



# Assessing empirical research in managerial accounting: a value-based management perspective<sup>☆</sup>

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## Abstract

This paper applies a value-based management framework to critically review empirical research in managerial accounting. This framework enables us to place the exceptionally diverse set of managerial accounting studies from the past several decades into an integrated structure. Our synthesis highlights the many consistent results in prior research, identifies remaining gaps and inconsistencies, discusses common methodological and econometric problems, and suggests fruitful avenues for future managerial accounting research. © 2001 Elsevier Science B.V. All rights reserved.

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## 1. Introduction

The past two decades have witnessed considerable change in managerial accounting practice. From its traditional emphasis on financially oriented decision analysis and budgetary control, managerial accounting has evolved to encompass a more strategic approach that emphasizes the identification, measurement, and management of the key financial and operational drivers of shareholder value (International Federation of Accountants, 1998; Institute of Management Accountants, 1999). A similar evolution has occurred in managerial accounting research. Empirical studies of budgeting and financial control practices are giving way to research on a variety of “new” techniques such as activity-based costing, the balanced scorecard, strategic accounting and control systems, and economic value performance measures.

Although researchers generally treat these techniques as distinct, companies increasingly are integrating these various practices using a comprehensive “value-based management” (hereafter VBM) framework. This approach focuses on (1) defining and implementing strategies that provide the highest potential for shareholder value creation; (2) implementing information systems focused on value creation and the underlying “drivers” of value across a company’s business units, products, and customer segments; (3) aligning management processes, such as business planning and resource allocation, with value creation; and (4) designing performance measurement systems and incentive compensation plans that reflect value creation (KPMG Consulting, 1999; PricewaterhouseCoopers, 1999).

This paper applies a value-based management framework to critically review empirical research in managerial accounting. Given the breadth of managerial accounting research methods and topics, it is impossible for a single paper to adequately summarize the entire field. Instead, we limit our review to organization-level studies that use archival or survey data to examine issues related to the VBM perspective. These criteria lead us to exclude most behavioral research, experimental studies, and qualitative case research. We also exclude much of the compensation literature, which is covered in comprehensive review papers by Pavlik et al. (1993), Murphy (1998), and Bushman and Smith (2001), among others.

We adopt the VBM framework for three reasons.<sup>1</sup> First, VBM represents an extension of traditional management planning and control frameworks (e.g., Anthony, 1965) and contingency theories of managerial accounting system

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<sup>1</sup>The value-based management framework used in this paper is an adaptation of similar frameworks developed by a number of accounting and consulting firms. For discussions of the value-based management frameworks developed by Deloitte & Touche, McKinsey & Co., KPMG Peat Marwick, and PricewaterhouseCoopers, see Dixon and Hedley (1997), Copeland et al. (1996), KPMG Consulting (1999), and Black et al. (1998), respectively.

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