



Article

ACTIVITY-BASED BUDGETING: INNOVATIVE BUDGETING OR AN EFFICIENCY ILLUSION? A SYSTEMATIC LITERATURE STUDY

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ABSTRACT

This study evaluates the effectiveness of Activity-Based Budgeting (ABB) and Activity-Based Management (ABM) implementation to determine whether these systems constitute a strategic innovation or merely an illusion of efficiency. Employing a Systematic Literature Review (SLR) methodology in accordance with the PRISMA 2020 protocol, this research synthesizes 19 internationally reputable articles published between 2011 and 2025. The findings reveal a significant dialectic in global budgeting practices; while the majority of the literature positions ABB/ABM as a genuine innovation that enhances cost accuracy and resource transparency, the study also uncovers an "administrative illusion." In such cases, systems are often exploited for strategic behavioral manipulation or hindered by organizational cultural resistance. Additionally, neutral outcomes are observed in several contexts due to technical complexities and bureaucratic barriers. This study concludes that the transformation from traditional

KEYWORDS

Activity-based budgeting, activity-based management, administrative formality, management accounting innovation, Systematic Literature Review



budgeting to activity-based systems requires robust institutional commitment and advanced data infrastructure to prevent the system from becoming a mere administrative formality. Theoretically, this research contributes to the contingency theory of management accounting, while practically, it provides a framework for organizations to assess their readiness for ABB/ABM adoption.

ABSTRAK

Penelitian ini mengevaluasi efektivitas implementasi Activity-Based Budgeting (ABB) dan Activity-Based Management (ABM) untuk menentukan apakah sistem ini merupakan inovasi strategis atau sekadar ilusi efisiensi. Dengan menggunakan metode Systematic Literature Review (SLR) sesuai protokol PRISMA 2020, penelitian ini menyintesis 19 artikel bereputasi internasional yang diterbitkan antara tahun 2011 dan 2025. Temuan menunjukkan adanya dialektika yang signifikan dalam praktik penganggaran global; mayoritas literatur memosisikan ABB/ABM sebagai inovasi nyata yang meningkatkan akurasi biaya dan transparansi sumber daya. Namun, penelitian ini juga mengungkap adanya "ilusi administratif," di mana sistem dieksploitasi untuk manipulasi perilaku strategis atau terhambat oleh resistensi budaya organisasi. Selain itu, hasil netral ditemukan pada beberapa konteks akibat kompleksitas teknis dan hambatan birokrasi. Penelitian ini menyimpulkan bahwa transformasi dari penganggaran tradisional ke sistem berbasis aktivitas memerlukan komitmen institusional yang kuat dan infrastruktur data yang mumpuni agar tidak menjadi formalitas administratif semata. Secara teoretis, penelitian ini berkontribusi pada teori kontingensi akuntansi manajemen, sementara secara praktis, penelitian ini menyediakan kerangka kerja bagi organisasi untuk menilai kesiapan adopsi ABB/ABM.

KATA KUNCI:

Akuntansi manajemen, activity-based budgeting, activity-based management, inovasi organisasi, Systematic Literature Review.

INTRODUCTION

Over the past two decades, budgeting has reemerged as a central issue in management accounting, driven by escalating global pressure for organizational efficiency, transparency, and accountability. Shifts in the business environment, characterized by digitalization, economic volatility, and value-based performance demands, have compelled organizations to reevaluate conventional budgeting practices (Bracci et al., 2021). Contemporary literature emphasizes that budgeting systems are no longer merely administrative tools but strategic instruments that influence managerial behavior and long-term value creation. Consequently, the effectiveness of budgeting systems has become crucial in determining organizational sustainability amid increasingly intense market competition. Traditional budgeting, particularly incremental and department-based approaches, has long been criticized for its inability to reflect actual resource consumption. Empirical studies indicate that such approaches tend to perpetuate structural inefficiencies while encouraging the emergence of budgetary slack and short-term orientations (Libby & Lindsay, 2022; Batt, 2025). Furthermore, an over-reliance on historical data often causes budgets to lose relevance within dynamic business environments. Nikodijević et al. (2021) assert that process-oriented environments require a budgeting approach that is more adaptive and

accurate than conventional methods.

