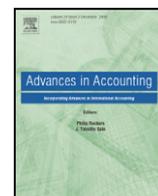




Contents lists available at ScienceDirect

Advances in Accounting, incorporating Advances in International Accounting

journal homepage: www.elsevier.com/locate/adiac

Adoption and benefits of management accounting practices: Evidence from Greece and Finland

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A B S T R A C T

This study investigates the extent to which large-size Greek manufacturing firms have implemented various traditional and currently developed management accounting practices (MAP), the benefits received from those practices and the intentions to focus on specific practices in the future. The findings indicate, that, implementation rates for many currently-developed practices were of a high level and similar than those presented in other countries, in total, traditionally MAP were found to be marginally higher implemented than the currently developed ones. However, there is an increasing trend for firms to place greater emphasis in the future on currently developed techniques instead the traditional ones, particularly on performance evaluation techniques. The results of this survey are compared to the findings of a similar study in Finland.

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1. Introduction

Traditional management accounting practices (MAP) such as budgeting, costing and profitability analysis mostly focus on internal organizational issues and are financially oriented. Additionally, recently developed MAP methods form financial and non-financial information focusing in a more strategic orientation. Several studies have analysed the adoption and benefits of traditional and recently developed MAP all over the world (Bhimani, 1996; Brown, Booth, & Giacobbe, 2001; Chenhall & Langfield-Smith, 1998; Haldma & Laats, 2002; Hyvonen, 2005; Lin & Yu, 2002; Malmi, 2001; O'Connor, Chow, & Wu, 2004; Shields, 1998; Sulaiman, Ahmad, & Alwi, 2004; Szychta, 2002).

In recent years there has been an increasing harmonization of financial accounting and advances in information technology have created an interest in the extent to which there is a common ground in management accounting practices across Europe (Pistono & Zoni, 2000). Also, there is an interest in the more general issue of whether management accounting in Europe is becoming part of “global” management accounting practices and whether the same management accounting systems are being applied in a variety of countries (Granlund & Lukka, 1998a,b; Harrison & McKinnon, 1999; Hyvonen, 2005; Shields, 1998). The result of this demand was the development of some new varieties of practices.

Chenhall and Langfield-Smith (1998), surveying the Australian manufacturing sector, found that traditional management accounting

techniques were found to be more widely adopted than recently developed techniques and that there is greater attention being paid to newer techniques in the future, especially activity-based techniques and benchmarking. Their concluding comments suggest that future research should be directed at gaining a better understanding of the factors that influence differences in the levels of adoption of recently developed management accounting techniques between countries.

Hyvonen (2005), in a similar study in Finland, attempts to identify the level of adoption of various MAP, the received benefits from the adoption, and the intentions of Finnish manufacturing firms to emphasize the practices in the future. Her findings suggest that financial measures like product profitability analysis and budgeting for controlling costs is likely to be important for the future and also greater emphasis will be placed on newer MAP like customer satisfaction surveys and employee attitudes. The results of her survey are compared to the findings of a similar study of Chenhall and Langfield-Smith (1998) referring to Australian manufacturing firms. She reports that Finnish firms give greater emphasis to recently developed non-financial measures than the Australian ones. Also, when compared with other European studies, the differences in MAP are not distinct.

In Greece, Ballas and Venieris (1996) after conducting a series of interviews in some major Greek firms noted that there was no clear picture as to what guides management accounting development in Greece. In their concluding remarks, they state that most companies used accounting for fiscal consideration purposes instead of as a tool to improve their management. Cohen, Venieris, and Kaimenaki (2005) and Venieris and Cohen (2008) investigate the reasons for ABC adoption in Greek enterprises. Therefore, there is a little evidence about MAP and especially on the issue of adoption and benefits of both

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traditional and currently-developed MAP or the intentions of firms on specific management accounting methods in the future.

The major aim of this study is to identify the MAP implemented by the Greek firms both traditional and currently developed, and their intentions for future use. Secondly, the findings of this survey are also compared with the results of Hyvonen (2005) who has analysed MAP for Finnish manufacturing firms. Thus, this study attempts to identify differences and similarities between these two European countries, Greece and Finland, and tests the homogeneity of European practices (Lukka & Granlund, 1998; Macintosh, 1998; Shields, 1998). Also, this study contributes to the management accounting literature by providing additional information to a European perspective of management accounting practice.

