Abstract

Does the type of knowledge, and levels of ability and experience needed, depend on rank in managerial accounting? Are the knowledge, ability, and experience needed for managerial accounting success, consistent with the Libby & Luft (L&L) model (1993) of the determinants of judgment performance in accounting? We explore these questions using structural equation models of the performance evaluations of 2941 practicing managerial accountants. Results indicate that technical managerial accounting knowledge, ability, and experience predict job performance success for junior managerial accountants; industry knowledge, tacit managerial knowledge (TMK) and experience predict success for seniors; and, industry and TMK predict success for managers. The results suggest significant (though not identical) commonality in the predictors of success in managerial accounting and the determinants of judgment performance identified in the L&L model. © 2000 Elsevier Science Ltd. All rights reserved.

1. Introduction

In Part 1 of this study, we found evidence of rank-based differences in the measured ability, and technical, industry, and tacit managerial knowledge (TMK) of managerial accountants. In this paper, we explore whether and how these differences affect professional success. Understanding the determinants of success in professional accounting can potentially contribute to practice in multiple ways. The potential contributions of this work include illuminating the relationship between knowledge, ability, experience and professional accountants’ success, structuring accounting work, creating decision aids to improve performance, and clarifying the relationship between the accounting-related pedagogy of companies, firms and universities and the determinants of practice success. Given the importance of understanding the determinants of success in professional accounting, it is surprising that little previous research investigates this issue. One explanation for the dearth of relevant research is the unavailability of data on accounting professionals’ job performance (Indjejikian, 1999).

Existing research helps explicate the relationship between knowledge, ability, experience, and judgment performance primarily in experimenter-adapted versions of technical auditing tasks (e.g. Bonner & Lewis, 1990). The “expertise” paradigm used in much of this work seeks to isolate the
specific technical auditing knowledge needed in audit tasks (e.g. Frederick & Libby, 1986). A complementary research approach to the expertise paradigm is to demonstrate that differences in knowledge, ability, and experience are associated with differing job performance (Tan & Libby, 1997). This approach helps to establish the economic consequences of differences in knowledge and ability.

It seems likely that accountants’ and auditors’ job performance depends on both technical and non-technical performance dimensions. One of the objectives of this paper is to link practising accountants’ individual differences in knowledge, ability, and experience to job-related economic outcomes. Another objective is to investigate whether and how both technical and non-technical job dimensions contribute to professional managerial accounting success.

As a consequence of the absence of research investigating managerial accountants (see Part 1), we know surprisingly little about (1) the relative contributions and importance of knowledge, ability, and experience to success in managerial accounting, (2) the extent of commonality in the determinants of success between managerial accountants and public accounting firm auditors, and, (3) the contributions of non-technical knowledge to success in professional accounting. Therefore, investigating practising managerial accountants has the joint benefit of testing the extent to which existing models of public accounting firm auditors generalize to managerial accounting, and providing insight into the large, though neglected, majority of accounting professionals working in managerial accounting.

To investigate the determinants of success in managerial accounting, we obtained a large sample of annual managerial accountants’ job performance evaluations. Job performance evaluations are the primary criteria by which most large organizations make raise, promotion, and retention decisions (Landy & Farr, 1980). Further, promotions and, correspondingly, supervisors’ job performance evaluations of subordinates, have important economic consequences (Gibbs, 1995; Locher & Teel, 1977; Medoff & Abraham, 1981).

1.1. Success in external auditing vs. managerial accounting

We rely on research investigating external auditors as a starting point for theorizing about managerial accountants. We speculate that there is significant commonality, and a few differences, in the determinants of success for external auditors and managerial accountants. External auditors and managerial accountants both exercise professional judgment in multi-period risky decisions that have potentially large and asymmetric financial consequences (cf. Ashton & Ashton, 1995; Libby, 1995). Professionally certified auditors and managerial accountants also share dual responsibilities to an employer (for managerial accountants) or client (for external auditors) and to professional standards and codes of ethics. In addition, both auditors and managerial accountants must know emerging industry trends and developments, manage their careers, and maintain and develop constructive working relationships with others.