In response to these limitations, a paradigm shift formalized by Kaplan and Cooper (1998) through Activity-Based Costing (ABC) provided the foundation for Activity-Based Management (ABM). This systematic approach utilizes activity-based information to assist managers in focusing on business process improvement, aligning cost structures with long-term strategic objectives to sustain competitive advantage (Allassuli, 2025). The implementation of ABM at the operational level necessitated a synchronized financial planning tool, leading to the development of Activity-Based Budgeting (ABB), which was further refined through concepts like Time-Driven Activity-Based Costing to emphasize efficiency via real-time estimation of capacity (Kaplan & Anderson, 2007). In the current digital transformation era, the novelty of ABB is evident in its integration with sustainability and digitalization, positioning it as an effective methodology for identifying non-value-added activities within complex and digitized production processes (Cardoni et al., 2023; Fatimah & Nadhifah, 2024). By projecting resource requirements based on planned activity volumes, ABB functions as a control tool that causally links operational workloads with financial needs (Kongchan, 2024; Beuren & Teixeira, 2021; Charaf et al., 2022).

Despite its conceptual appeal, the implementation of ABB sparks debate regarding whether it constitutes a genuine managerial innovation or merely creates an illusion of efficiency. From an Institutional Theory perspective, organizational structures are often driven by the need for social legitimacy rather than technical utility alone (Scott, 2014). Organizations tend to adopt modern practices to align with regulative, normative, and cultural-cognitive pillars through isomorphism to ensure they appear credible to stakeholders (DiMaggio & Powell, 1983). These pressures often lead organizations to implement complex systems like ABB not for functional utility, but as a response to prevailing institutional logics (Lounsbury, 2008). When institutional pressures are high but internal readiness is low, organizations experience decoupling, where the sophisticated formal structure of ABB exists only on the surface while traditional, inefficient practices continue internally (Dillard et al., 2004; Wu, 2023). In this context, the adoption of such systems is often an administrative illusion aimed at gaining legitimacy amidst the pressures of digital transformation (Batt, 2025).

To reconcile these divergent outcomes, Contingency Theory posits that the effectiveness of an accounting system is not universal but depends on the "fit" between system design and organizational context (Otley, 1980). The theory emphasizes that performance results from the proper alignment of internal and external variables, rejecting the "one best way" approach (Chenhall, 2003). Various factors influence the success of ABB adoption, including organizational size, technological complexity, and managerial readiness (Gerdin & Greve, 2004). In current era of digital transformation, the maturity of information technology infrastructure has emerged as a critical contingency variable that determines whether ABB can be technically implemented or becomes an administrative burden (Bromwich & Scapens, 2016). Therefore, when ABB is imposed on an organization lacking a transparent culture or top management support, it often leads to purely symbolic adoption rather than genuine performance improvement (Cadez & Guilding, 2008).

