



## Accounting and Financial Management Services

Seminar in Managerial Accounting Research – A773

### Course Outline

Professor: Dr. S. M. Khalid Nainar

Winter, 2020

Office: DSB-316

Telephone: (905) 525-9140, Ext. 23990

Email: [nainar@mcmaster.ca](mailto:nainar@mcmaster.ca)

Office Hours: *By Appointment and Walk-in!*

### Course Objectives and Description:

This course examines management accounting research. Broadly speaking, management accounting focuses on information used by managers within an organization for planning, controlling and decision-making purposes. Demski and Feltham (1976) describe management accounting as serving a ***decision-facilitating*** role and a ***decision-influencing*** role. For example, the performance measures contained in a balanced scorecard can facilitate managers focusing attention on critical success factors of their business unit while targets assigned for those measures can motivate (influence) them to achieve desired levels of performance. Given the breadth of what management accounting entails it is not surprising that research in this area has explored a wide range of topics ranging from the behavioural effects of individual-level performance targets to the antecedents and firm-level consequences of management control system design.

It is not possible to cover the breadth of topics examined by management accounting research over the past several decades in a single course. Accordingly, we have chosen to focus on a subset of topics that are 'active' areas of research. We consider an active area of research to be one where papers for that topic are regularly presented at our leading conferences and are being published in top-tier journals. Some topics we have included, such as performance goals, have been researched for several decades while others, such as the role of subjectivity in performance evaluation, represent relatively new areas of interest for management accounting researchers.

From a methodological perspective, management accounting research employs experiments, surveys, analysis of archival data (both proprietary and publically available), qualitative approaches such as interviews, and analytical modeling techniques. The papers we have selected reflect this breadth of methods including experiments, surveys, field studies and archival methods.

### Course Materials and Readings

Each week there will be three to four discussion papers. Some weeks we have also assigned a background reading, which typically we will not discuss in class, or if we do, it will be very brief.

For each discussion paper, the focus will be on addressing the following questions:

1. What is the research question and why is it important to study?
2. How does the study fit in the existing literature?
3. Is the theoretical basis for the hypotheses clearly developed and is it persuasive?
4. Is the research design appropriate for testing the hypotheses?
5. Are the results appropriately analyzed?
6. What are some potential implications of the study and how might it be extended?

For many papers we might distribute ‘discussion questions’ prior to class, the purpose of which will be to highlight certain issues regarding some aspect(s) of the study that I believe are important for all students to consider when preparing for class.

Note: In addition, we plan to distribute additional materials as we go along. Students are strongly advised to bookmark / subscribe to a financial newspaper, such as *Wall Street Journal*, *The Globe and Mail* or the *Financial Times* or read these papers in the Innis Room regularly. From time to time, we will draw on these sources for relevant current articles.

#### Internet Information Resources:

##### Accounting Organizations

Canadian Academic Accounting Association:	<a href="http://www.caaa.ca">http://www.caaa.ca</a>
CPA Canada:	<a href="https://www.cpacanada.ca/">https://www.cpacanada.ca/</a>
American Accounting Association:	<a href="http://aaahq.org">http://aaahq.org</a>

##### Regulators

Ontario Securities Commission:	<a href="http://www.osc.gov.on.ca">http://www.osc.gov.on.ca</a>
Securities and Exchange Commission:	<a href="http://www.sec.gov">http://www.sec.gov</a>
FCPA Blog	<a href="https://fcpablog.com">https://fcpablog.com</a>

##### News

Wall Street Journal:	<a href="http://www.wsj.com">http://www.wsj.com</a>
CFO:	<a href="http://www.cfo.com">http://www.cfo.com</a>
The Globe And Mail:	<a href="http://www.TheGlobeAndMail.com">http://www.TheGlobeAndMail.com</a>
McKinsey Quarterly	<a href="http://www.mckinseyquarterly.com">http://www.mckinseyquarterly.com</a>
BCG Perspectives	<a href="http://www.bcgperspectives.com/">http://www.bcgperspectives.com/</a>

#### Evaluation Scheme:

The course grade will be calculated as follows:

Weekly critiques	20%
Participation	25%
Working paper review	15%
Presentation of working paper review	10%
Research proposal	30%
	-----
	100%
	-----

### Grade Conversion:

At the end of the course your overall percentage grade will be converted to your letter grade in accordance with the following conversion scheme.

