills a significant research gap by analyzing SMA usage in service-oriented industries, particularly in an emerging market context.

5.3 Practical Implications

5.3.1 For Business Practitioners and Accountants

Finance professionals should focus on enhancing their SMA competencies by adopting advanced tools such as Customer Profitability Analysis, Strategic Costing, and Value Chain Analysis. These techniques can help improve financial decision-making and strategic planning within service firms. Additionally, organizations should prioritize long-term cost management by integrating Life Cycle Costing and Balanced Scorecard techniques into their financial planning processes. This approach will enable firms to achieve sustainable financial performance while maintaining a competitive edge in the market.

5.3.2 For Policy makers and Industry Associations

Future studies should explore how digital transformation, including AI and Big Data, affects SMA practices in Sri Lankan firms. Understanding the role of emerging technologies in strategic management accounting could provide valuable insights into how firms can enhance financial decision-making and competitive positioning. Additionally, comparative studies should examine SMA adoption across different South Asian economies, identifying cross-cultural variations in strategic accounting techniques. This research would help assess regional differences in adoption patterns, regulatory influences, and industry-specific challenges in implementing SMA frameworks.

5.3.3 For Academics and Researchers

Future studies should explore how digital transformation, including AI and Big Data, affects SMA practices in Sri Lankan firms. Understanding the role of emerging technologies in strategic management accounting could provide valuable insights into how firms can enhance financial decision-making and competitive positioning. Additionally, comparative studies should examine SMA adoption across different South Asian economies, identifying cross-cultural variations in strategic accounting techniques. This research would help assess regional differences in adoption patterns, regulatory influences, and industry-specific challenges in implementing SMA frameworks.

5.4 Improving SMA Adoption

This study provides below recommendations to increase adoption of SMA among companies in developing nation in general, and Sri Lankan service sector in specific:

i. **Increase Training and Professional Development:** Collaboration between universities, professional accounting bodies, and corporate training institutes can enhance SMA literacy among financial professionals. Expanding educational programs and certification courses will equip managers with the necessary skills and knowledge to implement strategic management accounting techniques effectively.

ii. **Leverage Digital Tools for SMA Implementation:** Service firms should integrate AI-powered financial analytics and Big Data-driven competitor analysis to improve strategic decision-making. By adopting advanced digital tools, businesses can enhance cost efficiency, pricing strategies, and overall financial performance.

iii. **Encourage Industry Collaboration and Benchmarking:** Firms should actively participate in cross-industry benchmarking initiatives, allowing them to compare performance with international competitors. Sharing best practices and learning from global leaders in SMA adoption can help organizations improve their strategic cost management approaches.

iv. **Government Support for SME Adoption:** Policymakers should introduce financial support, tax incentives, and digital infrastructure grants to enable SMEs to invest in SMA tools. By creating a supportive regulatory environment, governments can help smaller firms transition from traditional cost accounting to advanced SMA techniques, fostering long-term business growth and sustainability.

5.5 Conclusion

This study provides empirical evidence on the adoption of SMA techniques in Sri Lanka's service sector, confirming that firm size and listing status significantly influence SMA implementation, while managerial experience does not affect SMA usage. Regarding SMA techniques, strategic pricing and competitor analysis are widely used, whereas life cycle costing remains underutilized, reflecting a short-term financial focus among firms. The findings offer valuable contributions from a practical perspective, emphasizing the need for professional training, digital transformation, and government support to enhance SMA utilization in Sri Lankan service firms. Future research should explore technological advancements in SMA, particularly the integration of AI and digital analytic into strategic cost management. Additionally, comparative studies across South Asian economies could provide deeper insights into regional variations in SMA adoption, helping to identify best practices and implementation challenges.

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Appendix 1: Glossary of SMA terms

Benchmarking: The comparison of internal processes to an ideal standard.

Brand valuation: An exercise where a financial value to the equity created by the name or image of the brand is assigned to provide a broader measure of the organization's equity.

Competitor cost assessment: The provision of regularly scheduled updated estimates of a competitor's unit cost.

Competitive position monitoring: The analysis of competitor positions within the industry by assessing and monitoring trends in competitor sales, market share, volume, unit costs, and return on sales. This information can provide a basis for the assessment of a competitor's market strategy.

Competitor performance appraisal: The numerical analysis of a competitor's published statements as a part of an assessment of a competitor's key sources of competitive advantage.

Customer profitability analysis: This involves calculating profit earned from a specific customer. The profit calculation is based on costs and sales that can be traced to a particular customer. This technique is sometimes referred to as "customer account profitability."

Integrated performance measurement: A measurement system which focuses typically on acquiring performance knowledge based on customer requirements and may encompass non- financial measures. This measure involves departments monitoring those factors which are critical to securing customer satisfaction.

Life-cycle costing: The appraisal of costs based on the length of stages of a product or service's life. These stages may include design, introduction, growth, maturity, decline and eventual abandonment.

Lifetime customer profitability analysis: This involves extending the time horizon for customer profitability analysis to include future years. The practice focuses on all anticipated future revenue streams and costs involved in servicing a particular customer.

Strategic costing (strategic cost management): The use of cost data based on strategic and marketing information to develop and identify superior strategies that will produce a sustainable competitive advantage.

Strategic Pricing: The analysis of strategic factors in the pricing decision process. These factors may include competitor price reaction, elasticity, market growth, economies of scale, and experience.

Value chain costing: An activity-based approach where costs are allocated to activities required to design, procure, produce, market, distribute, and service a product or service.

Source: (Cadez & Guilding, 2008).