

DEPARTMENT OF ACCOUNTING

# **ACCOUNTING 3 STRATEGIC MANAGEMENT ACCOUNTING**

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## **COURSE OUTLINE**

2020-2021

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## BROAD AIM

The aim of this course is to provide you with an understanding of the empirical research in management accounting. The subject draws primarily on theoretical frameworks developed in the economics and behavioural research literature. This literature provides the foundation for analyzing the factors that influence the effectiveness of management accounting and control systems. Management accounting and control systems are conceptualized as key systems for the functioning of the organizations and which serve three roles – the decision facilitating role, the integration role and the control role. We aim to enhance your ability to assess the functional and dysfunctional effects of management accounting and control systems in serving these roles. This will enable you to critically evaluate, analyse, and criticize the extant literature with a view to developing new research questions that enhance our understanding of management accounting and control systems in practice.

## SPECIFIC SUBJECT OBJECTIVES

Relying on theoretical and empirical discussions of the current research in management accounting and control, on completing this course you should be able to:

- Understand the role and specifics of accounting and other administrative control mechanisms in the management of organizations.
- Identify the relationships between accounting/administrative control mechanisms and other management mechanisms.
- Evaluate the theoretical frameworks used to study management accounting and control systems.
- Apply alternative paradigms to explain management accounting and control practices.
- Critically evaluate research in major areas of management accounting and control from both a theoretical and empirical perspective and make connections with other research field (e.g., financial accounting)
- Analyse the empirical findings of research that has examined the impact of management accounting and other control mechanisms on organisational participants.
- Evaluate the effectiveness of management accounting and control systems and the consequences on organization performance.
- Synthesize current research literature with a view to identifying research questions that are relevant to practitioners and that make a significant contribution to the research literature.

## GENERIC SKILLS

While undertaking this course, you will have ongoing opportunities to enhance your communication, problem-solving and analytical skills as follows:

- Engage in discussion with your colleagues and the seminar leader during highly participatory sessions.
- Listen to others dispassionately and tolerantly and learn collaboratively from the contributions of others.
- Think critically about how management accounting and control systems operate in an organisational context.
- Evaluate, analyse and criticize the extant research literature.
- Extend prior literature through the development of new research questions.
- Apply appropriate research methods to research questions.
- Improve oral communications through presentations, discussions and debate of research ideas.

## COURSE FORMAT

This course is ‘seminar based’ as opposed to a lecture style. You are expected to carefully read all the papers assigned for each seminar (“Assignments”, see in the following). Each of you will be assigned a paper to be presented for each seminar. It will be the responsibility of each of you to present the assigned paper and critique it. In any case, all of you are expected to read the entire set of papers prior to each seminar, and to be ready to engage in discussion with your colleague presenting and critiquing the specific paper. The classroom environment will therefore be highly participative.

When presenting the paper, you should do the following:

- Assume you are the author of the paper. Present the paper by:
  - Explaining the motivation for the research study.
  - Develop the theoretical arguments leading to the hypotheses or research questions.
  - Explain the method used (i.e. where did the data come from, who were the respondents, what industries were used, etc).
  - Explain the findings.
  - Identify the conclusions that can be drawn from the results.
- Then, put on a different “hat”. Assume you are a reviewer of the paper and wish to provide the author with some ways of improving the paper. This means you have to identify the limitations of the paper. Ask yourself:
  - Is the paper well motivated? Have the researchers answered an important question?
  - Is the theory developed coherently? Can it be easily understood by the reader?
  - Is the method appropriate for the research question?
  - Do the results support the theory? If not, why not? Is there a flaw in the research design? In the theory?
  - Any other limitations?
- The second part is difficult to do but you can be sure that there are limitations associated with every paper published. Be as critical as you want even if the paper has been written by your professors!

## COURSE EVALUATION

Seminar presentations, participation	30%
Project lab	20% *
Referee report	50%

\* A specific research project will be assigned to the students attending this course. Further information and guidelines will be provided in class.

## SUBJECT OUTLINE

### Session 1 – Paradigms and theories to study management accounting

#### Assignments

Hopper T., Powell A. (1985), “Making Sense of Research into the Organizational and Social Aspects of Management Accounting: A Review of its Underlying Assumptions”, *Journal of Management Studies*, Vol. 22, 429-465.

#### Further readings

Macintosh N. B., *Management Accounting and Control Systems – An Organizational and Behavioral Approach*, John Wiley & Sons, Ch. 2.

Baiman S. (1990), “Agency research in managerial accounting: a second look”, *Accounting, Organizations and Society*, 15, pp. 341-371.

