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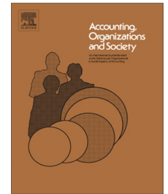

The effect of cost goal specificity and new product development process on cost reduction performance

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ABSTRACT

Many firms that compete based on the development of new and innovative products have begun to adopt concurrent new product development (NPD) processes in which product design phases occur in a non-linear and iterative manner. While concurrent NPD processes increase flexibility and reduce time-to-market as compared to traditional sequential processes, concurrency increases task uncertainty since the product design process begins before all important product features and specifications have been established. Such changes can result in costly redesign and rework. Prior research suggests target costing, where product design teams are assigned specific cost goals, is an effective method of controlling costs in sequential NPD. Even so, it is unclear whether target costing will improve cost reduction performance when combined with a concurrent NPD process due to increased task uncertainty. We examine experimentally the ability of product design groups to achieve specific or general cost reduction goals under simulated sequential or concurrent NPD. We predict and find that the nature of the NPD process moderates the effect of specific cost reduction goals on actual cost reduction performance. While specific cost goals result in higher reductions in product cost than general cost goals under a sequential NPD process, specific goals are no better than general goals in motivating design groups to reduce product cost under a concurrent NPD process; thus, we demonstrate boundary conditions on the usefulness of target costing as a cost control method.
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Introduction

New product development (NPD) processes comprise several phases that typically include planning, concept design, product design and testing, and production start-up (Davila, 2000). These phases have traditionally been performed *sequentially* and in lock-step (Kalyaraman & Krishnan, 1997; Valle & Vazquez-Bustelo, 2009). Decisions about product features and specifications are identified and "frozen" before the actual design process begins (Hertenstein & Platt, 2000). In contrast, under concurrent NPD, design phases occur *simultaneously* and in a non-linear manner. Product specifications may unexpectedly change due to upstream decisions about product features that continue to occur even though downstream product design activity has already begun (Loch & Terwiesch, 1998; Mitchell & Nault, 2007). Thus, task uncertainty, defined by the number of exceptions and degree of improvisation required to complete internal tasks (Perrow, 1970), is higher under concurrent than under traditional sequential NPD (Mitchell & Nault, 2007).

An important and relatively unexplored issue is how firms control NPD costs when task uncertainty is high.

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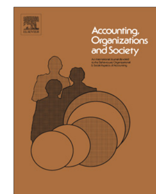

Transplanting Anglo-American accounting oversight boards to a diverse institutional context

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ABSTRACT

The introduction of accounting and auditing oversight boards (OBs) has been promoted on a global scale as a key component of the international financial architecture that has emerged over the past two decades. Such institutions, modeled on the Anglo-American tradition, are domestically organized and embedded within distinctively diverse institutional contexts. Their role is to ease agency problems, improve the quality of financial reporting, and help provide stability in the global financial system. We employ an institutional approach, located within the broader political economy framework of global capitalism, to examine the establishment and operation of the new regulatory regime in Greece. Greece, a member of the European Union, exhibits characteristics of a "delegative" democracy, i.e. a traditionally weak institutionalization, reform (in)capacity problems and a clientelistic political system. Our case study shows that the formation and operation of the newly-established system of oversight is conditioned by local political and economic constraints and, thus, does not automatically translate into concrete benefits for the quality of financial reporting. We also draw attention to the structural mismatch between a progressing globalized financial integration and the fragmented nature of the system of oversight, and illustrate that OBs' independence from local governments is an important but neglected issue.

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Introduction

Internationally, the history of corporate accounting and auditing is replete with failures and scandals, followed by waves of regulation (e.g. Malsch & Gendron, 2011; Zeff, 2003). In the past two decades of advancing globalization, reforms in the accounting domain have taken place within what Wade (2007a) calls the Standards–Surveillance–Compliance (SSC) doctrine, a regulatory framework of globally-integrated financial markets that aims to provide stability in the marketplace (Büthe & Mattli, 2011; Davies & Green, 2008; Wade, 2007a, 2007b). This new dogma entails the use of comprehensive and universal standards, as well as codes of good practice, whose application would be overseen and enforced by a gamut of regulatory institutions and agencies – official or unofficial, national or global (Cooper & Robson, 2006; Humphrey, Loft, & Woods, 2009).