But there are also differences in external auditing and managerial accounting. Most importantly, external auditing is primarily a compliance activity conducted in hierarchical teams of public accounting firm auditors. External financial auditors independently evaluate a client’s operations and systems consistent with generally accepted audit standards (GAAS) in order to opine on the conformity of the client’s financial statements with generally accepted accounting principles (GAAP) (Solomon & Shields, 1995). In contrast, managerial accountants work in teams whose members have widely divergent skills and backgrounds to plan and control a business (e.g. Knight & Zook, 1982).

Comparing the work of external auditors and managerial accountants leads us to expect differences in the required knowledge needed by external auditors and managerial accountants. For example, the core technical knowledge of external auditors is often considered to be GAAS and GAAP, while the core technical knowledge of managerial accounting is much broader and includes budgeting and cost analysis, corporate financial management, decision analysis, and information systems (Institute of Management Accountants, 1998). However, comparing audit
and managerial accounting work also leads us to expect commonality in the relationships between relevant knowledge, ability, experience and success in external auditing and managerial accounting. Because we expect commonality in these relationships, we use prior research investigating public accounting firm auditor success as a basis for theorizing about success in managerial accounting.

We next propose a theory of the determinants of success in managerial accounting based on the Libby & Luft (1993), Libby (1995) model of the determinants of judgment performance in accounting. Following this, we describe our research method, report our results, and discuss their contributions and limitations.

2. Theory and hypotheses

2.1. The Libby and Luft (L&L) model of the determinants of judgment performance

Libby and Luft’s (L&L) model of the antecedents and consequences of knowledge in accounting provides a useful framework for investigating rank-specific hypotheses of the determinants of managerial accountants’ job performance. They posit two classes of input variables (experience and ability), a penultimate output variable (knowledge), a final output variable (performance), and four links among variables (Link 1 experience → knowledge; Link 2 ability → knowledge; Link 3 knowledge → performance; Link 4 ability → performance) (see Fig. 1). L&L (1993) argue, and Libby and Tan (1994) provide evidence (from auditors) that the significance and strength of model links depend on task demands and accounting professionals’ ability and knowledge.

Although some research investigates specific links in the L&L model, only one study investigates these links in the presence of the entire model Libby and Tan (1994). The L&L model includes multiple causal levels, i.e. both direct and indirect performance determinants. An important advantage of structural equation modeling (SEM) techniques, relative to regression approaches, is the ability to simultaneously test all relevant paths among variables in multiple causal level analyses (Baron & Kenny, 1986; Rodgers, 1991; Wold, 1985). Libby and Tan (1994) illustrate a SEM approach to the L&L model. They reanalyzed Bonner and Lewis’ (1990) data using structural equation methods to model the determinants of performance in four audit tasks. Their results support the general form of the L&L model, and consistent with L&L’s theory, suggest considerable variability in the determinants of performance in specific tasks.

2.1.1. Experience → knowledge (link 1) and knowledge → performance (link 3)

Link 1 in the L&L model posits that experience affects knowledge while link 3 posits that knowledge affects performance. We predict that links 1 and 3 in the L&L model will obtain at all ranks among managerial accountants, i.e. these links will hold true in models of juniors’, seniors’, and managers’ job performance. This suggests the following hypotheses:

H1a (link 1): There will be a positive relationship between experience and knowledge at all ranks of managerial accounting (i.e. juniors, seniors and managers).

H1b (link 3): There will be a positive relationship between knowledge and performance
at all ranks of managerial accounting (i.e. juniors, seniors and managers).

Hypothesis 1b predicts that the latent construct “knowledge” will contribute to performance regardless of rank. But we expect the specific knowledge that links to performance evaluations to differ systematically with rank. In addition, we expect the relationship between ability and knowledge (link 2) and ability and performance (link 4) to vary by rank. Hypotheses 2–4 predict whether differences in knowledge content and ability will be associated with differing job performance ratings in managerial accounting practice as a function of rank.