LETTER GRADE	PERCENT
	90 - 100
A	85 - 89
A-	80 - 84
B+	77 - 79
B	73 - 76
B-	70 - 72
F	00 - 69

### Weekly Critiques

Except for the first week, you will be responsible for preparing a written critique of one of the three discussion papers. These critiques should be a maximum of two pages, single-spaced (one-inch margins, 12-point font). The critiques are due before the beginning of each class and should be uploaded to shared course Dropbox folder. I will develop the weekly critique paper assignments for the entire term by the end of the first week of classes. Note: you will not be required to prepare a two-page critique the week that you prepare the working paper review and presentation (see below).

Your critique should clearly identify the study's key weaknesses and strengths. When reading any paper, it is important to spend time thinking about its key strengths. That said, please do not devote more than one-half page of your critique to discussing the strengths. Moreover, your discussion of strengths should be limited to the major aspects of the paper that you believe make it a good study. So, do not devote space in your critique to discussing minor strengths such as "the paper is well written", "the authors cite relevant literature" or "the experimental task is appropriate because it has been used before."

Your critique should primarily focus on concerns you have with respect to the:

- a. Importance/contribution of the research question(s)
- b. Clarity, persuasiveness and generalizability of the theory development
- c. Research design (e.g., appropriateness of survey questions, suitability of the experimental task and participants, operationalization of dependent and independent variables, potential confounds in the experimental design, etc.)
- d. Appropriateness the results analysis and the clarity of the related discussion and presentation
- e. Validity of the authors' conclusions regarding the findings (e.g., are they supported by the results analysis)
- f. Existence of alternative explanations for the observed results (e.g., omitted correlated variables, other plausible determinants of experiment participants' behavior)

- g. Implications of the study's results for practice and/or future research

We are not expecting your critique to cover all of these issues but you should at least consider each of them when reading any paper and identifying concerns.

### Participation

Exchanging views and debating ideas/opinions is an important part of being an academic. It is through a process of constructive disagreements and debate in workshops, conferences or between colleagues over coffee that working papers will improve, and hopefully, eventually be publishable. Accordingly, in addition to preparing the written critiques, you will be evaluated on the extent to which you share your comments and ideas with the class and the quality of your contributions. Students assigned to prepare the written critique for a paper will be expected to lead the related discussion in class. However, you will be expected to contribute to the discussion of each assigned paper, not only the one for which you are preparing a written critique that week.

Please note receiving a good grade for participation requires consistent contributions to the discussion every week

### Working Paper Review and Presentation

#### ***Written Review***

Once during the term, you will be assigned the task of providing a detailed review for one of the working papers included on the readings list. These reviews are similar in nature to the weekly critiques but can be up to five-pages in length (single spaced, one-inch margins, 12-point font). The objective of this course component is to provide you with the experience of preparing a paper review similar to what reviewers are asked to do for an academic journal.

The first paragraph of the review (approximately one-half page) should provide a summary of the following:

- Research question(s) addressed by the study
- Importance of the research question(s)
- Key findings

The rest of the review should focus on weaknesses/concerns and you should consider the same issues described above for the weekly critiques. However, your working paper review should clearly differentiate between 'major' and 'minor' concerns. I will say more about this in class but a major concern is one that could prevent a study from being published (e.g., minimal contribution, weak theory, internal validity problems, inappropriate approach to results analysis). Minor concerns tend to relate to issues such as lack of expositional clarity, additional statistical tests that could be performed, limitations not sufficiently highlighted, and so on. Distinguishing between major and minor concerns will help your own thinking about the paper's overall contribution and will also be very helpful to the authors when revising the paper.