A key element of the emerging international financial reporting infrastructure is the introduction of systems of oversight for accounting and audit practice, independent of the profession, which appears to signal an end to the tradition of self-regulation. Accounting and auditing oversight boards (OBs) serve as a basic mechanism for tackling perennial problems in corporate financial reporting and

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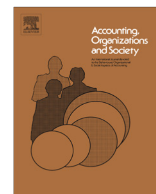

Multinational investment and voluntary disclosure: Project-level evidence from the petroleum industry

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A B S T R A C T

This paper analyzes the multinational enterprise's decision to voluntarily disclose information regarding its investments, a choice we term *investment transparency*. When disclosing investment information, managers must weigh the costs and benefits of reducing asymmetries between the firm and three stakeholder audiences: capital markets, civil society and governments. We use a unique transaction-level dataset of reserve acquisitions by oil-industry multinationals compiled by IHS Herold to examine managerial decisions to reveal or withhold value-relevant information about firm investment. Contrary to the agency-theoretic motivations traditionally ascribed to voluntary disclosure, our results suggest institutional and informational factors drive investment transparency. We find that firms disclose less in cross-border transactions, more when societal expectations of transparency are high, and less when faced with political risk. These results should be of interest to scholars of accounting and international business, as well as managers and policy makers involved in the ongoing debate on transparency in the extractive industries.

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Introduction

How transparent are multinational enterprises (MNEs) regarding their investments? In this study, we use the global market for petroleum reserves as a laboratory to examine *investment transparency* – value-relevant information MNEs choose to disclose voluntarily about investment projects. For a given investment, firms may disclose no information, partial information, or full information about the value of the investment.

We use a unique transaction-level dataset compiled by IHS Herold, which allows us to identify which party discloses each transaction and how much information is revealed about the investment. We find that firms disclose less about cross-border than domestic investment. This result is robust to controls for the firm's capital needs, national institutions, ownership of the firm and characteristics of the investment. Further, we find that firms investing in countries with strong transparency norms (proxied by government fiscal openness, freedom of the press, and quality of the accounting system), and strong political constraints are more likely to disclose partial information. Firms from countries marked by less political risk and corruption are more likely to disclose full information.

We draw on theories of voluntary disclosure and the institutional and political economy literatures to suggest that MNEs use voluntary disclosure strategically to manage information asymmetries between the firm and three primary stakeholder groups: capital markets, civil society, and governments. Our results do not support traditional agency-theoretic motivations such as increasing disclosure to secure external financial resources, and increased disclosure in multinational operations. This runs counter to the view in the literature that MNEs disclose more in response to capital market demands for information about their operations abroad (Cahan, Rahman, & Perera, 2005).

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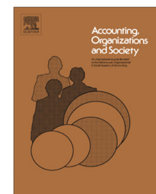

How do analysts interpret management range forecasts? ☆

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A B S T R A C T

Range forecasts have evolved to be the most common form of management forecasts. Prior studies typically use the midpoint to evaluate analyst reaction to range forecasts, implicitly assuming that analysts place equal weights on the upper and the lower bounds of management range forecasts. We empirically test this restrictive assumption and provide strong evidence of unequal weights – analysts place significantly more (less) weight on the lower (upper) bound of forecast ranges. Moreover, such overweight on the lower bound is more pronounced when analysts face higher ambiguity, consistent with the "max–min" axiom, which predicts that decision-makers tend to assign higher probability to the worst-case scenario when facing ambiguity. Further tests show that "optimal revisions" with perfect foresight of actual earnings also overweight the lower bound.