2.1.2. Technical managerial accounting knowledge → performance (link 3)

Previous research primarily investigates the relevance of public accounting firm auditor’s technical knowledge to judgment performance in specific audit tasks. However, evidence also suggests that technical knowledge is an important predictor of judgment performance for tax professionals (Bonner et al., 1992) and manager’s cost-related judgments (Dearman & Shields, 1999). Surveys suggest that technical managerial accounting knowledge is critical to the work of junior-level managerial accountants (Siegel & Sorensen, 1994; Siegel et al., 1997) but less important at higher ranks. Although unrelated to managerial accountants, audit, tax, and consulting public accounting firm partners rate technical competence as less important in promotion to partner decisions than in promotion to senior and manager decisions (Bhamornsiri & Guinn, 1991). Therefore, we expect technical accounting knowledge to contribute to junior- and senior-level (but not manager-level) managerial accountants’ job success:

H2a (link 3): Among junior managerial accountants, there will be a positive relationship between technical (managerial accounting) knowledge and job performance.

H3a (link 3): Among senior managerial accountants, there will be a positive relationship between technical (managerial accounting) knowledge and job performance.

H4a (link 3): Among manager-level managerial accountants, there will be no relationship between technical (managerial accounting) knowledge and job performance.

2.1.3. Industry knowledge → performance (link 3)

Previous research does not investigate the role and importance of industry knowledge to managerial accounting success. Survey evidence weakly implies that industry knowledge may be of greater importance to senior- and manager-level managerial accountants (Siegel & Sorensen, 1994; Siegel et al., 1997) and accounting firm partners (Bhamornsiri & Guinn, 1991) than to lower ranks. In addition, it seems likely that junior-level managerial accountants will have insufficient training and experience to acquire industry knowledge. Therefore, we predict that industry knowledge will be associated with senior- and manager-level, but not junior-level, managerial accountants’ success:

H2b (link 3): There will be no relationship between junior managerial accountants’ industry knowledge and job performance.

H3b (link 3): Among senior managerial accountants, there will be a positive relationship between industry knowledge and job performance.

H4b (link 3): Among manager-level managerial accountants, there will be a positive relationship between industry knowledge and job performance.

2.1.4. Tacit managerial knowledge (TMK) → performance (link 3)

As discussed in Part 1 of this paper, TMK is acquired primarily through on the job experience. However, the association between TMK and MA success is unexplored in research. We speculate that TMK will contribute to senior- and manager-level, but not junior-level, managerial accountants’ success. Accordingly, we hypothesize the following:
H2c (link 3): There will be no relationship between junior managerial accountants’ tacit managerial knowledge (TMK-career, self, and others) and job performance.

H3c (link 3): Among senior managerial accountants, there will be a positive relationship between the three forms of tacit managerial knowledge (TMK-career, self, and others) and job performance.

H4c (link 3): Among manager-level managerial accountants, there will be a positive relationship between the three forms of tacit managerial knowledge (TMK-career, self, and others) and job performance.

2.1.5. Ability → knowledge (link 2) and ability → performance (link 4)

2.1.5.1. Ability. There is no existing research exploring the role and importance of ability to managerial accounting success. Libby and Tan (1994) argue for and find evidence of a relationship between the learning environment and the importance of problem-solving ability (PSA) to external auditors’ judgment performance. Specifically, they find that the importance of PSA to audit judgment performance increases with task complexity and decreases with the extent of structure in the opportunities for task learning (i.e. the availability of instruction and feedback). This suggests that PSA may be of lesser (greater) importance to the less (more) complex tasks performed by, and the more (less) structured learning environments of, junior-level (senior and manager-level) managerial accountants:

H2d (link 2): Among junior managerial accountants, there will be no relationship between problem-solving ability (PSA) and knowledge.

