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Title : THE EFFECTS OF MANAGEMENT ACCOUNTING PRACTICES ON FIRM PERFORMANCE: ANTECEDENT FACTORS AND THE ROLE OF MANAGERIAL FUNCTIONS

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Management accounting practice (MAP) has been the subject of debate by researchers and practitioners for years. MAP relevance and diffusion issues have been the center of the debate. This study aims to contribute in this field of knowledge. Based on the contingency theory, this study attempts to uncover a number of contingent factors that might explain MAP variation between firms and industries. Furthermore, it seeks to examine the impact of various levels of MAP advancement on organizational performance. In pursuit of this objective, this study contributes to management accounting research by explaining how MAP interacts with other organizational activities to influence financial and non-financial performance. Data was collected through a questionnaire survey that was sent to 430 firms in Yemen operating in several economic sectors such as manufacturing, natural resources extraction, banking, services and others. The usable questionnaires received and used in the data analysis were 158, indicating a response rate of 37%. The structural equation modeling, in addition to other statistical tests were used for data analysis. The International Federation of Accountants (IFAC) framework for the management accounting stages of evolution was employed to classify the level of MAP advancement. The results of this study showed that competition level, structure type (level of delegation), ownership of firms, industry type, and CFO education level, significantly explain the variation of the levels of MAP advancement between firms in Yemen. The results also indicated an insignificant influence of the size of firm on MAP. A higher degree of competition, more delegation, foreign ownership, and highly educated CFOs proved to cause firms to adopt more sophisticated MAP. The industry type also plays a significant role in the determination of the level of

MAP advancement. Interestingly, the financial and banking sector, followed by the natural resources extracting firms, demonstrated a higher level of MAP advancement compared to other economic sectors. Furthermore, the results provide evidence on the positive impact of advanced MAP on both financial and non-financial performance. It was evident that management control system effectiveness mediates the relationship between the level of MAP advancement and both financial and non-financial performance. Moreover, decision-making supportiveness, which was developed through this study for the first time, mediates the relationship between the level of MAP advancement and financial performance. The positive effect of advanced MAP on management control system effectiveness and decision-making supportiveness and subsequently their positive effect on organizational performance, are the mechanisms that provide obvious explanations of how MAP influences organizational performance. Finally, results from this study provide explicit evidence for the interaction between MAP and Levers of Control (LOC), namely: beliefs, boundary, diagnostic, and interactive systems in their impact on financial and non-financial performance. Results showed that advanced MAP reinforces the effect of the levers of control systems on financial and non-financial performance. These results thus improve our understanding of why some firms invest in upgrading their management accounting systems and target the best practice, while others tend to keep using the traditional management accounting tools. In addition, these results confirm the relevance of advanced management accounting techniques and assist in recognizing the way advanced MAP could improve organizational performance.