



Management accounting systems, enterprise risk management and organizational performance in financial institutions

Siti Zaleha Abdul Rasid

*International Business School, Universiti Teknologi Malaysia,
Kuala Lumpur, Malaysia*

Che Ruhana Isa

*Department of Management Accounting and Taxation, Universiti Malaya,
Petaling Jaya, Malaysia, and*

Wan Khairuzzaman Wan Ismail

*International Business School, Universiti Teknologi Malaysia,
Kuala Lumpur, Malaysia*

Abstract

Purpose – The purpose of this paper is to examine the linkages between management accounting systems (MAS), enterprise risk management (ERM) and organizational performance by examining MAS information characteristics that match ERM implementation and joint effects of MAS and ERM on organizational performance.

Design/methodology/approach – The research method involved administering a questionnaire to 106 financial institutions (FIs) in Malaysia. The respondents were chief financial officers or staff members holding the most senior positions in the finance department of the institutions.

Findings – The significant findings on the association between ERM and MAS show that implementation of ERM requires the use of sophisticated MAS information. ERM and MAS complement each other as both are integral to decision making, planning and control in an organization. The finding also substantiates the important role of ERM in enhancing non-financial performance.

Research limitations/implications – This study covered only MAS as part of sub-control systems in an organization. Future studies could investigate the link between a more comprehensive management accounting and control system and ERM. Furthermore, this study used perceptual measures of MAS, ERM and organizational performance.

Practical implications – The regulating body should promote best management practices of sophisticated MAS and ERM among FIs as these practices will create competitive advantage as well as help those institutions comply with regulations.

Originality/value – This study has contributed to the body of knowledge on the linkages between MAS, risk management system and organizational performance.

Keywords Management accounting, Financial institutions, Organizational performance, Enterprise risk management

Paper type Research paper

1. Introduction

Management Accounting Systems (MAS) refers to the systematic use of management accounting to achieve organizational goals. Management accounting becomes an integral part of the management process as it is concerned with the provision and use of financial and operational information for managers within organizations for decision making, planning and control. Well-designed and appropriate MAS assist



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