When writing the review, keep in mind that its purpose is to help authors improve their paper. As

such, reviews tend to be written in the form of questions (e.g., *“I don’t fully understand the arguments in the development of H1. Why do the authors believe concept A will cause a change in concept B? What is the theoretical mechanism that will cause this change to occur?”* or *“Student participants do not seem appropriate given the task used in your experiment. Why did the authors not use managers?”*) or suggestions for improving the manuscript (e.g., *“The importance of the study would be more obvious if the authors could provide more real-world examples of the problem the study is addressing.”*) Your review should avoid providing your opinions on what the authors should have studied, the theoretical constructs they should have manipulated, or the way they should have manipulated the theoretical constructs. That is, focus your review on what the authors did, rather than what you think they should have done!

The first draft of the working paper review is due at the beginning of the class in which the paper is being discussed. The final draft of the working paper review will be due via email **Friday at 5 pm**, the week following the class in which the paper is discussed. The reviews can incorporate comments raised during class by other students, hence the provision of an additional week to prepare the final draft.

The grade for the review will be based on content and the quality of the writing (e.g., grammar, spelling, clarity, etc.). I will develop the working paper review assignments for the entire term by the end of the first week of classes.

### ***Presentation of the Review***

To simulate the experience of serving as a discussant at a conference, you will also present a summary of your working paper review. The presentation will be limited to 15 minutes and should focus on the major issues you have identified in your written review. You should not spend time in your presentation on minor issues as these can always be conveyed to the authors by other means. You should prepare slides to help the other member of the class follow your presentation; the slides need not be distributed to the other class members. However, I would like a copy of the slides. In keeping with the norms of the conferences with which I have attended, the tone of the presentation should be constructive and collegial rather than aggressively critical. The goal of the discussant should be to help the authors improve their paper.

Your presentation grade will be based on:

- The quality of your verbal presentation (i.e., pace, clarity, ability to engage the audience).
- The quality of your slides in helping the audience follow-along with the verbal presentation and in making your main points clear. A common error made by presenters is to prepare more slides than they can possibly discuss in the allotted time. A rule of thumb that I have applied with some success is to use no more than one slide per minute of available presentation time.
- Your allocation of time to the issues you discuss in the presentation. You should allocate proportionately more time to the issues you deem to be of higher concern.

It is very rare to observe conference discussants reading from notes while presenting. Instead they use their slides as an aid to remembering the points they want to make. However, to confidently and effectively present a discussion without referring to notes or reading from the slides, you will need to practice your presentation several times to ensure the delivery is effective and that you do not go over time, or appear to be unduly rushed in attempting to stay within the allotted time.

## Research Proposal and Paper

For one of the topic areas covered on the readings list, or for another area of management accounting research in which you are interested, you are to identify a research question that builds on the area. The research question should be addressable (feasibly) using one of the methods emphasized in the course (i.e., experiment, survey, archival) although you will not be required to conduct the study.

The requirement has two components: an initial proposal and a final paper.

1. **Initial proposal:** Identify the problem your study will address, why that problem is important to study, describe the specific research question (or questions) examined in your study that relate to the identified problem, the method you propose using in the study, and summarize the intended contributions of your study. Maximum **five pages** double-spaced (same requirements as above regarding margin size, font size, etc.). Due **February 16, 5 pm** via email. Note: the introduction can be revised based on my feedback and should be included as part of the final paper (see below). I suggest that you start thinking about proposal ideas as soon as possible after the term begins; I will be happy to discuss possible topics any time prior to the due date.
2. **Final paper:** the final paper should be organized similar to the working papers we will cover in the course and include the following sections: (a) introduction, (b) theory and hypotheses development, and (c) research method. The introduction will be a refined/revised version of the initial proposal document reflecting any changes made either in response to feedback I have provided or as a result of further development of your own thinking. The theory and hypotheses development section should summarize research directly related to your proposed study and to the extent you can, theory-based predictions should be developed drawing on relevant foundational theory from base disciplines such as cognitive psychology, social psychology, industrial psychology, neuroscience, economics, etc. If you do not feel you can develop a strong enough theoretical basis for developing directional hypotheses, stating research questions instead is acceptable. The method section should describe and justify the key design choices you make including the: (a) proposed research design including the key independent and dependent variables, and any control variables you plan to use; (b) task if an experiment is proposed, or the types of survey questions that will be used if the plan is to employ a survey. For example if you are planning to rely on an established scale to measure a certain construct (e.g., goal commitment) in a survey you should include the scale items in an appendix; (c) the target group of participants (e.g., students, managers, CFOs, auditors, etc.) if a survey or experiment is going to be used or the source of data if an archival study is proposed; (d) where applicable, the plan for remunerating participants; and (e) for experiments and surveys, the plan for administering your instrument (e.g., online, in a behavioral lab, etc.).

