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## The Concept of Management Control System and Its Relation to Performance Measurement

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### Abstract

The article focuses on answering two research questions: what is meant by "Management Control System" (MCS) and whether there is any difference between the term MCS and the similarly used term "Performance Measurement". The answers to the outlined research questions were searched in the most influential articles based on citation numbers and top-ranking textbooks identified by the survey conducted by Strauß and Zecher (2013). The comparison of the dominant conceptualizations of MCS reveals that MCS is perceived as a set of controls which managers have at their disposal to steer the organization towards the predetermined goals. Regarding the second research question, it is possible to view MCS and PM as synonyms.

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*Keywords:* Management Control System; Performance Measurement; Management Accounting

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### 1. Introduction

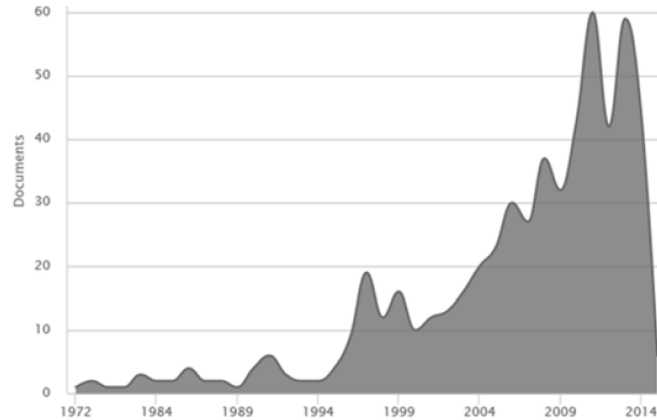
A search in citation databases indicates the growing popularity of the term "Management Control System" (MCS). Fig. 1 documents results of such a query conducted by means of the Scopus database. A closer look at the body of Management Control System literature then reveals that topics like the examination of the existence, characteristics, contingency factors or relative importance of controls are addressed. Similar topics concerning controls and types of measures are discussed in Performance Measurement literature as well. Since we are

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commencing research in the area of performance measurement, we find it necessary to shed some light on the MCS thread of research.



Source: The result of a query asking for articles with the topic of "Management Control System" or "MCS". Limited to the Business Economics and Accounting research field ([www.scopus.com](http://www.scopus.com))

Fig. 1. Number of publications devoted to Management Control System sorted by year

This article focuses on answering two research questions:

- What is the prevailing notion of the term "Management Control System" (MCS)?
- Is there any difference between the term MCS and the similarly used term "Performance Measurement" (PM)?

The answers to the outlined research questions were searched in the most influential articles, reviews and textbooks dealing with MCS. The main source of inspiration was a survey among 74 accounting researchers conducted by Strauß and Zecher (2013) in September and October 2008. More recent publications were identified based on the numbers of citations in Scopus.

The rest of this article is organized as follows. The second chapter focuses on the definition of the term MCS and the comparison of its typical notions in the work of the most influential authors. The third chapter compares the notions of the term MCS and the term PM. Finally, the fourth chapter summarizes all findings.

## 2. Management Control System

Regarding the definition of MCS, there is the only agreement in the current literature is that the term itself was first outlined in the seminal work of Robert Anthony (1965). He defined management control as "the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives" (p. 17, quote from Ferreira, Otley, 2009, p. 264).

Despite the long time from this first definition of MCS, Chenhall in 2003 admitted that terms management accounting, management accounting systems, management control systems, and organizational controls had been used interchangeably, but corrected that "MCS is a broader term that encompasses management accounting and also includes other controls such as personal or clan controls." (Chenhall, 2003, p. 129). The 8th edition of the renowned Management Accounting textbook written by Drury (2012) confirms that MCS is a broader term than management accounting because more controls are involved. Drury also adds the distinction derived from "Drucker (1964) [who] distinguished between 'controls' and 'control'. Controls are measurement and information, whereas control means direction. In other words, 'controls' are purely a means to an end; the end is control. ... Note that the term management control system is used to refer to the entire array of controls used by an organization." Drury (2012, p. 393-394). The list of controls then copies the categories formulated by Merchant and Van der Stede's (2007)

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