Driven by these contingency factors, empirical studies have documented varied

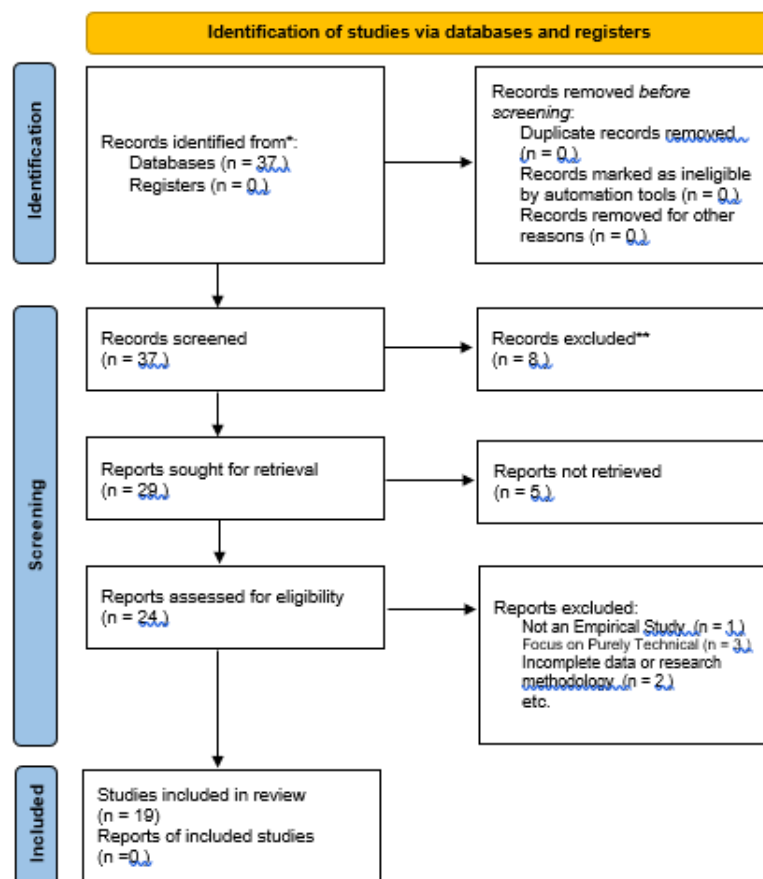
implementation experiences across different organizational settings. On one hand, studies suggest that top management support, integration with mature ABC systems, and adequate information technology significantly increase the probability of success, allowing ABB to function as a strategic planning tool rather than a mere cost control instrument (Kongchan, 2024; Beuren & Teixeira, 2021). On the other hand, significant hurdles such as the complexity of activity mapping, high data requirements, and managerial resistance often impede efficiency targets (Batt, 2025; Bracci et al., 2021). These constraints, particularly in the public and service sectors, may trigger purely symbolic or ceremonial adoption without substantive changes to actual practices (Libby & Lindsay, 2022). Consequently, empirical evidence regarding ABB's impact on organizational performance remains highly mixed, with results ranging from significant efficiency gains to statistically insignificant outcomes depending on the organizational context (Charaf et al., 2022; Nikodijević et al., 2021).

Despite the growing body of research, existing literature remains fragmented and focuses largely on isolated empirical testing rather than cross-contextual synthesis. There is a lack of systematic studies capable of deeply distinguishing between the conceptual and empirical impacts of ABB across different countries and institutional environments (Bracci et al., 2021). Furthermore, few studies explicitly examine long-term efficiency claims regarding organizational financial stability (Libby & Lindsay, 2022). This study fills this gap by providing a systematic literature review (SLR) that integrates innovation, institutional, and contingency perspectives to evaluate global empirical evidence. Specifically, this research addresses three main questions: (1) how is ABB theoretically positioned as a budgeting innovation; (2) to what extent does empirical evidence support its efficiency claims; and (3) what contextual factors explain the divergent outcomes of ABB implementation in the literature.

This study offers pivotal contributions to both management accounting literature and organizational practice. Theoretically, this research advances the current discourse by reconciling the dichotomy between innovation and institutional perspectives, providing a cohesive framework to explain why Activity-Based Budgeting may result in either substantive efficiency or a mere administrative illusion. By doing so, it elucidates the complexities of the decoupling phenomenon in budgeting practices across diverse institutional environments, addressing a critical gap that isolated empirical studies have overlooked. Practically, the findings provide an evaluative framework for managers and policymakers to assess organizational readiness prior to initiating complex budgeting transformations. By identifying the critical contingency factors that distinguish genuine innovation from symbolic adoption, this study offers actionable insights to mitigate the propensity for ceremonial implementation, ensuring that digital transformation in accounting yields tangible and sustainable operational improvements.

METHOD

This study utilizes the Systematic Literature Review (SLR) method covering research from 2011 to 2026. This timeframe enables the research to capture the dynamic shifts from traditional budget systems toward activity based innovations while mapping implementation challenges often regarded as administrative illusions.