The completed proposal (including the revised introduction) is due **April 10, 5 pm**. Please submit to the course shared Dropbox folder.

Conducting high quality research is frequently the result of a collaborative process and as such I encourage you to collaborate with your classmates as you complete the requirements of this course. However, I offer the following guidelines to ensure a common understanding of what I have in mind when I speak of collaboration:

1. Collaboration with other students on weekly class preparation can consist of: discussing the background and discussion readings; assisting each other with understanding the material; and proofreading each other's work.
2. Collaboration with other students on the research proposal and final paper can consist of: discussing the proposal idea, literature review, hypotheses development, and research design; and proofreading each other's written submission.
3. All written submissions are to be done individually and should clearly acknowledge contributions that belong to others that may arise through the collaborative process described above.

Plagiarism detection software (Turnitin) will be used to screen the final research paper submission. This is being done to verify that use of all material and sources in assignments is documented. Early in the term, details will be provided about the arrangements for the use of Turnitin in this course.

## ACADEMIC DISHONESTY

It is the student's responsibility to understand what constitutes academic dishonesty. Please refer to the University Senate Academic Integrity Policy at the following URL:

<http://www.mcmaster.ca/univsec/policy/AcademicIntegrity.pdf>

This policy describes the responsibilities, procedures, and guidelines for students and faculty should a case of academic dishonesty arise. Academic dishonesty is defined as to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. Please refer to the policy for a list of examples. The policy also provides faculty with procedures to follow in cases of academic dishonesty as well as general guidelines for penalties. For further information, related to the policy, please refer to the Office of Academic Integrity at:

<http://www.mcmaster.ca/academicintegrity>

## COPYRIGHT

McMaster University has signed a license with the Canadian Copyright Licensing Agency (Access Copyright) which allows professors, students, and staff to make copies allowed under *fair dealing*. Fair dealing with a work does not require the permission of the copyright owner or the payment of royalties as long as the purpose for the material is private study, and that the total amount copied equals **NO MORE THAN 10 percent** of a work or an entire chapter which is less than 20 percent of a work. In other words, it is illegal to: i) copy an entire book, or ii) repeatedly copy smaller sections of a publication that cumulatively cover over 10 percent of the total work's content. Please refer to the following copyright guide for further information:

<http://library.mcmaster.ca/about/copying.pdf>

## **Class Schedule and Reading List (Tentative!)**

### **Week 1 Class (January 7)    Introduction to Management Accounting Research**

1. Merchant, K. and W. Van der Stede. 2006. Field-based research in accounting: Accomplishments and perspectives. *Behavioral Research in Accounting*, 18: 117-134.
2. Shields, M. 2015. Established Management Accounting Knowledge. *Journal of Management Accounting Research*, 27(1): 123-132.
3. Sprinkle, G. 2003. Perspectives on experimental research in managerial accounting. *Accounting, Organizations and Society*, 28: 287-318.
4. Bloomfield, R.J. 2015. Rethinking Managerial Reporting. *Journal of Management Accounting Research*, 27 (1): pp.139-150.
5. Salterio, S. 2015. Barriers to Knowledge creation in Management Accounting Research. *Journal of Management Accounting Research*, 27(1): pp.151-170.

