A Introduction

1 Motivation and overview of prior research

The seminal work of Johnson/Kaplan (1987) on a possible relevance loss of management accounting triggered a debate in academia and business practice on the need for changing roles of management accountants1 and for new management accounting techniques. In the course of discussions on how to regain relevance, a considerable body of literature has evolved in recent years. Most of this literature advocates that management accountants should seize opportunities – for instance, those offered by advanced IT systems – and shift capacities from their ‘traditional’ tasks such as score keeping or ‘number crunching’ and place emphasis on business related activities.2 Reflecting this change, it is claimed that management accountants need to become a more “pro active internal business consultant”3, a “business support”4, a “hybrid accountant”5, a “business-oriented management accountant”6, or simply a “business partner”7.

Albeit being frequently discussed in business practice as well as in academic research, knowledge and theory in this context are, up to now, “rather underdeveloped, anecdotal and fragmented”8. Several calls for research underpin the need for further investigations that pursue prior findings.9 So far, empirical research initiatives have

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addressed heterogeneous aspects on business orientation and changing tasks of management accountants.\textsuperscript{10} There are studies that comprehensively grasp the status quo and the scope of management accountants' activities and roles; comparing the results of the studies, it becomes evident that management accountants' tasks are getting more diverse over time.\textsuperscript{11} Other studies analyze advanced IT systems and show that those systems may act as enabler for change in the management accounting profession.\textsuperscript{12} Similar studies address the drivers and the impact of an implementation of a 'new' or innovative management accounting system; the results basically reveal that business-oriented management accountants tend to implement innovative accounting systems and, furthermore, that innovative systems can positively influence the image of management accountants.\textsuperscript{13} Other studies address aspects on changes over a specific time horizon of management accounting culture; the studies point, on the one hand, to the importance of informal interventions by top managers to foster management accounting change and, on the other, to changes of the external environment as a possible trigger to change management accounting culture.\textsuperscript{14} There are also studies that focus on the knowledge, attitudes, and characteristics of management accountants; they show, for instance, that business knowledge is important for acting in a business-oriented way.\textsuperscript{15} Other studies analyze possible role conflicts of management accountants' different roles; exemplarily, they show inherent tension in management accountants' roles as business partners and providers of information.\textsuperscript{16} There are also studies that assess management accountants' activities and roles from different perspectives; the results reveal that there are partly differences of perceptions between management accountants and general managers on the quality of services.\textsuperscript{17} The influence of (na-
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tional) culture on management accountants' roles and activities\(^\text{18}\) or the impact of organizational characteristics or an organization's industry\(^\text{19}\) on roles of management accountants is also a subject of selected studies. Finally, some research addresses the involvement of management accountants in tasks beyond their core responsibilities; those studies focus on an involvement of management accountants in managerial decision making\(^\text{20}\), strategic management processes\(^\text{21}\), or in operational processes\(^\text{22}\).

Notwithstanding the broad strand of existing (empirical) literature in this field, relatively little is known about the consequences of management accountants' new activities and roles.\(^\text{23}\) For instance, there is no satisfying answer to the question regarding whether business orientation of management accountants even has a positive impact on the intended objectives. Furthermore, although studies address the process of how management accounting culture has changed, it remains unclear whether the current practice of management accountants acting in a business-oriented way depends on changes in their own attitudes or on 'pressure' from their organizational environment.\(^\text{24}\) Some scholarly attempts have been made to address the involvement of management accountants in activities other than their 'traditional' responsibilities.\(^\text{25}\) However, knowledge is still scarce on the possible results of an involvement of management accountants in other important fields such as like marketing\(^\text{26}\), procurement, or human resource (HR) management.

\(^{19}\) Ref. Brandau/Hoffjan (2010); Granlund/Taipaleenmäki (2005); Yazdifar/Tsamenyi (2005).
\(^{20}\) Ref. Davis/McLaughlin (2009a); Sathe (1982); Zoni/Merchant (2007).
\(^{21}\) Ref. Ferreira/Moulang (2009).
\(^{22}\) Ref. Byrne/Pierce (2007); Johnston/Brignall/Fitzgerald (2002).
\(^{24}\) This question is also similarly discussed as "role-making versus role-taking" in academic literature, ref. Katz/Kahn (1978), p. 195-197 and 219; Turner (1962), p. 21f.
\(^{25}\) Ref. Byrne/Pierce (2007); Davis/McLaughlin (2009a); Ferreira/Moulang (2009); Johnston/Brignall/Fitzgerald (2002); Sathe (1982); Zoni/Merchant (2007).
\(^{26}\) E.g., the exploratory study of Roslender/Hart (2003) highlights the importance of further research on the relationships between marketing and management accounting, ref. Roslender/Hart (2003), p. 275.
2 Research objective

Reflecting the research gap, I intend to pursue the introduced stream of management accounting literature with my thesis. Thereby, I aim at filling the highlighted gap and contributing to both the specific academic body of knowledge as well as to management accounting practice. Against this background, the overall research objective of this thesis is to gain a deeper understanding of management accountants' business orientation and of management accountants' extended tasks. Two research questions are particularly raised:

Research question 1: Why do management accountants act as business partners and what is the impact of this practice on management accountants' contribution?

