

**Grant Outcomes Report**  
**Performance Measurement and Organizational Outcomes: Panel Data Evidence**

**(1) Name, Position, Contact Details for each applicant**

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**(2) Project Title**

Performance Measurement and Organizational Outcomes: Panel Data Evidence

**(3) Updated Project Summary (500 words) including any variations between the project undertaken and the original application**

This project explored whether the use of financial and non-financial performance measures lead to positive organizational outcomes. Performance measurement is believed to be a key tool in ensuring that an organisation's strategy is successfully implemented (Davis & Albright, 2004). This study used the resource-based view of the firm to theorize the relationship between performance measurement and organizational outcomes (Wernerfelt, 1984). In line with the resource-based view of the firm, performance measures enable firms to align the behaviour of employees with the strategic goals in order to build the capabilities that the firm desires (Ferreira & Otle, 2009). These measures enable the firm to align the employees with the strategic goals using target setting and various incentive mechanisms (Grafton et al., 2010). Further, performance measures provide a feedback function in the evaluation stage as it allows firms to receive feedback on their achievement of the strategic goals, giving an opportunity to realign strategic goals and priorities (Gimbert et al., 2010). According to this rationale, there should be a positive effect of using performance measures on organizational performance. Thus, the primary research question is whether the use of performance measures positively impacts future organizational outcomes?

The data used in this study is sourced from the Business Longitudinal Database (BLD), established by the Australian Bureau of Statistics (ABS). The sample consists of 2,011 firms that were selected to be representative of the underlying population (firms in Australia with less than 200 employees) both in terms of industry membership and size in 2009. The selected firms were surveyed on an annual basis for five years and provided information on a range of issues including performance measurement and various financial and non-financial organizational outcomes. Further, the BLD provides annual financial data from the Australian Tax Office for each firm in the sample, providing objective measures of organizational outcomes.

The findings show mixed results with respect to the effectiveness of performance measurement. I find that financial performance measurement has a causal impact on future financial performance. However, I find inconclusive evidence with respect to non-financial performance measurement and future financial and non-financial performance. Specifically, I find that significant positive findings with respect to non-financial performance measurement can be attributed to endogeneity as the results become insignificant after addressing issues with respect to endogeneity. To address of endogeneity this study used a number of different approaches (Gassen, 2014). First, a propensity score approach was used to estimate the average treatment effect for each type of performance measure by matching firms that use the measure with a similar firm that does not use the measure. Second, the heckman correction method was used to address the selection bias, which is in effect a parametric approach to the propensity score. Third, a granger causality test was used to establish whether performance measurement granger causes organizational performance (or the opposite).

**(4) Funds Granted**  
AUD\$2,226 plus GST

**(5) Detailed Report on Expenditure of Funds against Budget Items, with variations explained**

A detailed statement of income and expenditure is attached. The entire amount of the grant was used for research assistance, which is in line with the grant application.

**(6) Outcomes, for example, working papers, presentations and publications (give full details, including abstracts)**

I am currently in the process of finalizing the working paper related to this project. The working paper will be submitted to AFAANZ, EAA, and AAA conferences in 2020, after which the goal is to incorporate any feedback received and submit it to Management Accounting Research. The current abstract reads as follows:

*This study explores whether the use of financial and non-financial performance measures lead to positive organizational outcomes in SMEs. In doing so, I address shortcoming of previous research by using a representative five-year longitudinal survey sample of Australian SMEs in combination with official tax records. I find evidence that financial performance measurement has a causal impact on future financial performance, as measured by profitability and growth. However, I find that non-financial performance measurement does not cause future financial nor non-financial performance after controlling for endogeneity.*

**(7) Future Intentions for this Project (give full details)**

As per previous answer:

*The working paper will be submitted to the AFAANZ, EAA, and AAA conferences in 2020, after which the goal is to incorporate any feedback received and submit it to Management Accounting Research.*

**(8) Summary of Outcomes and Benefits**

The study showed mixed results with respect to the effectiveness of performance measurement. I found that financial performance measurement has a causal impact on future financial performance. However, I found inconclusive evidence with respect to non-financial performance measurement and future financial and non-financial performance. Specifically, I found that significant positive findings with respect to non-financial performance measurement can be attributed to endogeneity issues as the results become insignificant after controlling for endogeneity.

The benefits of this study are multifold. Performance measurement, both financial and non-financial, is considered to be an essential strategic tool in the business world, but there is inconclusive evidence on whether the use of performance measurement leads to positive organizational outcomes. This is troubling as we as accountants tend to prescribe the use of performance measurement as a best practice, yet these prescriptions are not based on thorough scientific evidence. This study was able to utilize high quality of data that provided reliable responses (no non-response bias) for a representative sample over a five-year period. Consequently, the quality of the data is able to address the shortcomings of prior research that has attempted to understand whether performance measurement influences organizational outcomes. As the results are refuting prior evidence in this area, I believe that the contribution of the project is significant.



Tim Hasso  
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FUNDING : AFAANZ Research Grant Scheme  
Performance Measurement and Organizational  
Outcomes: Panel Data Evidence  
Bond Reference : A145

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**Statement of Income and Expenditure  
for the period 1 July 2018 - 30 June 2019**

	\$
<b>INCOME</b>	
Funds received from AFAANZ	2,226.00
	<u>2,226.00</u>
<b>EXPENDITURE</b>	
Salaries and Oncosts	2,235.21
	<u>2,235.21</u>
<b>Net Income</b>	<u>- 9.21</u>

I, Andrew Calder, have reviewed the above statement. I can confirm that this is a true and fair representation of expenditure associated with the AFAANZ grant received, and the funds were expended on the conduct of the project and in accordance with the funding agreement.

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Director of Research  
Office of Research Services



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CRICOS CODE 00017B

November 27th, 2019

RE: GRANT OUTCOMES REPORT

I am writing this letter to confirm that I have approved the grant outcomes report related to the grant "Performance Measurement and Organizational Outcomes: Panel Data Evidence".



Prof. Bruce Vanstone  
Associate Dean, Research  
Professor of Data Science  
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