### **A. INTRAFIRM AND INTER-FIRM MANAGEMENT CONTROLS**

### **Week 2 Class (January 14)    Management Control Systems**

1. Wang, L. and H. Yin. 2017. Managers' propensity to acquire and use employee type information in their decision to tailor controls. *Working Paper*.
2. Kruis, A., R. Spekle and S. Widener. 2016. Balancing control structures: An empirical analysis of the levers of control framework. *Management Accounting Research*, 32: 27-44.
3. Davila, A. and G. Foster. 2007. Management control systems in early-stage startup companies. *The Accounting Review*, 82(4): 907-937.

### **Week 3 Class 3 (January 21)    Inter-firm Relations**

#### **Background Reading:**

Dekker, H. 2016. On the boundaries between intrafirm and inter-firm management accounting research. *Management Accounting Research* (31): 86-99.

#### **Discussion Papers:**

1. Anderson, S., M. Christ, H. Dekker and K. Sedatole. 2014. The use of management controls to mitigate risk in strategic alliances: Field and survey evidence. *Journal of Management Accounting Research*, 26(1): 1-32.



2. Dekker, H. 2004. Control of inter-organizational relationships: Evidence on appropriation concerns and coordination requirements. *Accounting, Organizations and Society*, 29: 27-49.
3. Shin, J. 2017. The benefits and costs of relational incentive systems: Evidence from performance consequences of relational disruptions. *Working Paper*.

## **B. MOTIVATION AND INCENTIVES**

### Week 4 Class (January 28)    Performance Goals (Targets)

#### Background Reading:

Locke, E. and G. Latham. 2002. Building a practically useful theory of goal setting and task motivation: A 35-year odyssey. *American Psychologist*, 57(9): 705-717.

#### ***Discussion Papers:***

1. Anderson, S., H. Dekker and K. Sedatole. 2010. An empirical examination of goals and performance-to-goal following the introduction of an incentive bonus plan with participative goal setting. *Management Science*, 56(1): 90-109.
2. Choi, B., S. Kim, and K. Merchant. 2017. Target ratcheting in common and unique performance measures. *Working Paper*.
3. Webb, A., M. Williamson and M. Zhang. 2013. Productivity-target difficulty, target-based pay, and outside the box thinking. *The Accounting Review*, 88(4): 1433-1458.

### Week 5 Class (February 4)    Tournament Incentives

1. Berger, L., K. Klassen, T. Libby and A. Webb. 2013. Complacency and giving up across repeated tournaments. Evidence from the field. *Journal of Management Accounting Research*, 25: 143-167.
2. Hannan, L., R. Krishnan and A. Newman. 2008. The effects of disseminating relative performance feedback in tournament and individual performance compensation plans. *The Accounting Review*, 83(4): 893-913.
3. Cai, W. and S. Gallani. 2017. Does mercy bear richer fruits than strict justice? Implicit effects of subjective rewards and penalties in tournaments. *Working Paper*.

### Week 6 Class (February 11)    Non-cash rewards

#### Background Reading:

Jeffrey, S. and V. Shaffer. 2007. The motivational properties of tangible incentives. *Compensation and Benefits Review*, 39(3): 44-50.

***Discussion Papers:***

1. Kelly, K., A. Presslee and A. Webb. The effects of tangible rewards versus cash rewards in consecutive sales tournaments: A field experiment. *The Accounting Review*, 92(6): 165-185.
2. Presslee, A., T. Vance and A. Webb. The effects of reward type on employee goal setting, goal commitment and performance. *The Accounting Review*, 88(5): 1805-1831.
3. Kelly, K., D. Valtchanov and A. Webb. Using a game-of-chance to motivate employees: Evidence from the field. *Working Paper*.

