

EFFECTIVENESS IN ACCOUNTING: THEORY AND EVIDENCE

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ABSTRACT

Despite the importance of assessing effectiveness, there is no general agreement on the approach and criteria of effectiveness in accounting. This paper presents and empirically examines a conceptual framework on various approaches and criteria of effectiveness.

In the theoretical framework economic, goal-centered and behavioral approaches to effectiveness are assessed on the following seven dimensions: construct validity, criterion stability, time perspective, multiple criteria, precision of measurement, generalizability, theoretical relevance, and level of analysis. The following two substitutable research strategies are suggested for accounting researchers: 1) choose the approach (and criteria) to effectiveness that seems most relevant, or 2) use multiple approaches (and criteria) to analyze effectiveness.

The empirical findings - derived from studies published in the *Journal of Accounting Research*, *Accounting Review*, and *Accounting, Organizations and Society* during the past 13 years - show that all the approaches have been used in empirical accounting research with differing methods, criteria, and measures. The most frequently applied approach is the behavioral approach, followed by the economic and goal-centered approaches. The most frequently utilized criteria are effectiveness of 1) audit performance, 2) managerial performance, and 3) experimental task performance. The most common sources of measures are Mahoney et al. (1963, 1965), Weiss et al. (1967), and Govindarajan (1984). Given the highly fragmented findings, it is suggested that accounting research should move to a more cumulative and analytic direction.