Gambar 1. Prisma Diagram Flow SLR Sources

The journal selection process was conducted using relevant keywords aligned with the research objectives, specifically focusing on the variables of ABB, ABM, efficiency, and budgeting innovation. The journals included in this study were selected based on predetermined inclusion criteria, namely: (a) articles related to the implementation of ABB and ABM regarding organizational efficiency and innovation; (b) articles published within the 2011 to 2026 period; (c) articles written in English; (d) articles indexed in the Scopus database; and (e) articles containing the keywords in the title, abstract, or full text and accessible in their entirety (open access).

In addition to the inclusion criteria, explicit exclusion criteria were applied to ensure methodological rigor and transparency. Articles were excluded if: (a) they focused solely on Activity-Based Costing (ABC) without linking it to budgeting or managerial control processes; (b) they were conference proceedings, book reviews, editorials, or conceptual commentaries without empirical evidence; (c) they were duplicate records identified during the screening process; (d) they were not accessible in full-text format; or (e) they did not provide sufficient methodological explanation to allow analytical synthesis. The application of these exclusion criteria reduced the risk of selection bias and strengthened the reliability of the final sample.

This study utilizes specific keywords, namely "Activity Based Budgeting" and "Activity Based Management," to conduct article searches within the Scopus database. The use of the keyword "Activity Based Management" (ABM) in the search process is maintained even though the primary focus of the research is on the budgeting system (ABB). This decision is based on the theoretical consideration that ABM serves as the philosophical

umbrella underlying ABB implementation; without an understanding of activity management (ABM), the analysis of budget effectiveness (ABB) would lose its operational context. Furthermore, this step is taken to mitigate the risk of sampling bias, given that much of the high quality literature discusses the budget planning process as an integral part of a broader ABM framework (Fatimah & Nadhifah, 2024).

The literature search was performed directly through the scopus database to ensure the acquisition of quality and relevant articles within the 2011 to 2026 timeframe. The journal screening process began with an initial identification of 37 Scopus indexed articles. The selection process followed the four stages of the PRISMA 2020 framework: identification, screening, eligibility, and inclusion. During the identification stage, 37 articles were retrieved from the Scopus database. In the screening stage, titles and abstracts were reviewed to remove irrelevant studies. The eligibility stage involved full-text assessment based on the predefined inclusion and exclusion criteria. Finally, 19 articles met all criteria and were included in the qualitative synthesis. This structured process enhances replicability and methodological transparency. After screening according to the established criteria, 19 relevant articles were produced to be used as the sources for this research.

For data analysis, a thematic content analysis approach was employed. Each selected article was systematically coded based on reported implementation outcomes, contextual factors, and theoretical positioning. The coding process categorized findings into three analytical themes: (1) strategic innovation (positive efficiency impact), (2) administrative illusion (negative or dysfunctional impact), and (3) neutral or contingent outcomes. The classification was conducted by comparing empirical evidence against predefined conceptual indicators derived from innovation theory, institutional theory, and contingency theory. This analytical framework ensured consistency in interpreting divergent findings across sectors and countries.

RESULTS AND DISCUSSION

This section presents the empirical synthesis of the 19 selected studies in direct relation to the three research questions formulated earlier. The findings are structured into descriptive mapping (journal and country distribution) and analytical classification (innovation, illusion, and neutral outcomes) to demonstrate how ABB is positioned across different institutional and sectoral contexts.