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Introduction

Management earnings forecasts, also known as earnings guidance, play a significant role in capital markets (Ball & Shivakumar, 2008; Beyer, Cohen, Lys, & Walther, 2010; Hirst, Koonce, & Venkataraman, 2008) that affects stock prices and bid-ask spreads (Coller & Yohn, 1997; Pownall, Wasley, & Waymire, 1993). In particular, a growing literature on "expectation management" examines how management forecasts establish and alter analyst earnings expectations (e.g., Ajinkya & Gift, 1984; Baginski & Hassell, 1990; Waymire, 1986; Williams, 1996; Cotter, Tuna, & Wysocki, 2006; Kross & Suk, 2012; Matsumoto, 2002; Rogers & Van Buskirk, 2013). These studies usually regress analyst forecast revisions around a management forecast on the news conveyed from the management forecast. However, measuring forecast news can be difficult for range forecasts where managers provide both an upper bound and a lower bound of their earnings expectations. This issue becomes more important because range forecasts recently emerge as the most popular type of forecasts, accounting for around 80% of all management forecasts issued in the last decade (Ciconte, Kirk, & Tucker, 2014), a sharp increase from under 20% in samples used in earlier studies (e.g., Pownall et al., 1993). This paper examines how analysts interpret management range forecasts.

Most of the prior studies typically use the mid-point to calculate forecast news, implicitly assuming that users of range forecasts such as analysts place equal "weights" on the upper and lower bounds of management range forecasts (Baginski, Conrad, & Hassell, 1993).[1] A recent study by Ciconte et al. (2014) challenges this convention and

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[1] In this paper, by "equal weights," we mean that the empirical sensitivity of analyst revision to the upper and lower bounds of management forecast ranges is "equal." Most prior empirical studies on expectation management regress analyst revisions on management forecast news, which relates to analysts' "weight" (i.e. the coefficient) on the news.

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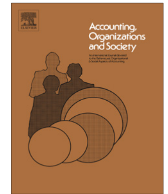

Earthquakes, exceptional government and extraordinary accounting

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ABSTRACT

This study examines how a particular set of calculative practices and classification systems helped to guide the emergency responses to the 2009 earthquake in Abruzzo, Italy. Accounting classifications worked in tandem with scientific classifications to define the seismic event as a site for exceptional governance, to demarcate the temporal and spatial boundaries, and to guide the immediate and subsequent healthcare-related humanitarian responses. Accounting classification schemes were borrowed and built by the local health authorities as the federal government made the provision of disaster relief funding contingent on the identification of additional and traceable earthquake-related expenditures. The analysis also shows the maneuvers that occurred around the accounting classifications as public healthcare providers attempted to use the classifications to solve day-to-day health treatment funding problems and the federal government tried to exert control at a distance. The analysis provided both contributes to our understanding of the governance of these exceptional events and brings to the fore the challenges associated with such humanitarian responses.

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Introduction

A severe earthquake rated 5.9 on the Richter scale struck the region of Abruzzo in central Italy on April 6th 2009, killing more than 300 people. This paper examines how a particular set of calculative practices and classification systems (Bowker & Star, 1999; Foucault, 1979, 1991; Miller, 2001) helped to guide the emergency responses. Accounting classifications worked in tandem with scientific classifications to define the seismic event as a site for exceptional governance, to demarcate the temporal and spatial boundaries, and to guide the immediate and subsequent healthcare-related humanitarian responses. Accounting classification schemes were borrowed and built by the local health authorities as the federal government made the provision of disaster relief funding contingent on the identification of additional and traceable earthquake-related expenditures. The analysis also shows the maneuvers that occurred around the accounting classifications as public healthcare providers attempted to use the classifications to solve day-to-day health treatment funding problems and the federal government tried to exert control at a distance. A combination of oral testimonies[1] as well as primary and secondary archival sources provide the data for the study.

The current study seeks to understand how accounting practices, including the classificatory schemes that are integral to them, are used in these moments when an immediate health-related humanitarian response is needed, and when that response does not fit within existing classificatory schemes. Previous research, for example, has tended to focus on settings where accounting is used to

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[1] Details of the interviews are provided in the list of references. Respondents were informed of questions in advance of interviews.

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