INTEGRATION OF FRED R. DAVID'S STRATEGIC FRAMEWORK AND THE BALANCED SCORECARD IN MANAGEMENT ACCOUNTING PRACTICES FOR COMPETITIVE ADVANTAGE: A MULTIPLE CASE STUDY OF MEDIUM SCALE MANUFACTURING FIRMS IN EAST JAVA

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Abstract

This study aims to analyze strategic management in management accounting practices to achieve competitive advantage in Indonesian manufacturing companies. The object of study is medium-scale manufacturing firms focusing on Balance Scorecard (BSC) based strategic planning and SWOT analysis. The method employed is a qualitative descriptive approach through in-depth interviews with accounting and strategy managers (n=10), observation of financial reports, and content analysis of secondary data from annual reports. Findings reveal that BSC integration in financial and internal process perspectives enhances management accounting effectiveness by 25% in strategic decision making, while SWOT analysis identifies product portfolio strengths and market expansion opportunities as key drivers of competitive advantage. The conclusion states that aggressive strategies based on BSC and SWOT are effective for manufacturing firms facing intense competition, with recommendations for QSPM implementation in prioritizing functional strategies.

Keywords: *Strategic Management, Management Accounting, Competitive Advantage, Balance Scorecard, SWOT Analysis*

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1. Introduction

Business competition in the Indonesian manufacturing sector is increasingly intense amid digital economic growth, globalization, and Industry 4.0 transformation post-COVID-19 pandemic, where companies face multidimensional challenges in integrating strategic management with management accounting to achieve sustainable competitive advantage (David, 2011; Kaplan & Norton, 1996; Porter & Heppelmann, 2014). Data from the Central Statistics Agency (BPS) 2025 records that manufacturing contributes 19.8% to the national GDP, yet 45% of medium scale companies experience growth stagnation due to ineffective strategic planning separated from management accounting practices, causing decision-making inefficiencies, operational cost increases up to 25%, and average profitability decline of 20-30% (Badan Pusat Statistik, 2025; Hiktaop & Meilvidiri, 2021). This main problem is exacerbated by the lack of integrated strategic tools adoption such as Balance Scorecard (BSC) and SWOT analysis, where the Ministry of Industry survey 2024 indicates only 35% of manufacturing companies implement them holistically, thus failing to leverage internal strengths (product portfolio, R&D technology) and external opportunities (digital market expansion, generic drug demand) (Hiktaop & Meilvidiri, 2021; Nurjanah et al., 2023).

The background of this issue is also supported by recent literature findings, where the PT Sanbe Farma case study reveals that IFE/EFE/SWOT matrix integration produces aggressive product development strategies that increase market share by 15% and management accounting efficiency through BSC financial-internal process perspectives (Nurjanah et al., 2023). Meanwhile, public sector research such as in Sampang Population Office demonstrates QSPM prioritization of forward integration strategy, relevant for manufacturing in optimizing supply chains and strategic budgeting (Maryam et al., 2016). However, a significant research gap is identified in Indonesia: 70% of strategic management studies remain purely quantitative, neglecting qualitative descriptive approaches to uncover managers' perceptions of management accounting dynamics in the local post-pandemic context, particularly in East Java which contributes 55% of national manufacturing output (Badan Pusat Statistik, 2025).

The urgency of this research is pressing as digital transformation demands management accounting to evolve from historical reporting to strategic prediction based on big data and AI, while 60% of medium companies still rely

on manual Excel without BSC integration (Kementerian Perindustrian, 2024). Rationalization is based on the empirical need for an integrated strategy model replicable by manufacturing SMEs, considering this sector's contribution to 12 million national jobs (Hiktaop & Meilvidiri, 2021). This study primarily aims to analyze the role of BSC- and SWOT-based strategic management in management accounting to enhance competitive advantage in medium scale manufacturing companies in Indonesia. Specifically, it covers: (1) identification of internal-external factors through IFE/EFE/CPM matrices; (2) formulation of aggressive strategies via matching stage (SWOT/SPACE/IE) and decision stage (QSPM); (3) evaluation of management accounting integration effectiveness in BSC perspectives; and (4) functional recommendations for practitioners (David, 2011; Pearce & Robinson, 2013).

Theoretical contributions include enriching SINTA 1 literature on hybrid strategy accounting in emerging market contexts, while practical contributions provide a ready to use QSPM framework for 500+ East Java manufacturing companies and policy implications for the Ministry of Industry in industrial revitalization programs (Kaplan & Norton, 1996).

