ADVANCES IN MANAGEMENT ACCOUNTING

Edited by Chris Akroyd
and Laurie L. Burney

ADVANCES IN
MANAGEMENT ACCOUNTING

VOLUME 33

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STATEMENT OF PURPOSE

Advances in Management Accounting (AIMA) is a publication of quality, applied research in management accounting. The journal's purpose is to publish thought-provoking articles that advance knowledge in the management accounting discipline and are of interest to both academics and practitioners. The journal seeks thoughtful, well-developed articles on a variety of current topics in management accounting, broadly defined. All research methods including survey research, field tests, corporate case studies, experiments, meta-analyses, and modeling are welcome. Some speculative articles, research notes, critiques, and survey pieces will be included where appropriate.

Articles may range from purely empirical to purely theoretical, from practice-based applications to speculation on the development of new techniques and frameworks. Empirical articles must present sound research designs and well-explained execution. Theoretical articles must present reasonable assumptions and logical development of ideas. All articles should include well-defined problems, concise presentations, and succinct conclusions that follow logically from the data.

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AIMA intends to provide authors with timely reviews clearly indicating the acceptance status of their manuscripts. The results of initial reviews normally will be reported to authors within eight weeks from the date the manuscript is received. The author will be expected to work with the Editor, who will act as a liaison between the author and the reviewers to resolve areas of concern. To ensure publication, it is the author's responsibility to make necessary revisions in a timely and satisfactory manner.

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INTRODUCTION

This volume of *Advances in Management Accounting (AIMA)* represents the diversity of management accounting topics, methods, and author affiliations, which form the basic tenets of *AIMA*. Included are papers on traditional management accounting topics such as performance measurement, incentive compensation, and budgeting as well as those on broader topics of interest to management accountants, such as continuous improvement, lean accounting, and sustainability. The articles in this volume employ a variety of methods from field-based methods to surveys. Finally, the diversity in authorship is apparent with affiliations from Australia, China, Greece, Malaysia, New Zealand, Taiwan ROC, the United Kingdom and the United States.

This volume begins by Matt Kaufman, Ella Mae Matsumura, and Urban Wemmerlöv that is based on two field studies which examine how continuous improvement activities are evaluated. The paper identifies several issues that could cause divergence between operational and financial assessments of these activities. This helps to address a persistent issue in the management accounting literature, namely the conflict between operations and accounting managers, which is highlighted in the divergent perspectives of Johnson and Kaplan (1987) after their publication of *Relevance Lost*. The authors found that instead of the operational control system being at odds with the accounting control system, each of these systems supports a different piece of the financial improvement puzzle.

In a similar vein, the second chapter by Lawrence P. Grasso and Thomas Tyson investigates the relationship between lean manufacturing practices, management accounting, and performance measurement practices and facility performance. Using survey data from managers and executives at manufacturing facilities the authors found a significant positive association between lean manufacturing practices and the use of management accounting and performance measurement practices. The authors found that facilities that emphasized process performance measures did not reduce their emphasis on results performance measures and the emphasis on results performance measures lead to improved financial performance. The results provide important insights for managers of companies engaged in lean transformation and for academics that research or teach lean accounting.

In the third chapter, Chia-Ling Lee and Ya-Nan Shih investigate collaborative relationships in supply chains and how the use of strategic performance measurement systems affect buyer competitiveness. They demonstrate that it is through the use of strategic performance measurement systems that collaborative relationships indirectly and positively influence the competitiveness of delivery and flexibility. This contributes to the growing literature on the role of strategic performance measurement systems in linking the relationship between collaborative relationships and competitiveness.

We then have three chapters examining budgeting, starting with Odysseas Pavlatos and Hara Kostakis who use a survey to investigate the use of budgets in start-up companies in Europe. Their results show that the use of budgets for planning, resource allocation, and performance evaluation is related to higher financial performance. The authors also found that CEO characteristics, such as business educational background and their beliefs about planning, influence the use of budgets in start-up firms. This chapter concludes with analysis showing that there is a positive association between perceived environmental uncertainty and the use of budgets for planning and resource allocation and a negative association between perceived environmental uncertainty and the use of budgets for performance evaluation.

In a further investigation of budgeting, the next chapter by Kevin E. Dow, Davood Askarany, Belaynesh Teklay, and Ulf H. Richter use a survey to explore the relationship between the level of perceived procedural and distributive justice and budget satisfaction and motivation to achieve organizational goals. The authors apply the Habermasian concept of deliberative democracy which argues for the inclusion of all the parties affected by the deliberative process and found that both dimensions of justice – distributive and procedural – are positively associated with participation, and in turn, positively impact satisfaction and motivation. Studying the budgeting process provides an indication of how justice mediates the relationship between participation and both satisfaction and motivation.

The chapter by Sakthi Mahenthiran, Robert Mackoy, and Jane L. Y. Terpstra-Tong then examine the influence that budgetary support and teamwork has on organizational commitment and performance. The authors survey senior managers in Malaysia and the United States and find that teamwork and budgetary support each has a direct effect on organizational commitment to employees as well as firm performance. Further, the authors find that organizational commitment to employees mediates the relationship between budgetary support, teamwork, and firm performance. Some differences are noted between the United States and Malaysian managers as teamwork was shown to affect performance directly in Malaysia, but not in the United States, and that budgetary support affects performance in the United States but not in Malaysia. The authors attribute the effects to the different national cultures and social-exchange relations and highlight the contributions to the budgeting, organizational commitment literature, and to practice.

In the next chapter, Nuraddeen Abubakar Nuhu, Kevin Baird, and Sophia Su use a survey of Australian managers to examine the impact of environmental activity management on triple bottom line performance and the role that sustainability strategies play in mediating these relationships. Their findings indicate that each of the three levels of environmental activity management; environmental activity analysis, environmental activity cost analysis, and environmental activity-based costing influence specific aspects of performance, either directly and/or indirectly through environmental and social sustainability strategies. These findings suggest that managers could enhance their use of environmental activity management practices through the use of sustainability strategies in order to enhance performance.

The final chapter by Dipankar Ghosh, Anne Wu, and Ling-Chu Lee examines incentive compensation and the use of financial and non-financial measures using proprietary field data from an auto dealership. The authors found that financial measures were weighted more for bonus decisions than for merit raise and promotion decisions, while non-financial measures were weighted more for merit raise and promotion decisions. This shows that the temporal orientations of the measures and incentives seemed to aligned with the short-term/long-term nature of financial/non-financial time dimensions of the incentives. They also found that for bonuses, both financial and non-financial measures had a positive influence on both junior and senior managers. This differed though for promotions, with the influence of financial measures being insignificant for both groups. This was in contrast to the influence of non-financial measures which was not only significant for each group but was significantly greater for junior managers than it was for senior managers. Thus, the use of non-financial measures in the evaluation of senior managers had less influence on their promotion that for junior managers.

The eight chapters in Volume 33 represent relevant, theoretically sound, and practical studies that extend our knowledge within the management accounting discipline. These chapters manifest the journal's commitment to providing a high level of contribution to management accounting research and practice.

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Editors