Week 7 Class (February 25)      Motivating and Facilitating Creative Performance

1. Grabner, I. 2014. Incentive system design in creativity-dependent firms. *The Accounting Review*, 89(5): 1729-1750.
2. Kachelmeier, S., B. Reichert and M. Williamson. 2008. Measuring and motivating quantity, creativity, or both. *Journal of Accounting Research*, 46(2): 341-373.
3. Li, S. and T. Sandino. 2017. Effects of an information sharing system on employee creativity, engagement, and performance. *Working Paper*.

**C. MEASURING AND EVALUATING PERFORMANCE**

Week 8 Class (March 3)      Performance Measurement

***Discussion Papers:***

1. Cardineals, E., B. Dierynck and V. Van Pelt. 2017. Improving performance measurement systems through managerial rotation. *Working Paper*.
2. Grafton, J., A. Lillis and S. Widener. 2010. The role of performance measurement and evaluation in building organizational capabilities and performance. *Accounting, Organizations and Society*, 35: 689-706.
3. Libby, T., S. Salterio and A. Webb. 2004. The effects of assurance and process accountability on managerial judgment. *The Accounting Review*, 79(4): 1075-1094.

Week 9 Class (March 10)      Subjectivity and Discretion

***Background Reading:***

- Bol, J. 2008. Subjectivity in compensation contracting. *Journal of Accounting Literature*, 27: 1-24.

### ***Discussion Papers:***

1. Majerczyk, M. and T. Thomas. 2017. Superiors' discretionary bonus pool allocations when agents face disparate performance risk. *Working Paper*.
2. Bol, J. 2010. Supervisor discretion in target setting: An empirical investigation. *The Accounting Review*, 85(6): 1861-1886.
3. Hoppe, F. and F. Moers. 2011. The choice of different types of subjectivity in CEO annual bonus contracts. *The Accounting Review*, 86(6): 2023-2046.

## **D. IMPLICIT INCENTIVES, NORMS, AND OTHER DETERMINANTS OF BEHAVIOR**

### Week 10 Class (March 17) **Implicit Incentives and Norms**

1. Chan, E. and J. Lill. 2017. The effects of implicit incentives on worker performance, trust, and reciprocity under incomplete monitoring. *Working Paper*.
2. Sedatole, K., A. Swaney and A. Woods. 2016. The implicit incentive effects of horizontal monitoring and team member dependence on individual performance. *Contemporary Accounting Research*, 33(3): 889-919.
3. Tayler, B. and R. Bloomfield. 2011. Norms, conformity, and controls. *Journal of Accounting Research*, 49(3): 753-790.

### Week 11 Class (March 24) **Other Behavioral Antecedents (feedback, personnel and cultural controls, recognition)**

1. Casas-Arce, P. S., Lourenco and A. Martinez-Jerez. 2017. The performance effect of feedback frequency and detail: Evidence from a field experiment in customer satisfaction. *Journal of Accounting Research*, 55(5): 1051-1088.
2. Grabner, I. and G. Speckbacher. 2017. Managing the trade-off between delegation and task interdependence in creative teams: The role of personnel and cultural controls. *Working Paper*.
3. Wang, L. 2017. Recognizing the best: The productive and counterproductive effects of relative performance recognition. *Contemporary Accounting Research*, 34(2): 966-990.

## **E. MANAGEMENT CONTROL SYSTEM EFFECTS ON LEARNING**

### Week 12 Class (March 31)

### ***Discussion Papers:***

1. Bouwens, J., C. Hoffman and N. Kuehne. 2017. The learning effects of targets. *Working Paper*.

2. Campbell, D., M. Epstein and F. Martinez-Jerez. 2011. The learning effects of monitoring. *The Accounting Review*, 86(6): 1909-1934.
3. Choi, W., G. Hecht, I. Tafkov and K. Towry. 2017. Bring the noise, but not the funk: Does the effect of performance measure noise on learning depend on whether learning is experiential or vicarious? *Working Paper*.

## **F. SUSTAINABILITY AND GOVERNANCE**

Class 13 (April 7) Sustainability, Artificial Intelligence and Machine Learning, Governance

Background Reading: (TBD)

**Discussion Papers (TBD)**

Class 14 (April 14) Paper presentations