Management Control System Style and Management Accounting Techniques Adoption

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Over the last three decades a number of innovative management accounting techniques (MATs) have been developed across a range of industries. Notable contributions include activity-based costing techniques (ABC), strategic MA, target costing, value chain costing and the balanced scorecard (BSC). It is argued [1] that the ‘new’ advanced techniques have shifted the focus of MA from a ‘simple’ role of cost determination and financial control to a ‘sophisticated’ role of creating value through improved deployment of resources. However, Tillema [2] reports that many organizations have not adopted the ‘advanced’ techniques. She explains that the appropriateness of using such techniques may depend on the circumstances in which these techniques are being used.

Studies of MATs were implemented in a number of western countries. Examples include studies from the UK [3], USA [4], Australia [5], New Zealand [6] and Finland [7]. Other studies were implemented in eastern countries such as Saudi Arabia [8], Singapore, Malaysia, China and India [9]. Moreover, some researchers have been interested in comparing MATs between countries. Examples include a study by Luther and Longden [10] who compared MATs between South Africa and the UK and a study by Wijewardena and Zoysa [11] comparing MATs in Australia and Japan. The common findings from these surveys are that traditional MATs are still popular even outweighing advanced techniques in claimed benefits. An exception to these studies, Azhar and Abdul Rahman [12] results indicate that Malaysian service organizations perceive advanced MATs (AMATs) to be more useful than traditional MATs. Drivers of adopting or changing traditional MATs are also investigated in the literature. Shields [13] argued that the new MATs in Europe and other nations are spreading due to certain factors, such as increased global competition, availability of similar operating technologies, cheap and fast communication methods, increasing global homogenization of management education, rise of global consulting firms and global corporations. In addition, Sulaiman et al. [14] results in Malaysia show that change in MATs are positively and significantly associated with the organization’s core competency aims and quality initiatives.

Waweru et al. [15] results indicated that change in government regulation policy largely facilitated the management accounting change in four retail companies in South Africa. However, Joshi [16] claimed that the reasons behind the slow adoption of recently developed practices in Indian companies, compared to Australian, were the conservative attitude of Indian management towards new changes. Joshi et al. [17] called for exploring whether MATs provide insight into the quality of a firm’s management. They clarified that slow adoption and non-adoption of AMATs may be an indication that the firm’s management does not encourage or value innovative practices. Accordingly a research issue that needs to be explored is the effect of management control system style on the management’s choice of MATs.

References


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