Neimark M., Tinker T. (1986), “The social construction of management control systems”, *Accounting, Organizations and Society*, 11, pp. 369-395.

Carruthers B. G. (1995), “Accounting, ambiguity and the new institutionalism”, *Accounting, Organizations and Society*, 20, pp. 313-328.

Scapens, R. W. (1994), “Never Mind the Gap: Towards Institutional Perspective on Management Accounting Practice”, *Management Accounting Research*, Vol. 5, pp. 301-321.

Baxter J., Chua W. F. (2003), “Alternative management accounting research – whence and whither”, *Accounting, Organizations and Society*, Vol. 28, pp. 97-126.

### Session 2 – Budgeting research: theoretical perspectives and empirical methods

#### Assignments

Arnold, M. C. (2015), “The effects of superiors exogenous constraints on budget negotiations”, *The Accounting Review*, 90, pp. 31-57.

Fernandez-Revuelta P., Robson K. (1999), “Ritual Legitimation, De-Coupling and the Budgetary Process: Managing Organizational Hypocrisies in a Multinational Company”, *Management Accounting Research*, 10, pp. 383-407.

Preston, A. M., Cooper, D. J., & Coombs, R. W. (1992). Fabricating budgets: a study of the production of management budgeting in the National Health Service. *Accounting, Organizations and Society*, 17(6), 561-593.

#### Further readings

Venkatesh R., Blaskovich, J. (2012), “The mediating effect of psychological capital on the budget participation-job performance relationship”, *Journal of Management Accounting Research*, 24, pp. 159-175.

Covaleski, Evans, Luft and Shields. (2003), “Budgeting Research: Three Theoretical Perspectives and Criteria for Selective Integration”, *Journal of Management Accounting Research* 15, pp. 3-49.

Lukka, K. (1988); “Budgetary biasing in organizations: theoretical framework and empirical evidence”, *Accounting, Organizations and Society*, Vol.13, n.3, p.281-301

Macintosh N. B., Scapens R. W. (1990), “Structuration theory in management accounting”, *Accounting, Organizations and Society*, 15, pp. 455-477.

### **Session 3 – Performance evaluation: role, determinants and outcomes of performance measurement systems**

#### **Assignments**

Keating A. S. (1997), Determinants of Divisional Performance Evaluation Practices, *Journal of Accounting and Economics*, Vol. 24, pp. 243-273.

Ittner, C. D., Larcker, D. F., & Randall, T. (2003). Performance implications of strategic performance measurement in financial services firms. *Accounting, Organizations and Society*, 28(7-8), pp. 715-741.

Busco, C., & Quattrone, P. (2015). Exploring how the balanced scorecard engages and unfolds: Articulating the visual power of accounting inscriptions. *Contemporary Accounting Research*, 32(3), pp. 1236-1262.

#### **Further readings**

Endrikat, J., Guenther, T. W., & Titus, R. (2020). Consequences of strategic performance measurement systems: a meta-analytic review. *Journal of Management Accounting Research*, 32(1), 103-136.

Bouwens, J., Hofmann, C., & Van Lent, L. (2018). Performance measures and intra-firm spillovers: Theory and evidence. *Journal of Management Accounting Research*, 30(3), pp. 117-144.

Ittner, C. D., & Larcker, D. F. (2001). Assessing empirical research in managerial accounting: a value-based management perspective. *Journal of Accounting and Economics*, 32(1-3), pp. 349-410.

Ittner, C. D., & Larcker, D. F. (1998). Are nonfinancial measures leading indicators of financial performance? An analysis of customer satisfaction. *Journal of Accounting Research*, 36, 1-35.

### **Session 4 – Executive compensation and incentives**

#### **Assignments**

Indjejikian, R. J., & Matějka, M. (2012). Accounting decentralization and performance evaluation of business unit managers. *The Accounting Review*, 87(1), pp. 261-290.

Caglio, A., Dossi, A., & Van der Stede, W. A. (2018). CFO role and CFO compensation: An empirical analysis of their implications. *Journal of Accounting and Public Policy*, 37(4), pp. 265-281.

Christ, M. H., Emett, S. A., Tayler, W. B., & Wood, D. A. (2016). Compensation or feedback: Motivating performance in multidimensional tasks. *Accounting, Organizations and Society*, 50, pp. 27-40.

### Further readings

Ittner, C. D., Larcker, D. F., Rajan V. M., (1997), “The Choice of Performance Measures in Annual Bonus Contracts”, *The Accounting Review*, Vol. 72, pp. 231-255.

