

# Revisiting fit between AIS design and performance with the analyzer strategic-type<sup>☆</sup>

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## Abstract

In considering the Miles and Snow analyzer strategic-type, this paper re-examines the relationship between strategic choice, accounting information systems design (AIS), and business-unit performance. This paper also examines the construct validity of the variables considered in the study. In response to previous studies that called for triangulation of variables with other sources, the validity of the results have been improved by using a multi-method, multiple-respondent approach for business strategy classification and business-unit performance assessment. Results of a research survey and secondary data analysis of 88 Canadian business units suggest that for prospector strategic-types, and to a lesser extent for defender strategic-types, broad-scope AIS is associated with higher performance. Managers of prospector and defender units need external, non-financial, and future-oriented information for decision-making, which represents an evolution in defenders' information needs. Results also support the assumption that information needs of analyzer strategic-type units differ from those of defender units.

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## 1. Introduction

This paper aims to revisit our understanding of the relationship between business strategy, accounting information systems design (AIS), and business unit performance. Accounting theoreticians have claimed that, from a contingency perspective, the AIS must fit the unit's

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strategic-type to achieve performance (Simons, 1987; Chenhall and Langfield-Smith, 1998). Only a few studies, however, have investigated this essential relationship, limiting what is known about the association between AIS design and strategy (Langfield-Smith, 1997). The lack of studies in this area is surprising as studies including business strategy are considered to be among the most important new literature in contingency research (Chenhall, 2003). Inappropriate design and implementation of information systems has been very costly to firms in terms of time and money, suggesting the need for a careful examination of the fit between strategy and *AIS design*.<sup>1</sup> For instance, previous research indicates that broad scope AIS has a positive effect on performance for firms operating under dynamic/hostile business environment and adopting an innovative strategic profile, while this same AIS setting (broad scope) may have a negative effect on performance for firms operating under stable/friendly business environment and adopting a defensive strategic profile (Gul, 1991; Abernethy and Guthrie, 1994).

Previous studies investigating the business strategy/AIS link with Miles and Snow's (1978, 1994) strategy typology forced respondents to categorize their units as either defender or prospector (for instance see Simons, 1987). Such a forced and dichotomous classification between defender and prospector does not accommodate units that have pursued an analyzer strategic-type.<sup>2</sup> Recent studies have consistently reported that when respondents have a choice between defender, prospector, or analyzer strategic-types to describe their units, they often choose the analyzer (see Collins et al., 1997; Sabherwal and Chan, 2001). Miles and Snow expected that information needs for managers of analyzer units would vary from those of prospector and defender strategic-types, although they did not describe how these information needs would differ.

In the present study, the *analyzer* is included as a strategic-type. Examining the relationship between business strategy and AIS scope with the analyzer strategic-type allows respondents to choose the business strategy profile that may more closely correspond to their unit, and yields results that shed some light on the analyzer's information needs for decision-making; in other words, how *analyzers'* information needs differ from those of *defenders* and *prospectors*? To the researcher's knowledge, no other study has examined the strategy/AIS relationship with analyzer-type businesses. It is important for research to have a better understanding of analyzer's information needs for decision-making since an appropriate fit between strategic-type and AIS design is a prerequisite to achieve higher business performance (Abernethy and Guthrie, 1994). The present research initiative aims also to encourage future studies to incorporate the analyzer strategic-type.

Recent research indicates that *defenders'* information needs may have evolved, which leads us to examine whether they have changed and, if so, in what direction. This type of investigation is important for the AIS and contingency research literature as business units change their strategy to deal with new business environments, thus we need to reexamine the AIS design to include information that is pertinent for decision-making.

This paper extends the Ismail and King (2005) study in the following ways: 1) Ismail and King restricted their study to manufacturing firms only, while the present study includes both manufacturing and service industries; 2) they adopted the *moderation* perspective to measure fit between variables, while the present study uses the *matching* perspective and 3) Ismail and King obtained subjective measures from a survey with one respondent per unit while in the present

<sup>1</sup> *AIS design* is defined here as the scope of information used by managers for decision-making.

<sup>2</sup> While other strategic typologies have been conceptualized, Miles and Snow's (1978, 1994) is one of the most widely used, including in the field of accounting research.

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