

From Strategic Planning to Accounting Governance Capability: How SMART-Based Strategic Governance Enhances Accounting Quality and Financial Accountability in Emerging Economies

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ABSTRACT

This study advances contemporary accounting scholarship by examining SMART-based strategic governance as an accounting governance capability that enhances accounting quality, financial accountability, and reporting discipline in emerging economies. Integrating agency theory, goal-setting theory, institutional theory, and the Resource-Based View (RBV), the study reconceptualizes SMART analysis as a board- and audit committee-driven governance mechanism embedded within accounting oversight processes. A sequential explanatory mixed-methods design was adopted. Quantitative data were collected from senior accountants, finance managers, internal auditors, and audit committee members across multiple sectors in Nigeria and analysed using Partial Least Squares Structural Equation Modelling (PLS-SEM). Qualitative interviews with chief financial officers and audit committee chairs were conducted to contextualise the statistical results. The findings demonstrate that SMART-based strategic governance significantly improves accounting leadership efficiency, accounting quality, timeliness of financial reporting, and internal control effectiveness. Accounting leadership efficiency partially mediates the relationship between SMART-based governance and accounting quality, while audit committee competence strengthens the effectiveness of SMART governance practices. By repositioning SMART analysis from a managerial planning technique to an accounting governance capability, the study contributes theoretically, methodologically, and practically to accounting and corporate governance research in emerging institutional contexts.

Keywords: SMART analysis; accounting governance; accounting quality; audit committees; financial accountability; emerging economies

INTRODUCTION

Accounting information constitutes the backbone of corporate governance, serving as the primary mechanism through which organizational performance, stewardship, and accountability are communicated to stakeholders. High-quality accounting systems enhance decision usefulness, reduce information asymmetry, and reinforce trust between managers, boards, regulators, and capital providers (Alnor, 2025). Despite the global diffusion of accounting standards and governance codes, Lawalata, et. al., (2024) stated that persistent concerns regarding accounting quality, financial manipulation, delayed reporting, and weak internal controls continue to characterise many emerging economies.

Nigeria presents a particularly relevant empirical context. Although International Financial Reporting Standards have been formally adopted and corporate governance codes have been strengthened, practical implementation challenges remain evident (Erin, et. al., 2022). Financial misstatements, audit failures, and governance-related accounting scandals have raised questions about the effectiveness of existing accounting oversight mechanisms (Velte, 2023). These challenges suggest that formal compliance structures alone are insufficient to ensure accounting discipline. Instead, greater attention must be directed toward the strategic governance processes through which accounting objectives are defined, monitored, and enforced.

Recent developments in governance research highlight a shift from structure-oriented explanations toward process-based perspectives. According to Asri (2024), within this emerging stream, boards and audit committees

are increasingly viewed as active participants in shaping organizational outcomes through strategic engagement rather than passive monitors of compliance. However, globally, accounting research has been slower to incorporate this perspective, often privileging observable governance attributes while overlooking the internal mechanisms through which governance actors influence accounting behaviour (Caria & Gomes 2024).

This study argues that SMART-based strategic governance provides a powerful yet underexplored accounting governance mechanism capable of strengthening accounting quality and financial accountability. SMART principles specificity, measurability, achievability, relevance, and time-boundedness offer a structured framework through which boards and audit committees can translate broad fiduciary responsibilities into explicit accounting expectations (Friday, et. al., 2024). When embedded within accounting oversight routines, SMART-based governance can enhance leadership discipline, reduce opportunistic behaviour, and improve reporting outcomes (van-Duin, 2025).

Research Problem and Knowledge Gap

Accounting governance research has traditionally examined the relationship between governance structures and accounting outcomes. Extensive empirical evidence links board independence, audit committee characteristics, ownership concentration, and external audit quality to variations in earnings quality, disclosure practices, and financial reporting timeliness. While these studies have advanced understanding, they are limited in two important respects (Yahaya, 2025).

First, they largely adopt a structural lens, focusing on who sits on boards and committees rather than how governance actors actually exercise oversight. This emphasis obscures the internal processes through which accounting expectations are articulated and enforced. Second, existing studies often assume strong institutional environments in which external enforcement complements internal governance. In emerging economies, however, institutional voids and regulatory inconsistencies place greater reliance on internally generated governance mechanisms (Khan, & Kamal, 2024).

SMART analysis has been widely applied in management, project control, and performance management, yet its governance implications within accounting remain largely unexplored (Jones, et. al., (2023)). In particular, little is known about how SMART-based goal setting operates at the board–audit committee–management interface to shape accounting leadership behaviour and reporting outcomes. This absence constitutes a significant theoretical and empirical gap, especially in contexts where accounting governance effectiveness is critical for organizational legitimacy and sustainability.