Van der Stede, W. A., Wu, A., & Wu, S. Y. C. (2020). An empirical analysis of employee responses to bonuses and penalties. *The Accounting Review*, 95(6), pp. 395-412.

Murphy, K. J., & Sandino, T. (2020). Compensation consultants and the level, composition, and complexity of CEO pay. *The Accounting Review*, 95(1), pp. 311-341.

Chava, S., & Purnanandam, A. (2010). CEOs versus CFOs: Incentives and corporate policies. *Journal of financial Economics*, 97(2), pp. 263-278.

## Session 5 – Strategy, creativity and control

### Assignments

Kachelmeier, S. J., B. E. Reichert, and M. G. Williamson (2008), “Measuring and motivating quantity, creativity, or both”, *Journal of Accounting Research*, 46, pp. 341-373.

Davila, A., & Ditillo, A. (2017). Management control systems for creative teams: Managing stylistic creativity in fashion companies. *Journal of Management Accounting Research*, 29(3), 27-47.

Busco, C., & Quattrone, P. (2018). In Search of the “Perfect One”: How accounting as a maieutic machine sustains inventions through generative ‘in-tensions’. *Management Accounting Research*, 39, 1-16.

### Further readings

Adler, P. S. and C. X. Chen (2011), “Combining creativity and control: Understanding individual motivation in large-scale collaborative creativity”, *Accounting, Organizations and Society*, 36, pp. 63-85.

Chang, L. and B. Birkett (2004), “Managing intellectual capital in a professional service firm: exploring the creativity-productivity paradox”, *Management Accounting Research*, 15, pp. 7-31.

Davila T. (2000), “An empirical study of the drivers of management controls systems’ design in new product development”, *Accounting, Organizations and Society*, Vol. 25., pp. 383-409.

Ditillo, A. (2004), “Dealing with uncertainty in knowledge-intensive firms: the role of management control systems as knowledge integration mechanisms”, *Accounting, Organizations and Society*, 29, pp. 401-421.

Ditillo, A. (2012), “Designing management control systems to foster knowledge transfer in knowledge-intensive firms: a network-based approach”, *European Accounting Review*, 21, pp. 421-460.

Johanson U., Martensson M., Skoog M. (2001), “ Mobilizing Change Through the Management Control of Intangibles”, *Accounting, Organizations and Society*, 26, pp. 715-734.

Jorgensen, B., and M. Messner (2009), “Management control in new product development: the dynamics of managing flexibility and efficiency”, *Journal of Management Accounting Research*, 21, pp. 99-124.

Mouritsen J., Larsena H. T., Bukh P. N. D. (2001), “Intellectual Capital and the ‘Capable Firm’: Narrating, Visualising and Numbering for Managing Knowledge”, *Accounting, Organizations and Society*, 26, pp. 735-762

Chen C.X., M.G. Williamson and F.H. Zhou (2012), “Reward System Design and Group Creativity: An Experimental Investigation”, *The Accounting Review*, 87, pp. 1885-1911.

### **Session 6 – Exploring Sustainability research: strategy, controls and disclosure**

Cho, C. H., Laine, M., Roberts, R. W., & Rodrigue, M. (2015). Organized hypocrisy, organizational façades, and sustainability reporting. *Accounting, Organizations and Society*, 40, pp. 78-94.

Ditillo, A., & Lisi, I. E. (2016). Exploring sustainability control systems' integration: The relevance of sustainability orientation. *Journal of Management Accounting Research*, 28(2), pp. 125-148.

Caglio, A., Melloni, G., & Perego, P. (2020). Informational content and assurance of textual disclosures: Evidence on integrated reporting. *European Accounting Review*, 29(1), pp. 55-83.

### **Further readings**

Melloni, G., Caglio, A., & Perego, P. (2017). Saying more with less? Disclosure conciseness, completeness and balance in Integrated Reports. *Journal of Accounting and Public Policy*, 36(3), pp. 220-238.

Barth, M. E., Cahan, S. F., Chen, L., & Venter, E. R. (2017). The economic consequences associated with integrated report quality: Capital market and real effects. *Accounting, Organizations and Society*, 62, pp. 43-64.

Bebbington, J., & Larrinaga, C. (2014). Accounting and sustainable development: An exploration. *Accounting, organizations and society*, 39(6), pp. 395-413.

Gond, J. P., Grubnic, S., Herzig, C., & Moon, J. (2012). Configuring management control systems: Theorizing the integration of strategy and sustainability. *Management Accounting Research*, 23(3), pp. 205-223.

Khan, M., Serafeim, G., & Yoon, A. (2016). Corporate sustainability: First evidence on materiality. *The accounting review*, 91(6), pp. 1697-1724.