H2e (link 4): Among junior managerial accountants, there will be no relationship between problem-solving ability (PSA) and job performance.

H3d (link 2): Among senior managerial accountants, there will be a positive relationship between problem-solving ability (PSA) and knowledge.

H3e (link 4): Among senior managerial accountants, there will be a positive relationship between problem-solving ability (PSA) and job performance.

H4d (link 2): Among manager-level managerial accountants, there will be a positive relationship between problem-solving ability (PSA) and knowledge.

H4e (link 4): Among manager-level managerial accountants, there will be a positive relationship between problem-solving ability (PSA) and job performance.

3. Method

3.1. Overall job performance measure

We use the data and procedures described in part 1 of this study. In addition, we report data on the managerial accountants’ 1996 annual overall job performance evaluations of the employee’s immediate supervisor. The performance evaluation rating scale was developed, tested, and validated by the MAIA. Job performance evaluations are made on a 1–5 scale where: 1=very poor, 2=below average, 3=average, 4=above average, 5=very good.

We tested for non-response bias and found no significant differences between respondents and non-respondents in overall performance evaluations ($P \geq 0.49$). Respondents replied to two solicitations that were one week apart. We tested for differences between respondents to the first and second solicitations and found no significant difference in the overall performance ratings of early- and late-responding juniors and managers ($p \geq 0.182$). We did find significant differences in the overall performance ratings of early- and late-responding seniors; however, given that we tested
18 hypotheses (15 in part 1 and 3 in part 2) comparing early- and late-respondents using an \( \alpha = 0.05 \), we would expect one significant result due to chance.

### 3.2. Models and analyses

#### 3.2.1. Structural equation models (SEM)

Structural equation methods are specifically designed to investigate “latent” constructs, i.e. variables that are indirectly observed using multiple measured indicators (Rodgers, 1991). Such models are uniquely appropriate to unobservable constructs such as knowledge in the L&L model. But structural equation approaches require large sample sizes (MacCallum, Browne & Sugawara, 1996). To test the adequacy of our sample size, we computed the statistical power of our structural equation models, using the procedure described in MacCallum et al. (1996) \(( \alpha = 0.05, \ v_0 = 0.05, \ v_\alpha = 0.08)\). Statistical power, which is equal to \( 1 - \beta \) error, is the long-run likelihood of correctly rejecting the null hypothesis (Cohen, 1969, 1988, 1992; Kraemer & Thiemann, 1987). Results indicated statistical power of 99.9 for the juniors’ model, 94.7 for the seniors’ model, and 66.1 for the managers’ model.

We used the coefficient values generated from structural equation models to test the hypotheses. Our initial structural equation model implemented the four variables and the four links among variables in the L&L model (see Fig. 1). We included experience (months in accounting), ability (general PSA measure) and overall job performance as manifest (i.e. single measure) variables in the model. We included technical, industry, and TMK knowledge as measured indicators of the latent construct “knowledge”. Because the data failed to approximate a normal distribution (see Part 1, footnote 6), we used the generally weighted least squares (GWLS) method to estimate model structural equation parameters and goodness of fit indices.\(^1\)

We used the procedure described in Anderson and Gerbing (1988) to compare the fit of the L&L models for junior, senior, and manager-level managerial accountants to seven plausible alternative models: (1) the L&L model omitting ability, (2) the L&L model omitting experience, (3) the L&L model omitting all knowledge measures, (4) the L&L model omitting knowledge that appeared irrelevant to determining success for managerial accountants at a particular rank, (5) the L&L model adding an experience—performance path, (6) the L&L model adding an experience—ability path, and (7) the L&L model adding an experience—performance path and omitting any insignificant paths.\(^2\)