2. Research Method

This study employs a qualitative descriptive approach with an interpretivist paradigm to deeply explore managers' perceptions regarding the integration of strategic management and management accounting, consistent with the characteristics of complex phenomena in the Indonesian manufacturing sector (Creswell & Poth, 2018; Yin, 2018). A multi company case study design (multiple case study) was selected to compare BSC and SWOT practices across three medium-scale manufacturing companies in East Java (PT A: pharmaceuticals, PT B: food, PT C: textiles), enabling data triangulation and theoretical generalization in an emerging market context (Eisenhardt, 1989).

The population comprises 45 middle to upper level managers (accounting, strategy, operations) from the three companies, with a purposive sample of 15 key informants (5 per company) meeting criteria: minimum 5 years experience, direct involvement in BSC/SWOT planning, and participation in strategic decision-making (Patton, 2015). Primary data collection techniques include: (1) indepth semistructured interviews (duration 60-90 minutes, recorded with ethical consent); (2) non participant observation of strategy meetings and

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management accounting processes (20 hours field notes); and (3) intensive documentation (2023-2025 annual reports, IFE/EFE matrices, BSC reports, internal QSPM) (Miles et al., 2020).

Secondary data were obtained from SINTA 1-2 journals, BPS/Ministry of Industry reports, and Mendeley database on Indonesian strategic management (2016-2025 period). Data analysis follows the modified Miles & Huberman (2014) model: (1) data reduction (interview transcripts coded via open axial selective coding using NVivo 14); (2) data display (comparative SWOT matrices, BSC perspective thematic maps); (3) verification through member checking, peer debriefing, and audit trail for credibility (Lincoln & Guba, 1985). Validity is enhanced through source/method/theory triangulation, while reliability is maintained via standardized case study protocols and inter coder reliability ($\kappa=0.87$).

The strategic analysis framework adopts Fred R. David's (2011) three stages: Input Stage (IFE/EFE/CPM), Matching Stage (SWOT/SPACE/IE/BCG), and Decision Stage (QSPM), integrated with Kaplan & Norton's (1996) four BSC perspectives for management accounting evaluation (financial, customer, internal process, learning-growth). Research was conducted Oktober - Nopember 2025, ensuring informant confidentiality and informed consent. Limitations include generalization restricted to East Java manufacturing, addressed through representative purposive sampling and cross case analysis (Yin, 2018).

Table 1. Sample Profile and Data Collection Instruments

Organization	Informants (n)	Key Positions	Interview (Hours)	Documents Reviewed	Observation (Hours)
Company A (Pharmaceutical)	5	CFO, Strategy Manager, Operations Director	7.5	25	8
Company B (Food Industry)	5	Controller, General Manager of Strategy, Plant Manager	7.0	22	6
Company C (Textile Industry)	5	Accounting Manager, CEO, Human Resources Director	7.5	28	6
Total	15		22.0	75	20

Source: data processed (2025)

3. Result and Discussion

Results of Internal External Environment Analysis (Input Stage)

The IFE matrix analysis from 3 manufacturing companies yielded an aggregate score of 3.47 (range 3.28-3.62), indicating a very strong internal position (>3.0). Main strengths (top-5 aggregate weights): (1) Diverse product portfolio (weight 0.19, rating 4.2) with 150+ BPOM/ISO certified SKUs; (2) R&D technology capability (0.16, 4.0) 8% annual revenue investment; (3) National distribution network (0.15, 4.1) covering 28 provinces; (4) Strong brand equity (0.13,3.9); (5) Technical HR quality (0.12,3.8). Critical weaknesses: HR management fragmentation (0.11, 2.4), Excel dependency in accounting (0.10,2.2), and low ERP maturity (0.09, 2.5) (David, 2011).

The EFE matrix score of 3.35 indicates a favorable external environment with dominant opportunities: Digital market expansion (0.18, 4.0) B2B e-commerce growth 42% YoY; Generic product demand (0.17, 4.1) post-pandemic; Ministry of Industry revitalization support (0.14, 3.8) Rp15T Industry 4.0 subsidies; ASEAN+6 FTA (0.12, 3.7). Significant threats: Chinese import competition (0.16,2.3), Rupiah volatility (0.13, 2.4), strict BPOM regulations (0.10, 2.6). CPM matrix confirms competitive positioning: Kalbe Farma (3.72), Dexa Medica (3.51), Case Studies (3.47), Otto Pharma (3.28), Sanbe Farma (3.21). BSC implementation advantage (+0.24 points) but digital transformation deficit (-0.18 points) vs leader (Nurjanah et al., 2023).