Journal Classification Based on Identity and Index

The researcher performed a systematic classification based on journal selection criteria, ensuring that the selected literature originates from reputable international publications. This approach was adopted to guarantee a solid foundation for identifying valid and relevant literature trends within the development of managerial accounting. The table below illustrates the distribution of these articles based on Scopus indexing categories, covering Q1, Q2, Q3, and Q4 levels, to reflect the diversity and depth of academic quality within the literature reviewed in this study.

| No | Journal Name | Index | Total |
|----|--|-------|-------|
| 1 | Journal of Public Administration Research and Theory | Q1 | 1 |

| | | | |
|--------------|--|----|-----------|
| 2 | International Journal of Productivity and Performance Management | Q1 | 1 |
| 3 | Journal of Applied Accounting Research | Q1 | 1 |
| 4 | Livestock Science | Q1 | 1 |
| 5 | Frontiers in Environmental Science | Q1 | 1 |
| 6 | BMJ Open | Q1 | 1 |
| 7 | Human Resources for Health | Q1 | 1 |
| 8 | Frontiers in Bioengineering and Biotechnology | Q1 | 1 |
| 9 | Frontiers in Public Health | Q1 | 1 |
| 10 | Sustainability (Switzerland) | Q1 | 1 |
| 11 | Production Planning and Control | Q1 | 1 |
| 12 | Asian Economic and Financial Review | Q2 | 1 |
| 13 | Accounting Research Journal | Q2 | 1 |
| 14 | International Journal of eBusiness and eGovernment Studies | Q3 | 1 |
| 15 | Gestao e Producao | Q3 | 1 |
| 16 | Acta Unversitatis Agriculture et Silviculturae Mendalianae Brunensis | Q3 | 1 |
| 17 | Foundations of Management | Q4 | 2 |
| 18 | Edelweiss Applied Science and Technology | Q4 | 1 |
| Total | | | 19 |

Table 1. Distribution of Journals and Research Indexes

The analysis of journal distribution indicates that *Foundations of Management* is the largest publication source, contributing 2 articles or 10.5% of the total collection. This highlights the position of the journal as a primary forum for disseminating research findings within this data set. Meanwhile, a number of other journals contributed only one article each, representing approximately 5.3% of the total number of publications. The presence of literature from outside the field of economics reinforces the flexibility and interdisciplinary relevance of ABB and ABM systems. This is driven by the need of sectors with high operational complexity for cost management instruments capable of accurately mapping activities to ensure efficiency and accountability in budget allocation that cannot be achieved through traditional budgeting methods.

Geographical Distribution of Literature

In addition to journal identity classification, mapping the research locations serves as a crucial element for understanding how geographical context, organizational culture, and economic maturity influence the effectiveness of ABB and ABM implementation. The distribution of countries within this literature reflects a diversity of governance systems, ranging from developed nations with established administrative systems to developing countries undergoing public and private sector reforms. This mapping aims to determine whether the success of activity based systems is universal or highly dependent on the institutional conditions of each respective country.

| No | Country | Total | Precentage |
|----|-------------|-------|------------|
| 1 | Netherlands | 1 | 5.3% |
| 2 | Brazil | 1 | 5% |

| | | | |
|--------------|----------------|-----------|-------------|
| 3 | Canada | 2 | 10.5% |
| 4 | China | 2 | 10.5% |
| 5 | Denmark | 1 | 5.3% |
| 6 | Indonesia | 1 | 5.3% |
| 7 | Iraq | 3 | 15.8% |
| 8 | Italy | 1 | 5.3% |
| 9 | Germany | 1 | 5.3% |
| 10 | Mexico | 1 | 5.3% |
| 11 | Nigeria | 1 | 5.3% |
| 12 | Czech Republic | 1 | 5.3% |
| 13 | Rusia | 2 | 10.5% |
| 14 | Vietnam | 1 | 5% |
| Total | | 19 | 100% |

Out of the 19 analyzed studies, 13 articles (68%) report positive efficiency impacts and position ABB/ABM as strategic innovations. Two studies (11%) indicate negative or dysfunctional consequences, categorized as administrative illusion. The remaining four studies (21%) present neutral or contingent findings, where implementation outcomes depend heavily on contextual factors. This distribution confirms the existence of a strong but conditional innovation tendency within the literature.