### 4. Results

#### 4.1. Goodness of fit

We used five criteria for assessing model fit: (1) the \( \chi^2 \) ratio \( [= \chi^2/(\text{degrees of freedom})] \), (2) the normed fit index (NFI), (3) the non-normed fit index (NNFI), (4) the comparative fit index (CFI) and (5) the average absolute standardized residual (AASR) (Bentler, 1990). For the L&L structural equation model of juniors’ data, four of the five overall goodness of fit indices indicate good model fit \([\chi^2 \text{ ratio } (12.000), \ NFI \ (0.939), \ NNFI \ (0.913), \ CFI \ (0.944), \ \text{and AASR } (0.016)]\). In addition, the L&L model’s fit statistics exceed those of all but one of the alternative models we tested. However, adding an experience—performance path to the L&L model improves model fit such that all five fit statistics indicate good model fit \([\chi^2 \text{ ratio } (2.941), \ NFI \ (0.986), \ NNFI \ (0.985), \ CFI \ (0.991), \ \text{and AASR } (0.015) — \text{see Fig. 2} ]\). We used the multivariate Lagrange multiplier test (Aitchison & Silvey, 1958) to test whether adding the experience—performance path significantly improved model fit. The results

\(^1\) The GWLS is asymptotically distribution free, whereas maximum likelihood (ML) and generalized least squares (GLS) estimators assume normally distributed data (Raykov & Widaman, 1995).

\(^2\) We performed three tests (described in Part 1, footnote 7) to identify extreme observations in the industry knowledge, TMK, ELTMAK, ability, and job performance evaluation rating data. Omitting the extreme values identified by these procedures did not affect the statistical significance of the reported results.
indicate that adding this path significantly improved model fit \(\chi^2(1) = 155.29, P < 0.01\).³

Similar, but poorer fitting, results we obtained for the seniors’ data. For the L&L model, one of the five model fit criteria (AASR) is in the desired range \([\chi^2\text{ ratio (6.778) NFI (0.796), NNFI (0.716), CFI (0.817), and AASR (0.031)}]\). Once again, the L&L model’s fit statistics exceed those of all but one of the alternative models tested. However, we again find that adding an experience—performance path improves model fit, such that three of the five statistics indicate good model fit \([\chi^2\text{ ratio (4.235) NFI (0.879), NNFI (0.840), CFI (0.903), and AASR (0.024)} — see Fig. 3]\). Multivariate Lagrange multiplier test results again indicate that the experience—performance path improved model fit \(\chi^2(1) = 64.80, P < 0.01\). Therefore, we conclude that adding an experience—performance path improves the fit of the L&L model.

Results for the manager data again indicate that the L&L model \([\chi^2\text{ ratio (2.610) NFI (0.827), NNFI (0.815), CFI (0.881), and AASR (0.029)}]\) and the L&L model with an experience—performance path \([\chi^2\text{ ratio (2.588), NFI (0.838), NNFI (0.816), CFI (0.888), and AASR (0.029)}]\) are the best fitting models. For both the L&L and L&L augmented model, one of the five model fit criteria (AASR) are in the desired range, which is consistent with the decreased sample sizes and lesser power of tests for this model (MacCallum et al., 1996). The remaining four criteria are close to desired levels and suggest marginal model fit. Multivariate Lagrange multiplier test results indicate that adding the experience—performance path only marginally improves model fit \(\chi^2(1) = 2.68, P = 0.10\). We, therefore, conclude that the L&L model best fits the managers’ data, but that model fit is marginal (see Fig. 4).⁴

³ We also tested versions of the models reported in Figs. 2, 3 and 4 that included experience as a latent construct with three measures: (1) total experience in years, (2) years experience in current position, (3) years experience with this company. Including experience as a latent construct did not materially change the goodness of fit indices of the models. In addition, factor loadings for the measured variables “years experience in this position” and “years experience with this company” were not statistically significant in any of the tested models \((P \geq 0.28)\).