Guided by the identified gaps in prior literature, the first research question addresses reasons why management accountants act in a business-oriented way and analyzes the corresponding results of such behavior with a special focus on management accountants' contribution. Similar research questions have been raised in various academic disciplines. A possible approach to answering those questions is offered by the theory of reasoned action. This theory can be employed to predict and explain the behavior of individuals. Basically, it is argued that behavior is determined by an individual's intentions, which are, in turn, influenced by the individual's attitude toward the specific behavior and by the perceived subjective norms to perform the behavior. Originating from social psychology, the theory of reasoned action has been widely applied in different academic settings and has shown sufficient reliability to predict behavior. Thus, I derive a research model that incorporates the thoughts of this theory to better explain and understand the reasons of management accountants' activities. The derived research model also allows me to test if a business orientation of management accountants leads to the frequently postulated positive effects.

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27 Ref. Ajzen/Fishbein (1980); Fishbein/Ajzen (1975) and the explanations in Section 1.2 of Part C.
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Whereas the first research question addresses the business orientation of management accountants in general, the second research question focuses on a particular aspect regarding enlarged activities of management accountants:

Research question 2: Does the involvement of management accountants in incentive compensation positively influence the effects of incentive compensation systems and, subsequently, firm performance?

The second research question elaborates on the effects resulting from management accountants’ expanded tasks and roles. It pursues similar prior work by investigating the involvement of management accountants in HR practices with a special emphasis on the design and operation of incentive compensation systems. Incentive compensation systems are an important device that can reduce control problems in organizations and ensure that organizational objectives are achieved. Management accountants are already partly involved in designing and operating these systems since they provide relevant information, i.e., performance measures. Nevertheless, it is key for organizations that suitable performance measures are designed, that the incentive compensation system itself is properly configured, and foremost, that the incentive compensation systems are aligned with other controls of the organization. This is of high importance since inappropriate performance measures or inadequately designed incentive compensation systems can trigger dysfunctional managerial behavior. In this context, management accountants may contribute to reducing the risk of dysfunctional effects. Beyond their core tasks as information providers, management accountants might also be involved in other responsibilities such as designing incentive functions or specifying remuneration packages, e.g., regarding the percentage of performance-dependent pay. With such an involvement, management accountants may more strongly contribute to the achievement of incentive compensation systems’ objectives and to firm performance. To answer the second research question, I derive another research model that incorporates the involvement of management accountants in incentive compensation and which analyzes resulting effects on incentive systems as well as on performance.
In order to answer the research questions and to realize scientific progress, I apply an empirical research strategy.\footnote{Alternatives are formal-analytical or conceptual-analytical research strategies, ref. \cite{Messner2008}, p. 141; Wagenhofer (2006), p. 9f., as well as the seminal work of Grochla (1976), p. 634-637.} Empirical research basically aims at systematically deriving insights by analyzing prior knowledge, deriving hypotheses, and testing them against experiences obtained from observations or experiments.\footnote{Ref. Grochla (1976), p. 634; Popper (1959), p. 3.} For the present thesis, I rely on data gathered by a questionnaire-based survey as a source of observations.\footnote{Research approaches of prior empirical studies vary and comprise case-based or interview-based research (e.g., Friedman/Lyne (1997); Granlund/Lukka (1998); Burns/Baldvinsdottir (2005); Byrne/Pierce (2007)), survey research (e.g., Coad (1999); Ferreira/Moulang (2009); Mourtisien (1996); Yazdifar/Tsamenyi (2005); Zoni/Merchant (2007)), or hybrid forms such as large-scale telephone interview surveys (e.g., Siegel/Sorensen (1999)). Whereas most of the studies gathered their data at a certain point of time, there are also selected longitudinal (case) studies (ref. Burns/Baldvinsdottir (2005); Järvenpää (2007)).} Similar to other business disciplines, surveys are an important instrument for data collection in management accounting research and, in particular, in research addressing behavioral aspects\footnote{Behavioral accounting research focuses on the “behavior of accountants or the behavior of non-accountants as they are influenced by accounting functions”, \cite{Hofstedt1970}, p. 43. An introductory as well as comprehensive review of behavioral accounting research offer Birnberg/Shields (1989).} of management accounting.\footnote{Ref. Kwok/Sharp (1998), p. 137; Young (1996), p. 55.}