Research Development, Reporting, and Dissemination of Findings Related to ABB Implementation

Overall, the literature analyzed in this study indicates a significant developmental trend within the 2011 to 2026 period. The research focus has shifted from mere theoretical discussions regarding cost reduction toward the integration of ABB and ABM systems as strategic innovation tools in the digital transformation era. Findings from these 19 literatures are disseminated through various reputable journal platforms, indicating that the discourse on activity based budgeting has become a broad academic interest across various industrial sectors. This proves that efficiency reporting is no longer strictly an internal accounting issue but has become a crucial managerial reporting standard to ensure organizational transparency and accountability in the long term.

Classification of Implementation Outcomes

| Previous Research | Results |
|---|----------------|
| (Al-Kawaz et al., 2023; Alawaed et al., 2024; Bizzoni et al., 2025; Bui et al., 2020; Hammer, 2016; Jali, 2024; Jiang et al., 2022; Kenno & Sainty, 2017; Oyewo et al., 2023; Qu et al., 2022; Ratnawati & Andjarwati, 2024; Salinas-Martínez et al., 2020; Stepanov & Sheiman, 2025) | + |
| (Collato et al., 2016; Guul et al., 2021) | - |
| (Erokhin et al., 2019; Ihrig et al., 2017; Leeuwen et al., 2025; Rigby, 2021) | Neutral |

In synthesizing the 19 selected literatures, the research findings are classified into three primary categories based on qualitative parameters that reflect the dialectic between innovation and illusion. Findings are categorized as having a positive impact or regarded as a genuine innovation if the activity based system successfully provides significant benefits

for organizational efficiency. In this context, the system is proven capable of improving cost accuracy by detecting cost drivers that are unreachable by traditional systems, while simultaneously identifying and eliminating non value added activities. This success creates resource transparency that enables managers to make strategic decisions and set more competitive service prices based on accurate operational data.

Conversely, findings are grouped into the negative impact or administrative illusion category if the implementation of the system instead triggers dysfunctional behavior or fails to provide meaningful operational changes. This phenomenon usually occurs when the system is misused as a strategic manipulation tool solely to pursue financial targets, such as cream skimming behavior that ignores service quality to secure budget allocations. Additionally, this category covers conditions where organizations face strong cultural resistance toward changes in old accounting systems, resulting in ABB ABM adoption ending up only as an administrative formality on paper without changing the essence of cost management in the field.

Meanwhile, the neutral category is used to explain conditions where the system demonstrates great innovation potential, yet its effectiveness is hindered by various technical and institutional factors. These obstacles often take the form of system complexity requiring massive data management in the long term or the presence of bureaucratic silos and rigid legal regulations, particularly in public sector organizations. In such situations, implementation is often partial or fragmented, so that even though there is an increased understanding of process costs, the overall efficiency impact cannot yet be optimally validated due to organizational environment constraints that are not fully prepared.

ABB Implementation as a Strategic Innovation Instrument

Based on the analysis of the majority of the literature, activity based systems are proven to be an innovation capable of transforming organizational efficiency through data accuracy and resource transparency. In the manufacturing sector, the integration of Time Driven Activity Based Budgeting (TDABB) with other techniques such as Target Costing allows companies to win global price competition by calculating costs based on real time activity (Al Kawaz, 2023). This innovation becomes even stronger when combined with sustainability aspects, such as in the cement industry which uses Sustainable Budgeting models to identify idle capacity or unused energy of 22.21% to increase profit without damaging the environment (Alawaed et al., 2024).

The flexibility of this system is also evident in the SME sector in Vietnam, where the use of modern management accounting techniques is proven highly effective for large companies in understanding business reality within dynamic markets. Management accounting implementation in Vietnam is considered effective because it provides an accurate picture of business reality to support strategic decision making. This system also successfully improves governance efficiency and helps companies remain competitive through more detailed resource management (Bui, 2020).