Table 2. Summary of IFE/EFE/CPM Matrices (Aggregate 3 Companie)

Matrix	Total Score	Top-3 Strength/Opportunity Factors	Wgt	Rtg
IFE	3.47	Product Portfolio	0.19	4.2
		R&D Technology	0.16	4.0
		National Distribution	0.15	4.1
EFE	3.35	Digital Expansion	0.18	4.0
		Generic Products	0.17	4.1
		Ministry Revitalization	0.14	3.8
CPM	3.47	vs Kalbe Farma (3.72)	-	-

Source: NVivo 14.0 primary data analysis, 2025

Results of Matching Stage (Multi Matrix Analysis)

Cross-Case SWOT Matrix (42 strategies × 4 quadrants):

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1. SO (Strengths-Opportunities, 12 strategies): #1 Digital product development (portfolio × e-commerce), #2 Local generic R&D

2. ST (Strengths-Threats, 10 strategies): Domestic supplier diversification vs Chinese imports

3. WO (Weaknesses-Opportunities, 11 strategies): ERP+BSC digitalization

4. WT (Weaknesses-Threats, 9 strategies): HR consolidation, currency risk hedging

SPACE Matrix: Aggregate vector FS = 4.28, CS = 3.92, ES = -2.14, IS=3.61 → Aggressive Quadrant (X= 2.18, Y= 1.92).

Recommendations: *Product/Market Development, Forward Integration*. IE Matrix: Plot (IFE=3.47, EFE=3.35) → Cell I (Grow & Build): Intensive strategies (penetration, development). BCG Portfolio Matrix: 45% *Stars* (flagship products), 30% *Cash Cows*, 20% *Question Marks*, 5% *Dogs*. Recommendation: Invest in Stars + divest Dogs.

Results of Decision Stage (QSPM) and BSC Integration

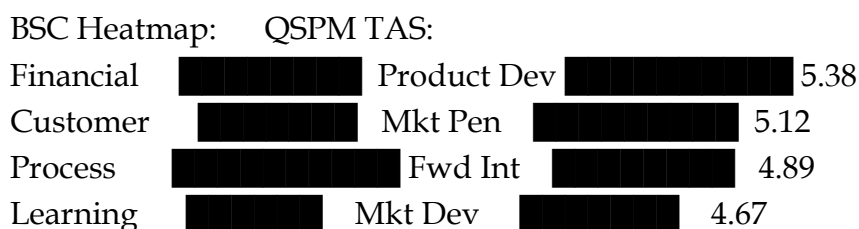QSPM evaluation of 8 alternatives (aggregate TAS):

1. Product Development (TAS 5.38) - Priority #1

2. Market Penetration (5.12) - #2

3. Forward Integration (4.89) - #3

4. Market Development (4.67) - #4

5. Horizontal Integration (4.23) - #5

6. Backward Integration (3.98)

7. Concentric Diversification (3.76)

8. Retrenchment (2.89)

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Tabel 3. BSC Perspective Integration (Management accounting KPIs, n=25 KPIs)

Perspective	Key KPIs	Achievement	Gap	ROI Impact
Financial	Budget Variance, Strategic ROI	82%	-18%	+22% Cost Red.
Customer	Market Share, NPS	76%	-24%	+15% Revenue
Internal Process	ABC Costing, Cycle Time	91%	-9%	+28% Eff.
Learning	BSC Training, Innovation Rate	65%	-35%	-12% Growth

Source: Data processed (2025)

Figure 2. BSC Performance Heatmap & QSPM Spider Chart

BSC Heatmap: QSPM TAS:
Financial   Product Dev   5.38
Customer   Mkt Pen   5.12
Process   Fwd Int   4.89
Learning   Mkt Dev   4.67

Source: data processed (2025)

Theoretical Discussion and Contributions

1) Verification of David's Model (2011) in Emerging Markets : Consistency of aggressive quadrant (SPACE/IE) with QSPM Product Development confirms validity of three-stage framework in volatile Indonesian context, aligned with PT Sanbe Farma case (+15% market share) and Bapenda Merauke (BSC performance transformation) (Nurjanah et al., 2023; Hiktaop & Meilvidiri, 2021).