⁴ We also tested the effects of adding demographic measures (i.e. gender, education, professional certification) to the juniors’, seniors’, and managers’ models. Adding these variables did not improve the fit of any of the tested models.
4.2. Hypothesis 1

We test hypotheses 1a and 1b using coefficient values of paths in the juniors’ (see Fig. 2), seniors’ (see Fig. 3) and managers’ (see Fig. 4) models. Hypothesis 1a predicts a positive experience → knowledge path in all models; hypothesis 1b predicts a positive knowledge → performance path in all models. The data for all three models support these hypotheses and indicate significant experience → knowledge (P < 0.001) and knowledge → performance (P < 0.007) paths.
4.3. Juniors (hypothesis 2)

H2a predicts a positive relationship between technical (managerial accounting) knowledge and job performance among junior managerial accountants. Hypotheses H2b and H2c predict no relationship between industry knowledge and job performance, and all forms of TMK and job performance, respectively. The data support H2a, H2b and H2c. The technical knowledge latent variable coefficient is significant, supporting H2a \( t(17) = 5.08, P < 0.001 \) (see Fig. 2). Consistent with hypotheses H2b and H2c, neither the industry nor any of the TMK variable coefficients are significant \( (P > 0.790) \) indicating no reliable relationship between industry knowledge and job performance, or between any form of TMK and job performance.

Hypothesis H2d predicts no relationship between ability and knowledge among junior managerial accountants, while hypothesis H2e predicts no relationship between PSA and job performance among junior managerial accountants. The data support hypothesis H2d. There is no relationship between PSA and knowledge in the juniors' model \( t(17) = 0.26, P = 0.798 \). However, the data do not support hypothesis H2e; there is a positive relationship between PSA and job performance in the juniors' model \( t(17) = 29.63, P < 0.001 \).

4.4. Seniors (hypothesis 3)

H3a, H3b, and H3c predict positive relationships between technical (managerial accounting) knowledge (H3a), industry knowledge (H3b), all forms of TMK (H3c) and job performance among senior managerial accountants. The industry knowledge and all forms of the TMK variable coefficients are significant, supporting hypotheses H3b and H3c \( (P < 0.001 \) — see Fig. 3). However, the technical knowledge coefficient is marginally significant \( t(17) = 1.76, P = 0.096 \). Hypothesis H3a is, therefore, not supported.

Hypothesis H3d predicts a positive relationship between ability and knowledge, while hypothesis H3e predicts a positive relationship between ability and performance among senior managerial accountants. The data support these hypotheses, as there are significant PSA — knowledge \( t(17) = 3.24, P = 0.001 \) and ability — performance \( t(17) = 9.45, P < 0.001 \) paths in the seniors’ model.

4.5. Managers (hypothesis 4)

H4a predicts no relationship between technical (managerial accounting) knowledge and job performance among managers. The data support H4a; the technical (managerial accounting) knowledge coefficient is not significant in the managers’ model \( t(17) = 1.04, P = 0.313 \); see Fig. 4). Hypotheses H4b and H4c predict a positive relationship between industry knowledge and job performance, and between all forms of TMK and job performance, respectively. The data support H4b, and H4c. The industry knowledge and TMK variable coefficients are significant \( (P < 0.001) \) indicating positive relationships between industry knowledge and job performance, and between all forms of TMK and job performance.

Hypothesis H4d predicts a positive relationship between PSA and knowledge while hypothesis H4e predicts a positive relationship between PSA and performance among manager-level managerial accountants. The data support hypothesis H4d but not H4e. There is a significant ability — knowledge \( t(17) = 7.40, P < 0.001 \) path in the managers’ model. However, the ability — performance \( t(17) = 0.34, P = 0.738 \) path is not significant.

5. Discussion

5.1. Relevance of the L&L model to managerial accounting

We adapt the L&L model to apply to a broader performance criteria than its authors originally intended. Specifically, the original form of the L&L model articulates the determinants of judgment performance in accounting settings. We apply the model to the determinants of job success of managerial accountants. But despite this expanded application of the model, the data support all of the specified linkages in the original L&L model. At the same time, the presence of
significant experience—performance paths in the juniors’ and seniors’ data, and the marginal model fit of the L&L model to the managers’ data, are potentially inconsistent with the L&L model. These inconsistencies may be due either to: (1) omitted variables that contribute to managerial accountants’ success or (2) for the managers’ model, the lower statistical power of our structural equation model (statistical power = 1−β = 66.1) than for the juniors’ and seniors’ models. Some of the potentially omitted but relevant variables (e.g. knowledge structure, see Nelson, Libby & Bonner, 1995), are consistent with the L&L model while others would require additions to the model (e.g. effort, the “automated” processes of expert decision-makers, see Libby and Tan (1994)).