Similar findings were identified in Mexico, where ABB is able to eliminate the "high cost illusion" in small scale livestock farming by calculating the contribution of family labor and self produced feed as efficiency variables (Salinas Martínez et al., 2020). Furthermore, in the Nigerian industrial sector, ABM adoption is driven by a strong market orientation to

enhance competitiveness (Oyedare & Ajewole, 2025), as well as in Indonesia through the KAREB cooperative which successfully improved budget accuracy by eliminating waste through Lean Six Sigma integration (Ratnawati & Andjarwati, 2024).

In the public and healthcare sectors, ABB and ABM act as solutions to the failures of traditional systems that often use crude ratios. In Italy and Iraq, the use of ABM in laboratories and medical clinics helps managers determine staffing needs accurately and identify salary activities that provide no direct value to patients (Bizzoni et al., 2025; Jali, 2024). In Russia and China, the implementation of these systems in public hospitals provides a scientific basis for cost savings through better management of working hours (Stepanov & Sheiman, 2025). Finally, in the state administration sector, this system is viewed as a qualitative milestone for maintaining services amidst declining budget situations (Hammer, 2016), and even in university environments, ABB enables resource allocation that is more aligned with strategic plans (Kenno & Sainty, 2017).

The Phenomenon of Administrative Illusion and Organizational Behavior Failure

Despite offering great innovation potential, the literature also reveals a dark side where activity based budgeting can turn into a dangerous administrative illusion. This phenomenon is most clearly seen in Denmark, where quasi market systems driven by ABB actually trigger cream skimming behavior. School managers were proven to intentionally screen students with only high academic abilities to secure budget bonuses; thus, the reported efficiency was merely a strategic manipulation sacrificing public service quality (Guul et al., 2021).

Failure also frequently occurs due to a gap between modern operations and lagging accounting systems. In Brazil, it was found that although companies have adopted sophisticated Lean production, management remains reluctant to abandon traditional cost methods due to a lack of trust in the accuracy of information from activity based systems. In this condition, ABB ABM becomes only a theoretical hope (innovation on paper) but practically remains an illusion because it cannot change management behavior that is deeply rooted in conventional methods (Collato et al., 2016).

These empirical evidences suggest that the 'Administrative Illusion' is fundamentally a byproduct of institutional decoupling, as theorized earlier. In the case of Denmark, the pressure for legitimacy through budgetary bonuses created a symbolic adoption that prioritized appearance over substantive educational quality. Meanwhile, the Brazilian context highlights a cognitive misfit, where the lack of trust in new data prevents ABB from becoming a functional reality. Ultimately, these findings confirm that when ABB is implemented without a corresponding shift in managerial mindset or cultural integrity, it transcends its role as an innovation and instead becomes a tool for strategic manipulation, masking inefficiency under a veneer of modern accounting.

Interdisciplinary Challenges and the Complexity of Contingency Condition

The third category in this discussion highlights that the effectiveness of ABB ABM often resides in a "neutral" zone due to massive technical and institutional barriers. In the Netherlands and several higher education institutions, implementation is often hindered by

interdepartmental barriers and rigid financial bureaucracies. Although this system offers transparency, the time consuming budget adjustment process and start up costs make such innovation difficult to stabilize (Leeuwen et al., 2025; Rigby, 2021).

External factors such as economic crises also play a vital role. Research in Russia shows that during recession periods, organizations tend to increase ABM usage due to its responsive nature, but implementation is often fragmented or in pieces rather than as a whole system, keeping the risk of it becoming an illusion high (Erokhin et al., 2019). Additionally, extremely high technical complexity, such as the need for pairwise comparisons and massive cost driver data collection in the German technology industry, shows that this system relies heavily on experts and strong data infrastructure. Without such support, the system remains trapped in administrative complexity without providing real efficiency impact (Ihrig et al., 2017).

The findings across these varied contexts underscore the Contingency Theory's core argument: that the effectiveness of ABB is conditional upon the 'fit' between the system's complexity and the organizational environment. The technical gridlock in Germany and the bureaucratic friction in the Netherlands demonstrate that without a mature data infrastructure and a flexible cultural foundation, ABB remains a 'Misfit', trapped in administrative complexity. Furthermore, the fragmented adoption during economic crises, as seen in Russia, reflects a Mimetic Isomorphism where organizations adopt parts of the system for symbolic responsiveness, yet fail to achieve full integration. Consequently, the 'neutral zone' is not merely a technical failure but a failure to align the innovative potential of the system with the institutional and practical realities of the organization.