2. Research methodology

A survey was undertaken to gather all the appropriate data by use of a structured questionnaire. The design of the survey follows those of Chenhall and Langfield-Smith (1998) and Hyvonen (2005). In order to achieve sufficient sample size and generalizability of the results, the sample frame for this study consisted of all 157 large-size Greek manufacturing companies that employed at least 250 people. The population was drawn from a database compiled by ICAP, which is a well-known and reliable source of data for Greek companies. The size limitation was introduced for the reason that small and medium firms present some difficulties and mostly these companies do not have the appropriate management accounting tools (Chenhall & Langfield-Smith, 1998). Especially in the small firms, information is rare, and in some cases, is far from reliable. In Greece, as anywhere else, larger companies are those expected to use most of the tools and proposed practices. The questionnaire items used in this survey are exactly the same with the ones used in Hyvonen (2005) and Chenhall and Langfield-Smith (1998).

A pre-test was performed to establish content validity (Zikmund, 2003). The instrument was pre-tested through in-depth discussions with academics and management accounting professionals (from the large-size firms and specialized consulting companies). Four academics, six financial controllers or management accounting managers from the large-size firms and two management accounting professionals from consulting firms participated in the pre-testing process. The final questionnaire included 45 MAP (see Appendix A for a list of these MAP). Appendix A also categorizes these MAP according to whether they are traditional MAP (coded as T) or currently developed MAP (coded as C) and whether these MAP are used in the budgeting system (B), in the decision support system (DS), for long-term planning (LTP), for product costing (PC), or performance evaluation (PE).

For each of the 45 items, respondents were asked to indicate the benefits gained from the MAP over the last three years and the degree of emphasis the business unit will place on each MAP over the next three years. A five-point Likert scale was used to assess these benefits with 1 = no benefit and 5 = high benefit and the future emphasis placed on each MAP with no emphasis = 1 and high emphasis = 5, (Chenhall & Langfield-Smith, 1998; Hyvonen, 2005).

To ensure that the management accounting managers/controllers of the total population firms were willing to complete the questionnaire and to maximize the response rate, one research assistant contacted all 157 large-size firms. It should be mentioned that due to time constraints or company privacy concerns many management accounting managers/controllers declined to participate. The questionnaire was sent only to the 97 management accounting managers/controllers who agreed to participate in the survey (mailed or e-mailed, depending on their preference). A cover letter explaining the study objectives was attached and a stamped return envelope was enclosed. Follow-up letters were sent approximately three weeks after the initial mailing.

Within the survey, respondents were asked to indicate whether their firms had implemented each MAP and then for those who had used it in daily practice, to assess the benefits gained over the last three years. Participants were also asked the degree of emphasis that their business would give to each practice over the next three years. Demographic features of the business were obtained, including the position of the respondent and organizational size (manpower and turnover) (see Table 1). Surveys were not pre-numbered to allow the anonymity of respondents to be preserved.

A total of 88 questionnaires were returned, which corresponds to a 90.72 per cent overall response rate. Of these, five questionnaires were discarded because they were not appropriately completed. Consequently, 83 questionnaires retained for analysis (a response rate of 85.57%).

Generally speaking, researchers normally work to a 95% of certainty. This actually means that with a total population of 157 firms the minimum sample size should be around 108 instead of 83 firms (Saunders, Lewis, & Thornhill, 2000, p.156). Although the smaller size could be considered as one of the limitations of this research, we could defend it on the grounds stated by Shelby Hunt:

No manuscript should be rejected on the basis of potential nonresponse bias—no matter what the response rate is—unless there is good reason to believe that the respondents do in fact differ from the nonrespondents on the substantive issues in question and that these differences would make the results of the study unreliable' (Hunt, 1990, p.174).

To test whether our respondents were different from the non-respondents, we examined if there are any differences in the mean of all variables used in this study between early and late respondents. The rationale behind such an analysis is that late respondents (i.e. sample firms in the second mailing) are more similar to the population from which they were drawn, than the early respondents (Armstrong & Overton, 1977). No statistically significant differences were found, thus suggesting that non-response bias is not a serious issue in the study.

The Hyvonen (2005) study investigated large Finnish manufacturing firms. These companies were business units or companies on their own right. By using 51 responses she analysed the adoption of management accounting practices and their importance in the future. A majority of the respondents (38) were finance executives and most

Table 1
Demographic data.

	No.	%
Listed in Athens stock exchange		
Listed	65	78
Non Listed	18	22
Total sample	83	100
Size of organizations (turnover – m Euro)		
<100	6	7
>101–200	29	35
>201–301	31	37
>301	17	20
Total sample	83	100
Position of respondent		
Financial manager	62	75
Financial controller	12	14
Sr management accountant	6	7
Sr accountant	2	2
Accountant	1	1
Total sample	83	100
Size of organizations (manpower – employees)		
250–500	14	17
501–700	32	39
701–1000	26	31
>1000	11	13
Total sample	83	100

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