As already alluded, the present research also follows several calls for scholarly activities. \cite{StoneHuntonWier2000} claim that management accountants, albeit being important for organizations, are an “understudied professional group.”\footnote{Stone/Hunton/Wier (2000), p. 697.} It is also noticeable that, in comparison with other research strategies such as analytic research approaches, the application of empirical research strategies is less common in management accounting research originating from German academic institutions or conducted in German-speaking countries; in particular, empirical research using a survey for data gathering is still scarce.\footnote{Ref. Messner et al. (2008), p. 141f.; Wagenhofer (2006), p. 9f. Messner et al. (2008), however, find a recent trend toward an increasing use of empirical research strategies. Furthermore, publications of German management accounting research in leading international accounting journals are rather limited, ref. Wagenhofer (2006), p. 9; an exception is, for instance, the recent work of Homburg/Stebel (2009).} In addition, a number of researchers argue that management accounting research should shift to research on management problems and toward a
stronger focus on management accounting practice.\textsuperscript{36} Academics and journal editors frequently formulate a demand for more theoretically grounded research. Whereas no comprehensive theory is available to answer both research questions, the application of the well-established theory of reasoned action to answer the first research question is especially in line with this postulated request.\textsuperscript{37} Focusing on the tasks of management accountants related to incentive compensation is also consistent with a broad number of calls for research since prior empirical management accounting studies mainly emphasize decision making rather than control aspects.\textsuperscript{38} In this regard, analyzing aspects related to incentive compensation from a management accounting perspective offers various important avenues for research.\textsuperscript{39}

3 Outline of the thesis

The thesis is divided into five parts. Figure A-I offers an overview of the course of the analyses. This introductory part is devoted to highlighting the motivation behind conducting the present research. Following the motivation, a brief review of prior literature reveals existing research gaps. In conclusion, the objective of the thesis is formulated and the research questions are raised. Finally, the course of the analyses is presented.

Part B offers explanations for the applied research method. It starts with a description of the data collection procedures. A key characteristic is the dyadic research design, which captures responses from both management accountants and general managers. Data is collected from the top 1,500 companies in Germany. Details of the cross-sectional sample are accordingly presented. The second chapter of this part introduces and describes the methodological foundations and the techniques employed

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\item \textsuperscript{36} Ref. Otley (2001); Merchant/Van der Stede/Zheng (2003), p. 251.
\item \textsuperscript{37} Ref. Scapens/Bromwich (2001), p. 252. To answer the second research question, I adopt thoughts from different theoretical and practical approaches to derive hypotheses and the research model. This approach is consistent with the suggestions of Ittner/Larcker (2002) who assume that “substantive insights about management accounting” (p. 792) can be derived by combining economics-based research, behavioral aspects and insights from business practice.
\end{itemize}
Part A: Introduction

Part B: Research method

Part C: Business orientation of management accountants
- Addressing research question 1

Part D: Involvement of management accountants in incentive compensation
- Addressing research question 2

Part E: Conclusion

**Figure A-1:** Outline of the thesis

For data analyses. As structural equation modeling (SEM) is applied to analyze the data, the basics of this approach are introduced and discussed. In particular, the explanations describe the partial least squares (PLS) technique, including the assessment of measurement and structural models, since this specific technique is used to test the study's hypotheses.

Once the research method has been described, Part C of the thesis aims at providing an answer to the first research question about the business orientation of management accountants. Based on a review of related literature and grounded in the rationale of the theory of reasoned action, a research model is derived, corresponding hypotheses formulated, and the constructs employed in the study are described. The results of the analyses are presented in the second chapter of this part. I reveal the results of the main research model to answer the research question and of an alternative model. Furthermore, procedures for assessing the robustness of the results are introduced and the corresponding results are disclosed.

Part D of the thesis addresses the second research question regarding the result of an involvement of management accountants in incentive compensation. The review of related literature focuses on the extended tasks and roles of management accountants in general as well as on the specific tasks and roles related to incentive compensation. The first chapter also embraces the formulation of the hypotheses, the derived research model, and the description of the constructs employed. Similar to the procedures in
Part C, the second chapter of this part is devoted to the results of the analyses. It contains the findings of the main research model, of alternative models as well as of procedures conducted for robustness checks.

The findings of this study are summarized in Part E. First, the results are reflected and the contributions are thoroughly assessed. Furthermore, implications for managerial practice are deduced and the findings of the study are discussed against the background of inherent limitations that might potentially diminish the value of the results. Finally, the thesis ends with the identification of potential avenues for future research initiatives.