Synthesis of Implementation Divergence

Beyond the sectoral and geographical divergences identified in this study, the cross-contextual evidence from the 19 analyzed literatures ultimately affirms that the trajectory of ABB whether as strategic innovation or administrative illusion is fundamentally a function of organizational learning capacity and managerial trust in data-driven systems. As demonstrated by the Vietnamese SME context, organizations that embed modern management accounting within a culture of continuous learning are far more capable of extracting strategic value from ABB (Bui, 2020). Conversely, the Brazilian case illustrates that even technically sophisticated firms may fail to transcend the illusion if managerial actors remain distrustful of activity-based information, thereby reverting to conventional cost methods despite formally adopting ABB structures (Collato et al., 2016). This dynamic is further compounded by the transparency demands of the digital transformation era, wherein organizations face intensifying institutional pressures to demonstrate accountability through modern accounting systems, even when internal readiness remains insufficient (Allassuli, 2025; Bracci et al., 2021). Consequently, this study underscores that the decisive factor separating genuine innovation from administrative illusion is not the technical sophistication of the ABB system itself, but the degree to which the organization has cultivated both behavioral readiness and data infrastructure necessary to translate activity-based insights into substantive managerial action (Beuren & Teixeira, 2021; Batt, 2025). These cross-contextual patterns collectively yield two significant contributions. Theoretically, this study

advances the literature by integrating Institutional Theory and Contingency Theory into a unified framework that explains how decoupling and contextual misfit jointly undermine ABB's efficiency claims across diverse national and sectoral contexts (DiMaggio & Powell, 1983; Beuren & Teixeira, 2021). Practically, the evidence from Vietnam, Iraq, and Indonesia suggests that organizations should prioritize readiness assessments and integrate ABB with complementary frameworks such as Lean Six Sigma or Target Costing to realize genuine efficiency rather than symbolic compliance (Al-Kawaz et al., 2023; Ratnawati & Andjarwati, 2024; Batt, 2025)

Overall, the empirical synthesis demonstrates that ABB cannot be universally categorized as either pure innovation or mere illusion. Instead, the findings reveal a conditional pattern: innovation outcomes dominate when institutional readiness, managerial trust, and data infrastructure are aligned, whereas illusion emerges under symbolic adoption driven by legitimacy pressure without substantive behavioral change. This structured synthesis directly answers the second and third research questions by showing that efficiency claims are empirically supported but highly contingent upon organizational context.

CONCLUSION

Based on the research, it can be concluded that the implementation of Activity Based Budgeting (ABB) and Activity Based Management (ABM) represents a dialectic between strategic innovation and administrative illusion. Overall, activity based systems are proven to be effective innovations in enhancing organizational efficiency through data accuracy and resource transparency. This success is evident in the ability of the system to identify real cost drivers and eliminate non value added activities in both the private and public sectors. On the other hand, this system can turn into an illusion if it is only implemented as an administrative formality without changes in management behavior. The risk of failure arises when the system instead triggers strategic manipulation to pursue budget targets or is hindered by technical complexity and rigid bureaucracy. Consequently, the effectiveness of activity based systems depends heavily on the readiness of data infrastructure and the organizational commitment to undergo a thorough cultural transformation. Theoretically, these findings enrich management accounting literature by elucidating the gap between technical-rational design and socio-behavioral practice in accounting change. However, this study is limited by its reliance on a specific synthesis of 19 reputable articles within the 2011–2026 timeframe, which may not capture unpublished localized failures. Future research should therefore employ empirical longitudinal methods or multi-case study approaches to explore how specific leadership styles and organizational cultures can mitigate these administrative illusions across different industries and geographic regions.

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