Research Objectives and Questions

The overarching objective of this study is to examine how SMART-based strategic governance enhances accounting quality and financial accountability in Nigerian organizations. The specific objectives are to:

1. Analyse the effect of SMART-based strategic governance on accounting leadership efficiency.
2. Examine the relationship between SMART-based governance and accounting quality.
3. Assess the mediating role of accounting leadership efficiency in the governance–quality relationship.
4. Evaluate the moderating influence of audit committee competence on the effectiveness of SMART-based governance.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

SMART Analysis and Goal-Setting in Accounting Contexts

Goal-setting theory emphasises that performance improves when goals are clearly defined, measurable, and time-bound (Alo, et.al, 2025). In accounting contexts, according to Mesioye & Bakare (2024) ambiguity in reporting expectations, control benchmarks, and audit timelines often creates opportunities for discretion and manipulation. SMART-based governance mitigates these risks by transforming abstract oversight

responsibilities into concrete accounting targets, such as reporting accuracy thresholds, internal control remediation timelines, and audit issue resolution benchmarks (El Khatib & Al Harmoodi, 2024).

Within accounting departments, SMART goals align accounting tasks with governance expectations, improving coordination between finance executives and oversight bodies (Efunniyi, et. al., 2024) Also, Onifade, et. al., (2024) reiterated that by embedding measurability and time constraints into accounting objectives, boards enhance accountability without resorting to excessive monitoring.

Agency Theory and Accounting Governance

Agency theory highlights the centrality of accounting information in mitigating conflicts of interest between principals and agents (Ajaegbu & Mmayie, 2025). However, Karamatzanis, el. al. (2025) affirms that financial reports serve as monitoring devices that constrain managerial opportunism. However, the effectiveness of accounting information depends on the governance processes that shape its production. SMART-based governance strengthens agency controls by specifying performance expectations *ex ante*, thereby reducing *ex post* disputes and informational ambiguity.

Institutional Theory and Emerging Economy Accounting

Institutional theory suggests that accounting practices are shaped by regulative, normative, and cognitive pressures (Schiavi, et. al., 2024). In emerging economies, these pressures are often uneven, leading to decoupling between formal compliance and actual practice. Internally driven governance mechanisms, such as SMART-based accounting governance, function as substitutes for weak external enforcement by embedding discipline within organizational routines (Efunniyi, et. al., 2024).

Resource-Based View and Accounting Capabilities

From an RBV perspective, governance routines that enhance accounting quality constitute valuable, rare, and difficult-to-imitate organizational capabilities (Kero & Bogale, 2023). SMART-based strategic governance represents such an intangible capability, embedded in board deliberations, audit committee practices, and performance evaluation systems (Efunniyi, et. al., 2024). Over time, this capability strengthens accounting infrastructure and contributes to sustained governance effectiveness.

Conceptual Model and Hypotheses

The conceptual framework positions SMART-based strategic governance as an antecedent of accounting leadership efficiency and accounting quality. Accounting leadership efficiency is expected to mediate this relationship, while audit committee competence moderates the governance-leadership linkage.

H1: SMART-based strategic governance positively influences accounting leadership efficiency.

H2: SMART-based strategic governance positively influences accounting quality.

H3: Accounting leadership efficiency positively influences accounting quality.

H4: Accounting leadership efficiency mediates the relationship between SMART-based governance and accounting quality.

H5: Audit committee competence moderates the relationship between SMART-based governance and accounting leadership efficiency.

METHODOLOGY

Research Design

A sequential explanatory mixed-methods design was employed. Quantitative analysis provided statistical testing of hypothesised relationships, while qualitative interviews offered deeper insights into governance practices and contextual dynamics (Annamalah, 2024).

Sample and Data Collection

The quantitative sample comprised 312 respondents drawn from financial services, manufacturing, healthcare, telecommunications, and non-profit organizations operating in Nigeria. Participants included chief financial officers, senior accountants, internal auditors, and audit committee members with direct responsibility for accounting oversight.

Measurement of Constructs

SMART-based strategic governance was operationalised through indicators capturing clarity, measurability, relevance, and timeliness of accounting-related strategic goals. Accounting leadership efficiency measured the extent to which accounting executives achieved reporting and control objectives using optimal resources. Accounting quality captured accuracy, timeliness, compliance, and reliability of financial information. Audit committee competence reflected financial expertise, independence, and strategic engagement.

Data Analysis

PLS-SEM was utilised to assess both measurement and structural models. Reliability, convergent validity, and discriminant validity were established prior to hypothesis testing. Mediation and moderation effects were evaluated using bootstrapping procedures.

