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The influence of comprehensive performance measurement system (CPMS) towards managers' role ambiguity

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Abstract

Comprehensive PMS (CPMS) has been widely used for decision facilitating and decision influencing purposes. Role theory suggests that CPMS information is useful for enhancing role expectation and motivation. Prior research shows inconsistent findings and research that examines behavioural consequences of CPMS informational characteristics is still lacking. This research examines how CPMS may influence managers' role ambiguity. The data were collected from 120 business unit managers of manufacturing firms listed in the Federation of Malaysian Manufacturers (FMM) 2011 Directory. Consistent with prior literature, findings indicate that CPMS informational characteristics would reduce managers' role ambiguity.

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1. Introduction

Performance measurement has become a central issue for academicians and practitioners started in the early of 1990s. Performance measurement based on traditional cost or management accounting system (MAS) was introduced in early 1900s (Ghalayini et al., 1997). However, changes in technology, shortened in product lifecycle, innovation in production processes have implications on the use of PMS. Traditional financial measures are no

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longer adequate to provide required information essential for managers' decision making (Eccles, 1991; Eccles & Pyburn, 1992; Ittner & Larcker, 1998), thus was claimed lack of comprehensiveness, imprecise in evaluating performance, limited focus on long term performance and focus more on short term performance (Ittner & Larcker, 1998). Consequently, Kaplan and Norton (1992) introduced the Balanced Scorecard (BSC) to account for the limitation of the traditional accounting system which provides measures focused on multiple nonfinancial and financial measures (Kaplan & Norton, 1996). Previous studies focused on research examining the effect of SPMS such as BSC on organisational performance (Chenhall, 2005; Davis & Albright, 2004; Hoque & James, 2000; Hyvonen, 2007; Ittner et al., 2003; Said et al., 2003; Van der Stede et al., 2006).

Nevertheless, only few researches had examined how SPMS would influence manager's behaviour (Burney & Widener, 2007; Ittner & Larcker, 1998; Webb, 2004). Further, prior research identified that the relationship between PMS and individual outcomes is mediated by factors such as role ambiguity and job relevant information (Burney & Widener, 2007), procedural fairness, organisation commitment (Lau & Moser, 2008), psychological empowerment and role clarity (Hall, 2008), trust and fairness (Lau & Sholihin, 2005) and justice perception (Burney et al., 2009). This line of research provides evidence that PM system plays an important influence on manager behaviour which is generally recognised by organisational theory that individual actions largely contribute to the organisation's long-term success (de Haas & Kleingeld, 1999; Otley, 1999). Thus, there is a need to further investigate other factors that may influence the relationship. The purpose of the study is to add to our understanding of the relation between CPMS and manager's behaviour particularly, in the context of Malaysian manufacturing companies as no prior research has so far examined the relationship. Additionally, this paper will also extend the research by Hall (2008) to further examine the implication of the informational aspect of PMS, particularly, comprehensive PMS on managerial behaviour. Research will focus on cognitive abilities of manager in using information provided by CPMS and how the information will affect managers' behaviour. Longenecker, Neubert and Fink (2007) identified main reasons of managerial failure in the twenty first century includes ineffective communication, poor work relationship, and failing to set clear direction or clarify performance expectation.

As a consequence of these factors embedded in managers, employees suffer dysfunctional stress, non-optimal performance and increased turnover of personnel. When employees are not given clear sense of direction, motivation will decrease which will lead to ineffective resource allocation. Additionally, Chenhall (2003) claimed that there is implied connection between MCS and organisational outcomes. Since there is a broad leap linking MCS and organisational performance, it is necessary to focus on MCS implication on the individual manager behaviour in a way to improve organisational performance. Past researches examining the link between SPMS and organisational performance seem to provide ambiguous finding (Chenhall, 2005; Micheli & Manzoni, 2009). Positive implications were identified by some studies which found that SPMS may lead to enhance ROA and ROE (Ittner & Larcker, 2003), improve organisational performance (Hoque & James, 2000; Said et al., 2003; Van der Stede et al., 2006) and improve composite financial measure (Davis & Albright, 2004). However few studies reveal equivocal findings or SPMS limitations (Hyvonen, 2007; Ittner et al., 2003). Ittner, et al. (2003) identified greater measurement emphasis and diversity or BSC process are associated with higher satisfaction and stock market performance; however no association was found between BSC and economic performance.

Management accounting information particularly, performance measures provide two main purposes; decision influencing role and decision facilitating role (Grafton et al., 2010; Kren, 1992; Sprinkle, 2003; van Veen-Dirks, 2010). Kren (1992) and Sprinkle (2003) claimed that performance measure is used for decision-influencing role in performance evaluation functions. Performance measure for decision-facilitating refers to the use of performance measure to provide information and guide managers in decision-making. The cognitive role of CPMS suggests that CPMS would provide job relevant information, reduces role conflict and role ambiguity (Burney & Widener, 2007); enhance goal commitment (Webb, 2004) and increase role clarity and psychological empowerment (Hall, 2008). Another focus of PMS research is on behavioural consequences of CPMS on evaluators or superior. The use of CPMS for performance evaluation would lead to judgemental bias by superior when comparing performance across different business units (Lipe & Salterio, 2000), may lead to compress and lenient performance rating (Moers, 2005) and influenced by strategically linked measures more than non-linked measures (Banker et al., 2004). The use of SPMS (BSC) can be problematic as managers tend to ignore certain information from PMS

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