ADVANCES IN MANAGEMENT ACCOUNTING

Edited by Chris Akroyd

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VOLUME 34

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Advances in Management Accounting (AIMA) is a publication of quality, theoretical, and 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, 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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INTRODUCTION

This volume of *Advances in Management Accounting (AIMA)* presents a diversity of management accounting topics, methods and author affiliations, which form the basic tenets of *AIMA*. Included are papers on performance measurement, management control, incentive compensation and budgeting, which are focused on areas of particular interest to management accountants in practice such as the effects that narcissism, psychological pressure, honesty, fairness, service quality and corporate social responsibility have on performance and the roles of management accountants. The articles in this volume employ a variety of methods from experiments to surveys and a diversity in authorship with affiliations from Australia, China, Germany, New Zealand, Singapore, South Africa, the United Kingdom and the United States.

This volume begins with an article by Dworkis and Young which examines bonus-based incentive plans and managerial decision-making. The authors draw on research from neuroscience and use an experiment to examine decision choices under high and low incentive thresholds to see how adaptive and maladaptive narcissism affects managers' decisions. Their results show that the bonus threshold in an incentive plan, the degree of narcissism and the relative level of adaptive and maladaptive components of narcissism have a significant interactive effect on decision quality. These results indicate that how personality characteristics affect various bonus thresholds influence decision-making performance and highlights how bonus thresholds and narcissism can have a significant interactive effect on decision-making quality.

Reichert and Sohn seek to understand how competition for monetary rewards influences cooperation. They use an experimental setting to simulate a context which is common in many job situations in practice, where an employee performs various tasks with one task being measured and rewarded with other tasks being difficult to measure and reward objectively. The authors draw on research from sports economics and psychology to propose that competition leads to a negative emotional response experienced as "psychological pressure" by the individuals competing. Their findings show that the effect of competition on cooperation results from psychological pressure which is an emotional response to competition. Thus, they suggest that incentive system design choices should take into consideration things like corporate well-being programs, which could play a critical role in reducing the psychological pressure employees experience, thus increasing both competition and cooperation which leads to higher levels of performance.

Teklay, Dow, Askarany, Wong and Shen investigate the relationship between transportation quality, customer satisfaction and profitability. Their study uses longitudinal data from the US airline industry to understand the simultaneous and asynchronous effect of quality of transportation services on customer

satisfaction and financial performance. They also seek to better understand the relationship between customer satisfaction and financial performance which has been an area with mixed research findings. They found that low service quality in transportation has adverse effects on customer satisfaction and financial performance, but the impact of customer satisfaction on financial performance mixed with customer satisfaction was found to have a significant effect on financial performance for full-service airlines, but not for low-cost airlines.

Baird, Tung and Moses sought to understand the relationship between interactive and diagnostic uses of management controls and the disparity in employees' perception of their organization's emphasis on corporate social responsibility disclosures relative to their actions which is known as the "disclosure-action portrayal gap." They also measure the subsequent impact on employees' perceptions of operational performance and corporate social performance. The authors use data from a survey of lower-level US managers which they analyze using structural equation modeling. They show the use of management controls both interactively and diagnostically reduces the disclosure-action portrayal gap. In addition, they found that a lower disclosure-action portrayal gap is associated with higher operational and corporate social performance. These findings provide some practical insights on the use of management controls to help mitigate the disclosure-action portrayal gap which can positively influence organizational performance.

Enslin, Hall and du Toit then examine the emerging roles of management accountants as hybrid accountants and business partners to help business make decision. This is a topical area as it has been argued that the role of management accountants has been undergoing a change in emphasis from information provider to business partner. They carried out a survey of members of the IMA (USA) and CIMA (UK) which asked about their involvement with business decision-making. Using role theory as their frame, the authors found that management accountants employed in smaller firms, and middle-aged professionals were more likely to be involved in making business decision, but a large proportion of management accountants still play traditional information provider roles. This has implications for both professional bodies and educators as they need to train management accounts to carry out both information provider and decision-maker roles.

This volume concludes with three papers examining budgeting practices which play a major role in many organizations. The first of these articles by Su and Baird uses a survey of Australian middle and lower-level managers to examine the mediating role of employee reactions to the extent to which top management places emphasis on subordinates' attainment of budget targets. Given the mixed findings in this area of research their paper provides new insights with their findings indicating that the reaction of employees to budgets fully mediates the association between budget difficulty with both budget value and job stress. They also show that employees reaction to budgets did not mediate the association between the emphasis on budgets with budget value and job stress. Rather, the emphasis on budgets was significantly negatively associated with job stress, implying that

a greater emphasis on budgets is desirable in alleviating job stress. These insights contribute to our understanding of how employees react to budgets, with their perception of the fairness of their performance appraisal being influenced by budget difficulty, which in turn influences budget value and job stress.

Li and Drake then use a budgeting experiment to provide evidence on the effect that peer influence has on managerial honesty using ideas from self-concept maintenance theory and vicarious loss avoidance theory. They show that the level of earnings affects managers' preferences for honesty which enables firms to effectively allocate resources to monitor activities. The practical finding is that firms that are financially strong should increase investment on monitoring as managers are likely to be less honest. Though employees' preferences for honesty can be influenced by many factors such as job tenure, loyalty, and cultural norms, the results of their study suggest that during good economic times employees are less likely to be honest and that employee ethical behaviors are more likely to be influenced by peers.

In a similar vein Cheng, Lim and Yuen use an experimental research design to investigate the effect that honesty reminders have on budgetary slack. Based on self-concept maintenance theory, they argue that honesty reminders can reduce budgetary slack by making people more aware of their own standards of honesty, resulting in more honest behavior. They find evidence that both honesty reminders and penalties reduce budgetary slack, but that penalties can cause adverse side effects such as distrust and resentment between managers and subordinates. Therefore, the authors conclude that organizations should use honesty reminders as they are a less costly method than penalties for reducing budgetary slack.

The eight articles in Volume 34 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.

Chris Akroyd
Editor