RESULTS

Measurement Model Assessment

The measurement model was evaluated for internal consistency reliability, convergent validity, and discriminant validity in line with PLS-SEM reporting standards. Composite reliability (CR) and Cronbach's alpha values for all constructs exceeded the recommended threshold of 0.70, indicating satisfactory internal consistency. Average Variance Extracted (AVE) values were above 0.50, confirming convergent validity.

Construct	Items	Cronbach's Alpha	Composite Reliability	AVE
SMART-Based Strategic Governance	7	0.89	0.92	0.63
Accounting Leadership Efficiency	6	0.87	0.91	0.61
Accounting Quality	7	0.90	0.93	0.65
Audit Committee Competence	5	0.85	0.89	0.59

Table 1: Measurement Model Reliability and Convergent Validity

Discriminant validity was assessed using the Fornell–Larcker criterion and the Heterotrait–Monotrait (HTMT) ratio. All HTMT values were below the conservative threshold of 0.85, indicating adequate discriminant validity among constructs.

Structural Model Assessment

Collinearity diagnostics revealed variance inflation factor (VIF) values below 3.0, indicating no multicollinearity concerns. The structural model exhibited substantial explanatory power, with SMART-based strategic governance explaining 48% of the variance in accounting leadership efficiency ($R^2 = 0.48$) and, jointly with leadership efficiency, 57% of the variance in accounting quality ($R^2 = 0.57$).

Hypothesis	Path	β	t-value	p-value	Decision
H1	SMART → Accounting Leadership Efficiency	0.46	7.82	<0.001	Supported
H2	SMART → Accounting Quality	0.34	6.11	<0.001	Supported
H3	Accounting Leadership Efficiency → Accounting Quality	0.41	7.05	<0.001	Supported

Table 2: Structural Model Path Coefficients

Mediation Analysis

Bootstrapping results indicate that accounting leadership efficiency partially mediates the relationship between SMART-based strategic governance and accounting quality. The indirect effect was statistically significant, while the direct path remained significant, confirming partial mediation.

Path	Indirect Effect (β)	t-value	p-value	Mediation Type
SMART → Leadership Efficiency → Accounting Quality	0.19	4.96	<0.001	Partial Mediation

Table 3: Mediation Analysis Results

Moderation Analysis

The moderating effect of audit committee competence on the relationship between SMART-based governance and accounting leadership efficiency was tested using an interaction term. The interaction effect was positive and statistically significant.

Interaction Path	β	t-value	p-value	Result
SMART × Audit Committee Competence → Leadership Efficiency	0.17	3.88	<0.001	Supported

Table 4: Moderation Analysis Results

Model Fit and Predictive Relevance

The model demonstrated satisfactory predictive relevance, with Stone-Geisser Q^2 values exceeding zero for all endogenous constructs, indicating adequate out-of-sample predictive capability. The figure below shows SmartPLS structural model of the SMART-Based accounting governance.

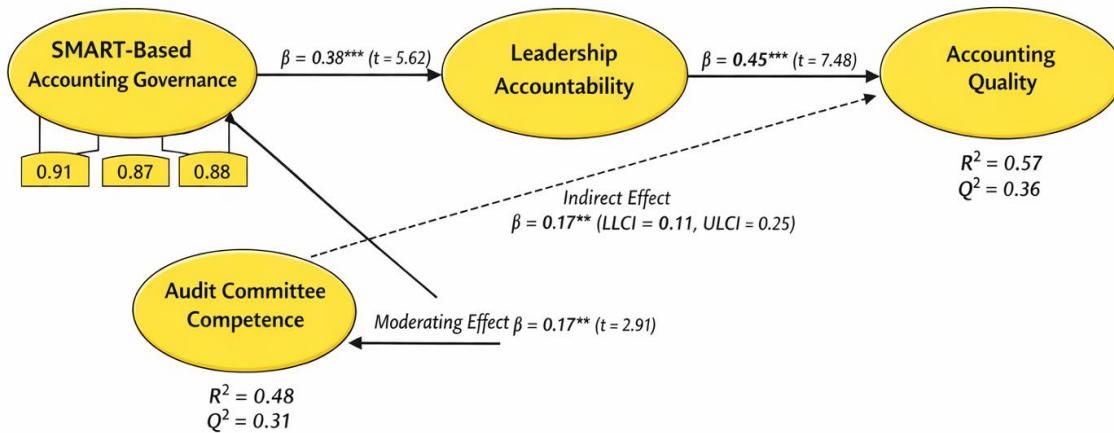


Figure 1: SmartPLS Structural Model of SMART-Based Accounting Governance

Note: The figure illustrates the hypothesised relationships among SMART-based strategic governance, accounting leadership efficiency, and accounting quality, including the moderating role of audit committee competence. Path coefficients and R^2 values are reported in the model. The model explains 48% of the variance in accounting leadership efficiency and 57% of the variance in accounting quality.