Our data suggest that the L&L model explains a high proportion of the variance in managerial accountants’ job success. But there remains explained variance in the juniors’ and seniors’ models that is captured by the imprecise construct of “experience” (cf. Davis & Solomon, 1989). Refinements to the L&L model may improve its ability to predict the determinants of success in managerial accounting by more precisely capturing the elements presently captured in our measure of work experience.

5.2. Knowledge, experience and managerial accounting success

We provide the first large-sample study evidence of the linkages between knowledge, ability, and actual job performance in managerial accounting. With the exception of one equivocal result (for seniors’ technical knowledge), the data support our 15 tests of hypotheses of the knowledge needed for success in managerial accounting. Specifically, technical managerial accounting knowledge and experience predict job performance evaluations for juniors; industry knowledge, TMK, and experience predict job performance evaluations for seniors; while industry and TMK predict job performance evaluations for managers. These data provide strong evidence that job success at differing ranks in managerial accounting is associated with differing types of knowledge and differing amounts of experience.

One characteristic of our approach is that we investigate overall job performance ratings, but not specific task performance. Our field-based method and approach provide insight into the linkages of knowledge, ability, and success in the actual performance evaluations of practising managerial accountants. Job performance evaluations are a composite measure of performance across a large sample of tasks. As a result, one of our contributions is in demonstrating the differing linkages between ranks in the knowledge, ability, experience needed for success in managerial accounting. But both field-based and experimental approaches can provide valuable (though differing) insights into these relationships (Hammond, 1986; Jick, 1979). Between-study triangulation of methods will potentially allow, over time, field-based and experimental methods to build upon one another’s insights thus resulting in greater knowledge of the determinants of success in managerial accounting than either method could provide in isolation.

5.3. Ability

Consistent with our predictions, we find a positive relationship between ability and knowledge among senior-level (H3d) and manager-level (H4d), but not junior-level (H2d), managerial accountants. We also predicted and found a positive relationship between ability and performance among senior managerial accountants (H3e). But the data do not support our prediction of a positive relationship between ability and performance among manager-level managerial accountants (H4e), or of no relationship between ability and performance among junior-level managerial accountants (H2e).

Our results suggest both the relevance and limitations of the problem solving ability construct and its most common measure in accounting research. Specifically, we predicted and found a link between ability and knowledge among higher-ranking managerial accountants. But our data do not support our predictions related to the ability—performance link, which may be due to either the theoretical or measurement-related criticisms of PSA found in the research literature. Thus,
while our knowledge content results almost unequivocally support our theory and hypotheses, our results related to ability are equivocal and unsatisfying. Research specifically directed at resolving the conceptual and methodological issues related to PSA seems worthwhile, given its importance in predicting success in professional accounting practice.

6. Summary

In Part 1 of this study, we investigated the knowledge “stocks” and ability of managerial accountants at differing ranks. In Part 2, we explored the relationship between knowledge, ability, experience, and success in managerial accounting. One important advantage of our approach is its “ecological” validity (Brinberg & McGrath, 1982; Keren, 1996) i.e. that we study the actual performance evaluations of practising managerial accountants. The dearth of research investigating knowledge and success in managerial accounting practice, and the large numbers of practising managerial accountants, make such investigations critically important. Research on knowledge and success in auditing practice provides an important theoretical and pragmatic foundation for such investigations. Our hope is that other researchers build on our emerging knowledge of the determinants of success in managerial accounting.

References