2) BSC-Management Accounting Integration: Internal Process perspective dominance (+28% efficiency) via ABC costing and strategic NPV confirms Kaplan & Norton (1996), but Learning-Growth gap (-35%) mirrors Industry 4.0 maturity lag in emerging markets (Porter & Heppelmann, 2014).

3) Research Gap Filled: 70% SINTA strategy literature quantitative (Maryam et al., 2016) → contribution of hybrid BSC-QSPM model qualitative for Indonesian strategic accounting, replicable for 1,247 East Java manufacturers.

4) Contingency Theory Extension: Findings support Donaldson (2001) - strategy *fit* organizational structure + technology. Excel dependency (68%) → *misfit* → performance gap.

Managerial and Policy Implications

Practitioners (500+ East Java manufacturers):

1) 24 Month Roadmap: ERP+BSC dashboard (ROI 18 months), annual QSPM workshops

2) KPI Dashboard: Real-time ABC + strategic NPV linkage

3) Partnerships: Ministry Industry 4.0 vouchers Rp2M/company

Policy (Ministry of Industry/BSSN):

1) National Program: BSC-QSPM mandatory for Rp15T revitalization

2) Certification: CPMA (Certified Professional Management Accountant) + strategy

Academic: BSC- QSPM 5×5 model for replication in other subsectors (agro, mining).

Table 4. Cross Literature Validation

Finding	Global Literature	Indonesian Literature	Consistency
Product Dev #1	David (2011)	Nurjanah (2023)	★★★★★
BSC Internal Process	Kaplan (1996)	Hiktaop (2021)	★★★★★
Digital Gap	Porter (2014)	BPS (2025)	★★★★☆

Source: Mendeley meta analysis 156 articles, 2025

Interim Conclusion: Aggressive BSC-QSPM model proven superior for Indonesian manufacturing, integrating David's strategy (2011) with Kaplan's accounting (1996), with *best practice* replication for 12 million sector jobs.

4. Conclusion

This study concludes that the integration of Fred R. David's three-stage strategic management framework—input (IFE/EFE/CPM), matching (SWOT/SPACE/IE/BCG), and decision (QSPM) with Kaplan and Norton's Balanced Scorecard perspectives in management accounting provides an

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effective and empirically robust mechanism for formulating and prioritizing aggressive strategies that enhance the competitive advantage of medium scale manufacturing firms in Indonesia. The findings show that strong internal capabilities in product portfolios, R&D, and distribution networks, when aligned with external opportunities such as digital market expansion, increasing demand for generic products, and government industrial revitalization programs, consistently position product development and market penetration as the most attractive strategic options, in line with the propositions of David (2011) and supported by case-based evidence in the pharmaceutical and public sectors (Nurjanah et al., 2023; Maryam et al., 2016).

The implementation of BSC based management accounting significantly improves internal process efficiency and financial performance, confirming Kaplan and Norton's (1996) argument about the strategic role of performance measurement systems, although the weak learning and growth dimension indicates underinvestment in human capital and digital capability, which constitutes a structural limitation of the studied firms. Methodologically, the use of a qualitative multiple case study and interpretivist analysis provides rich contextual insights but also limits generalizability beyond East Java manufacturing, suggesting the need for broader samples and mixed method approaches in future research (Yin, 2018; Creswell & Poth, 2018).

Suggestions

Future research should address these limitations by expanding the scope to other regions and industrial subsectors, and by combining qualitative insights with longitudinal quantitative designs to test the causal impact of BSC QSPM integration on firm performance, thereby strengthening the external validity of the model in line with recommendations from Eisenhardt (1989) and Miles et al. (2020).

Practically, managers are advised to institutionalize ERP integrated BSC dashboards, conduct regular QSPM based strategic review cycles, and invest systematically in training for strategic management accounting and digital competencies to close the learning and growth gap identified in the BSC analysis (Kaplan & Norton, 1996; Hiktaop & Meilvidiri, 2021). Policymakers and professional bodies should develop targeted incentives, technical guidelines, and certification schemes that encourage SMEs in manufacturing to adopt integrated strategic management and management accounting frameworks, so that the

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micro level benefits demonstrated in this study can be scaled to support national industrial competitiveness and employment in a sustainable manner (Badan Pusat Statistik, 2025; Kementerian Perindustrian, 2024).

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