
Preface

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Biographical notes: Alan S. Dunk received BBus (NSWIT), MEd, PhD (Macquarie), FCPA. He is a Professor of Accounting from School of Business and Government, University of Canberra. He has held Director of Research and Head of School positions at a number of Australian Universities. He has published in a number of leading accounting journals including *The Accounting Review*, *Accounting, Organisations and Society*, *Management Accounting Research*, *The British Accounting Research*, *Advances in Management Accounting*, and *Accounting and Finance*.

Management control, performance measurement and management are critical dimensions of management accounting. They are receiving considerable research attention internationally, and this special issue of the *International Journal of Accounting, Auditing and Performance Evaluation* provides five outstanding papers exploring a range of management control and performance-related topics in an array of settings. Importantly, they provide guidance to both the academic community and practitioners of advances in the field as well as suggestions for future research.

Taking the papers in alphabetical order, the paper by Al-Enizi, Innes, Kouhy and A-Zufairi examines the role of non-financial performance measurement in the banking industry in a number of Gulf States. They conduct four comprehensive case studies examining the degree of use, the factors influencing the use, and the consequences of using non-financial performance measures in the overall evaluation and management of organisational activities and operations. Al-Enizi et al. provide evidence of non-financial measures used, as well as the context in which they are used. They also consider how the use of non-financial measures affects the decision-making of firms, their long-run profit, and their overall performance. Although the use of non-financial approaches to performance evaluation has long been advocated (Maiga and Jacobs, 2005), and a number of non-financial measures have been adopted (Abdel-Maksoud et al., 2005), little systematic information is available as to the nature and specific use of non-financial indicators in organisational settings. This paper helps to fill in some of those gaps.

Congruence in management control practices in the USA is explored by Bento and White. They examine relations between ten budgeting, performance evaluation, and compensation practices and find that there is widespread disagreement between managers preferred and actual company levels of application of management control practices, particularly with respect to budget emphasis. Congruence between preferred and actual levels of control practices in relation to the use of financial and non-financial metrics are found to be associated with managerial performance. This paper makes two important

contributions. First, it adds to the expanding literature examining the utility of non-financial, non-price and individual performance measures in compensation contracts (HassabElnaby et al., 2005). For example, Evans et al. (2005) report a trend in the healthcare industry toward combining non-financial and financial performance measures in physicians' incentive contracts, consistent with approaches in other organisational settings. Bento and White's work may facilitate an understanding of the implications of doing so. Second, they contribute to the debate as to why some firms discontinue the use of non-financial measures. HassabElnaby et al. (2005) point out that the initial selection of non-financial performance measures may fail to match an organisation's attributes which they warn may negatively impact firm performance.

Brown examines value-based management as a method of performance measurement and considers how such an approach works in practice. He investigates in a UK setting the role of value based management as a control mechanism and as a strategy indicator. Brown finds evidence that companies are unclear whether financial performance measures adequately reflect corporate strategy. Such a finding is of some concern, as De Busk et al. (2005) report that users of management accounting information have been critical of organisations whose performance measurement system is dominated by financial measures. Moreover, the literature reports that users of performance measurement systems which combine financial and non-financial indicators can experience cognitive difficulties in evaluating organisational performance (e.g., Lipe and Salterio, 2000; Ittner et al., 2003; Banker et al., 2004).

Chow, Deng and Yuen in the fourth paper of this special issue examine closely the nature of managerial information demands and how well these demands are being met by Chinese business enterprises. Managers report that they consider important in their decision making in relation to the efficient and effective operation of their areas of responsibility financial and non-financial measures that focus on internal as well as external factors. Their findings also indicate opportunities for improving the utility of extant management information systems as well as obstacles in doing so. As there is little systematic evidence to indicate how managers react to the relative use of non-financial vs. financial measures (Lau and Sholihin, 2005), Chow et al.'s work makes a significant contribution to the literature.

An ongoing issue in management accounting that deserves continuing attention is whether specific independent variables act as moderators or antecedents in organisational relations, and is the topic of the fifth paper. Duh, Chen and Chow conduct a timely study in Taiwan of the role of environmental uncertainty as an antecedent or moderator in the context of budgeting systems in the role of facilitating performance. Duh et al.'s exploration of this issue is of some considerable importance in assisting in understanding how specific factors influence or play a role in influencing performance within organisations.

The topics examined by the five papers in this special issue provide considerable opportunities for further research. They demonstrate that much more needs to be done to gain a better understanding of control system design as well as the effectiveness of different performance evaluation and management approaches across an array of organisational settings. For example, Said et al. (2003) and Hoque (2005) warn that recent studies linking the use of non-financial performance measures to performance have resulted in mixed findings. Moreover, Lau and Sholihin (2005) argue that organisations adopting non-financial measures for performance evaluation need not only to ascertain the relative weights to be assigned to non-financial vs. financial measures,

but also to understand how different combinations of non-financial and financial measures affect the behaviour of employees to facilitate the selection of the best mix of measures. Exploring issues such as identifying measure mixes likely to lead to greater goal congruent behaviour are likely to be fruitful areas of research.

The papers in this special issue also provide a springboard for other avenues of research. For example, Arya et al. (2005) note that although non-financial measures promise customisation so that incentives can be better targeted to specific business units, firms frequently maintain their reliance on financial metrics in performance evaluation. De Busk et al. (2005) report that users of performance measurement data frequently emphasise financial over non-financial measures in evaluating organisational performance. However, Dilla and Steinbart (2005) find that decision-makers trained in the application of the balanced scorecard used common and unique measures to evaluate performance. Clearly, more work needs to be done in this area.

Hence, the overarching theme of these five papers in this special issue of the *International Journal of Accounting, Auditing and Performance Evaluation* is the role and relative weight of financial and non-financial performance measures in assessing not only current performance, but also their capacity to contribute to the ongoing organisational control and management of future performance. I commend them to you.

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