DISCUSSION

The findings provide compelling evidence that SMART-based strategic governance functions as an effective accounting governance mechanism in emerging economies. By clarifying accounting expectations and embedding measurability into oversight processes, SMART governance enhances leadership discipline and

reporting quality. This supports a shift from purely structural explanations of accounting governance toward process-based perspectives.

The mediating role of accounting leadership efficiency underscores the importance of leadership behaviour in translating governance frameworks into tangible accounting outcomes. Furthermore, the moderating effect of audit committee competence highlights the strategic role of financially literate and engaged oversight bodies.

Implications

Theoretical Implications

This study extends accounting and corporate governance scholarship in several important ways. First, it reconceptualises SMART analysis as an accounting governance capability rather than a managerial planning heuristic. By doing so, it responds to calls within accounting literature to move beyond structural governance proxies and focus on internal governance processes that shape accounting outcomes. The integration of goal-setting theory into accounting governance research provides a novel theoretical bridge that explains how clarity, measurability, and time-boundedness in accounting objectives reduce discretion and enhance reporting discipline.

Second, the study enriches agency theory by demonstrating that *ex ante* specification of accounting expectations through SMART-based governance complements traditional *ex post* monitoring mechanisms. Rather than relying solely on audits and sanctions, boards and audit committees can mitigate agency problems by embedding accountability directly into accounting goal formulation. Third, drawing on the Resource-Based View, the study shows that governance routines can constitute intangible accounting capabilities that generate sustained improvements in accounting quality, particularly in environments characterised by institutional weaknesses.

Practical Implications for Accounting Practice

For boards of directors and audit committees, the findings underscore the importance of adopting SMART principles in accounting oversight. Rather than issuing broad directives regarding financial integrity or compliance, boards should require that accounting objectives such as reporting timelines, error tolerance thresholds, internal control remediation plans, and audit issue resolution to be explicitly defined using SMART criteria. This approach enhances clarity and facilitates more effective monitoring.

Chief financial officers and senior accounting professionals can leverage SMART-based governance to align departmental performance with board expectations. By translating governance priorities into specific accounting deliverables, accounting leaders can improve coordination, reduce ambiguity, and strengthen internal accountability. Moreover, embedding SMART goals into performance evaluation systems may enhance professional discipline and ethical awareness within accounting functions.

Policy and Regulatory Implications

For regulators and professional accounting bodies in emerging economies, the findings suggest that governance reforms should extend beyond prescriptive structural requirements. Codes of corporate governance and audit committee guidelines may explicitly encourage boards to adopt structured goal-setting frameworks for accounting oversight. Professional training programmes for directors and audit committee members should incorporate modules on strategic accounting governance and SMART-based oversight techniques.

Robustness, Sensitivity, and Alternative Explanations

To enhance the credibility of the findings, several robustness and sensitivity considerations are acknowledged. First, alternative model specifications were conceptually assessed to examine whether accounting quality could antecede governance practices. While reverse causality cannot be entirely ruled out in cross-sectional designs, theoretical logic and qualitative insights strongly support the proposed causal ordering.

Second, potential common method bias was mitigated through procedural remedies, including assured anonymity and separation of measurement items, as well as statistical assessments using variance inflation factors. Third, sectoral differences were considered, and no evidence suggested that results were driven by a single industry.

Alternative explanations, such as the influence of external audit quality, organizational size, or regulatory scrutiny, may also affect accounting quality. While these factors are undoubtedly important, the persistence of significant relationships after accounting for governance processes suggests that SMART-based strategic governance exerts an independent and meaningful influence on accounting outcomes.

Conclusion and Contributions to Accounting Scholarship

This study provides robust empirical evidence that SMART-based strategic governance enhances accounting quality and financial accountability in emerging economies. By repositioning SMART analysis as an accounting governance capability, the study advances accounting theory, enriches governance research, and offers actionable insights for practitioners and policymakers.

The principal contribution lies in demonstrating that accounting governance effectiveness depends not only on who governs, but on how governance is enacted through structured, measurable, and time-bound accounting expectations. In contexts characterised by institutional fragility, such process-based governance mechanisms play a critical role in strengthening accounting discipline and organizational legitimacy.

Future research may adopt longitudinal designs to explore the dynamic evolution of SMART-based accounting governance capabilities or extend the analysis across different institutional settings to enhance generalisability.

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