# ADVANCES IN MANAGEMENT ACCOUNTING

**Edited by** Laurie L. Burney
and Mary A. Malina

ADVANCES IN
MANAGEMENT ACCOUNTING

**VOLUME 31**

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ADVANCES IN MANAGEMENT
ACCOUNTING VOLUME 31

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emerald
PUBLISHING

United Kingdom – North America – Japan
India – Malaysia – China

Emerald Publishing Limited
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2019





**British Library Cataloguing in Publication Data**
A catalogue record for this book is available from the British Library

ISBN: 978-1-78973-278-8 (Print)
ISBN: 978-1-78973-277-1 (Online)
ISBN: 978-1-78973-279-5 (Epub)

ISSN: 1474-7871 (Series)

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*Advances in Management Accounting (AIMA)* is a publication of quality, applied research in management accounting. The series' 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 arguments 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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# MANUSCRIPT FORM GUIDELINES

1. Manuscripts should include a cover page that indicates the author's name and affiliation.
2. Manuscripts should include a separate lead page with a structured abstract (not to exceed 250words) set out under four to seven sub-headings; purpose, design/methodology/approach, findings, research limitations/implications (if applicable), practical implications (if applicable), social implications (if applicable), and originality/value. Keywords should also be included. The author's name and affiliation should not appear on the abstract.
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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, and pay and compensation systems, as well as those on broader topics of interest to management accountants such as employees' dishonesty, whether managerial ability is associated with firm performance, and CEO compensation. The articles in this volume utilize a wide variety of methods including archival data analysis and experimental studies. Finally, the diversity in authorship is apparent with affiliations from Canada, Australia, the Netherlands, Germany, and the United States.

In the first article, Hesford, Turner, Mangin, Thomas, and Hoffmann examine an interesting question about the relationship between competitor monitoring and firm performance. Using proprietary data from the hotel industry, they find that a hotel's competitor monitoring behavior is positively associated with its performance outcomes, measured as (i) revenue per available room, (ii) average daily rate, and (iii) occupancy rate. This article further documents a positive relationship with performance when the hotel monitors hotels above its class, yet a negative relationship when it monitors those hotels below its class.

In the second article, Malik and Shim address a timely issue that has received quite some attention in the media: is CEO compensation in financial institutions partly responsible for the 2008 financial crisis and has this issue been resolved in the postcrisis period? Using data from the US financial service institutions, they study the economic determinants of executive compensation both pre- and post-crisis periods. This article provides insight into the compensation/performance relationship within the financial services industry.

Continuing the focus on CEO compensation, Kurt and Feng delve into this literature with thought provoking and practically relevant research. Specifically, the article details an investigation into whether it is beneficial to include qualitative performance measures in CEO bonus contracts. Collecting data from firms' proxy statements, Kurt and Feng find that when qualitative criteria are included in CEO bonus contracts, not only is performance across an array of measures lower but that income-increasing accruals are higher.

The fourth article by Bailey, Fessler, and Laird extends prior literature on agents' dishonesty by investigating two organizational variables: performance-based pay and performance monitoring. In their experimental setting, agents have the opportunity to engage in dishonest behavior for personal gain; yet, the principal has no mechanism for detecting the dishonesty. The authors explain the findings of an interaction effect using arousal theory, suggesting that performance-based pay heightens the focus on monetary awards, which leads to decreased honesty. However, the perception of being monitored helps mitigate this effect.

In the fifth article, Skousen, Sun, and Wu examine the relationship between managerial ability and discontinued operations. They find that managerial ability has a negative relationship with the likelihood and magnitude of discontinued operations. While prior studies have shown that higher ability managers are less likely to manage earnings by manipulating accruals, this article aims to build on this work by showing that higher ability managers are less likely to shift expenses to discontinued operations from core operations.

Concluding this volume, Guragai, Hutchison, and Farris address a gap in the cash-to-cash cycle (C2C) by examining the association with long-term profitability and liquidity. Conventional wisdom and finance theory suggest that tying up funds in working capital leads to an increased cost of capital. C2C, by measuring a company's use of working capital, is an important financial evaluation tool. Prior research indicates that a longer C2C cycle is negatively associated with current period performance. This article extends these findings by documenting the performance effects at longer time horizons, and expands the analyses to study the results across industries and firm sizes.

The six articles in Volume 31 represent relevant, theoretically sound, and practical studies that extend our knowledge within the management accounting discipline. These articles manifest the journal's commitment to providing a high level of contribution to management accounting research and practice.

**Laurie L. Burney**
**Mary A. Malina**
*Editors*