

<b>Pitcher's Name</b>	Sebastian Firk	<b>FoR category</b>	Management Accounting	<b>Date Completed</b>	14.06.2016
<b>(A) Working Title</b>	Translating promise into reality – Performance implications and antecedents of CFO commitment to Value-based Management (VBM)				
<b>(B) Basic Research Question</b>	Does CFO commitment to VBM lead to superior performance among VBM adopters and how can it be perpetuated over time?				
<b>(C) Key paper(s)</b>	Malmi & Ikäheimo 2003. Value Based Management practices-Some evidence from the field. <i>Management Accounting Research</i> Naranjo-Gil et al. 2009. How CFOs Determine Management Accounting Innovation. <i>European Accounting Review</i> Burkert & Lueg 2013. Differences in the sophistication of Value-based Management – The role of top executives. <i>Management Accounting Research</i>				
<b>(D) Motivation/Puzzle</b>	Commitment of the top management is often proclaimed as crucial factor for the successful (value creating) use of VBM. Recent research indicates a leading role of CFOs in shaping management accounting practices (Naranjo-Gil et al., 2009) and, particularly, VBM (Burkert and Lueg, 2013). Although this suggests a positive impact of CFO commitment on the successful use of VBM, empirical research on VBM has neglected to consider such differentiating elements of VBM-adopters so far (Malmi and Ikäheimo, 2003). However, the potential impact of CFO commitment induces a major challenge for firms, when VBM "outlives" its temporary steersmen. A matter that is particularly pressing for VBM-adopters – who mostly implemented VBM a decade ago – as the majority of VBM-implementing CFOs have already left the adopting company. Given this, the questions arises if and why successor CFOs should continue in the tracks of their predecessors and commit to a practice that they did not have implemented.				
<b>THREE</b>	<b>Three</b> core aspects of any empirical research project i.e. the “ <b>IDioTs</b> ” guide				
<b>(E) Idea?</b>	<p><b>(H1):</b> We expect that CFO commitment increases the performance of VBM-adopters as a committed CFO will use VBM principles for his/her own decision-making and encourage the institutionalization of VBM, which fosters value-based decision-making throughout the organization.</p> <p><b>(H2):</b> Hence, it is crucial for firms to uphold the CFO’s commitment to VBM. However, particularly, when the adopting CFO leaves the company it is questionable if his/her successor will be committed to VBM. Successor CFOs are confronted with the pressure to prove legitimacy of his/her appointment by leaving his/her “own mark” in the organization. This, in turn, should negatively affect the commitment of a successor CFO to the status quo and thus to VBM.</p> <p><b>(H3):</b> Due to the lacking commitment of successor CFOs, firms need to actively uphold a continuous commitment to VBM. The linkage between VBM and compensation is crucial in this case, as rational successor CFOs will be more likely committed to VBM if VBM is tied to their rewards.</p>				
<b>(F) Data?</b>	<p><b>(1) Sample:</b> Two-steps: (1) selecting a sample to identify VBM-adopters: Firms listed in the Europe STOXX TMI since previous research indicates high VBM adoption rates in Europe. Time frame between 2004 and 2012 to consider both adopter CFOs and successors. (2) Focusing on observations of firms that use VBM: Following literature and defining adopters as firms reporting a VBM-metric as a key metric in their annual report.</p> <p><b>(2) Sample size, dataset &amp; sources:</b> Panel, 107 VBM-adopters, Boardex &amp; Datastream</p> <p><b>(3) Hand-collection of data:</b> CFO commitment: Determining whether a CFO expresses a commitment to VBM or not within his/her remarks in the company’s conference calls (earnings call). Screening of speech for a discussion of the VBM-metric identified in the annual report of the corresponding year. Successor CFO: Hand-collection of the adoption year of VBM to distinguish between successor and adopter CFOs. VBM compensation: Gathering of information on whether the VBM-metric is integrated in the CFO’s compensation.</p>				

<b>(G) Tools?</b>	<p><b>(0) Sample selection correction:</b> Addressing selection bias (two-step selection) by including a correction factor in all regressions (Heckman 1979).</p> <p><b>(1) Performance—GMM:</b> Addressing the panel structure and potential of reverse causality regarding the effect of CFO commitment on firm performance, by using the dynamic panel GMM-estimator, which considers the panel structure and tackles reverse causality through IV estimations. (<i>Stata: xtabond2</i>)</p> <p><b>(2) Antecedents—GEE:</b> Addressing the panel structure and non-normal distribution of the binary dependent variable CFO commitment by employing GEE regressions. GEE can be applied to various distributions with different link functions and tackles unobserved heterogeneity by accounting for within and between firm-variance. (<i>Stata: xtgee</i>)</p>
<b>TWO</b>	<b>Two</b> key questions
<b>(H) What's New?</b>	<p><b>(1):</b> Our study provides empirical evidence on the role of CFO commitment and compensation for a successful use of VBM. Although scholars called for this stream of research, little attention has been paid to differences in the implementation and use among VBM-adopters.</p> <p><b>(2):</b> We focus on the dynamic aspect of CFO commitment by analysing the challenges in terms of CFO transitions, while previous research mainly examined the role of CFOs within the adoption or configuration of management accounting practices.</p>
<b>(I) So What?</b>	<p>CFO commitment is indeed a crucial factor for a successful use of VBM. However, as successor CFOs are less likely committed to VBM, firms wanting to maintain the benefits of VBM face a major challenge when confronted with CFO succession. Here, firms that tie VBM-metrics to the CFO's compensation could increase commitment of successor CFOs. As most VBM-implementing CFOs already left or will leave the adopting company, our results are of high practical relevance.</p>
<b>ONE</b>	<b>One</b> bottom line
<b>(J) Contribution?</b>	<p><b>(1):</b> We provide empirical evidence that CFO commitment increases value creation of VBM-adopters, contributing to the call for considering differences in the use of VBM (Malmi &amp; Ikäheimo, 2003).</p> <p><b>(2):</b> We contribute to the understanding of compensation as an important element of VBM design. Our findings indicate that the integration of VBM within compensation increases the commitment of successor CFOs to VBM. This could help to explain previous findings that could not support the importance of compensation on the effectiveness of VBM use (e.g., Ryan and Trahan, 2007), because these studies focus on the burgeoning of VBM where most adopting CFOs were still in office.</p> <p><b>(3):</b> We substantiate findings on the significance of CFOs for management accounting practices and VBM (Burkert &amp; Lueg, 2013; Naranjo-Gil et al., 2009). While these studies focus on the influence of CFOs on the initial adoption of management accounting practices, we extend literature by analysing changes over time.</p>
<b>(K) 3 Key Findings</b>	<p>3 key findings:</p> <p><b>(1):</b> CFO commitment to VBM encourages the successful use of VBM as it increases value creation of VBM-adopters.</p> <p><b>(2):</b> CFOs who succeed the VBM adopting CFO are less likely committed to VBM.</p> <p><b>(3):</b> Successor CFOs are more likely committed to VBM if their compensation is tied to VBM.</p>