



Received: 24-12-2023
Accepted: 04-02-2024

International Journal of Advanced Multidisciplinary Research and Studies

ISSN: 2583-049X

Agency Theory in Management Accounting: A Systematic Literature Review

Nguyen Thi Linh

University of Labour and Social Affairs, Hanoi, Vietnam

Corresponding Author: **Nguyen Thi Linh**

Abstract

Agency theory is one of the managerial economic theories that studies the relationship between the representative and the represented. This theory holds that the representative may have separate interests that are different from the interests of the represented, causing a conflict relationship. To minimize this conflictual relationship, it is necessary to establish management systems, divide responsibilities and evaluate the effectiveness of representatives. This article aims to evaluate research trends on agency theory in

management accounting in enterprises based on documents in the Google Scholar database in the years 2010–2023. The results show a growing interest in research on agency theory evaluation in management accounting. From 2010 to 2023, a total of 481 articles on agency theory in management accounting were indexed in Google Scholar with an average of 34 articles published per year. Finally, keyword analysis identified much content that will be important research points for future research.

Keywords: Agency Theory, Management Accounting, Systematic Literature Review, VOSviewer

1. Introduction

For joint stock companies in general and listed companies in particular, there is a separation between ownership and management. Owners of joint stock companies tend to hire a director to represent them in running the company. Agency costs will always arise and this is an unavoidable cost when the director and shareholders are always inconsistent in their interests. Agency theory comes from the separation between ownership and management rights, it becomes more popular as companies grow stronger and expand in scale, owners cannot participate in operating the companies that they tend to hire to run the company. There have been many studies in many different countries on agency theory in management accounting. Therefore, in this study, it helps readers grasp the development and information quality of the research "representation theory in management accounting" through the frequency of using keywords and the number of citations and the number of times the author and co-authors are cited over time. At the same time, it helps future researchers know the trends of this topic over time. The article clarifies the following research questions, including Q1: What is the number of articles on agency theory in management accounting published from 2010 to 2023? Q2: What topics are the keywords used grouped into? And have these keywords changed and gained strength over time?

To answer the above questions, the study reviewed 481 articles published in the period 2010-2023. Research conducted through bibliometric analysis makes a great contribution to the research community because through bibliometrics, a valuable amount of information can be collected about a topic. By reflecting on what has been done and what needs future research, the article aims to add to the literature on different methods and contexts to assist researchers in agency theory in accounting. Administration. The research is divided into parts: Defining the conceptual foundation, application methods, research results and concluding remarks.

2. Theoretical basis

Agency theory, also known by names such as "Representation Theory" or "Representation Algebra Theory", is an approach to the study of organizational behavior, focusing on on the role and influence of situational factors on the operations of businesses. This is one of the managerial economic theories that studies the relationship between the representative and the represented. This theory holds that the representative may have separate interests that are different from the interests of the represented, causing a conflict relationship. To minimize this conflictual relationship, it is necessary to establish management systems, divide responsibilities and evaluate the effectiveness of representatives. Agency theory is also used to explain information transparency or increased voluntary disclosure by company executives. The behavior of the representative

(manager) in increasing the level of information disclosure or information transparency when considering and weighing the benefits and costs of information disclosure. When the contract between the owner and the manager is effective, the manager's interests are guaranteed and they will act entirely in the interest of the owner. Agency theory appears in the context of business management associated with studies of the behavior of owners and employees through contracts. The first studies focused on problems of imperfect information in insurance contracts (Ross, 1973) [7], and quickly became a general theory of problems related to agency contracts in insurance. other fields (Jensen and Meckling, 1976).

Jensen and Mec-king (1976) defined the agency relationship (or fiduciary relationship) as a contractual relationship under which shareholders (principals), appoint, appoint other people, company managers (agents), to perform company management for them, which includes granting authority to make decisions on disposition of company assets. Agency theory states that, if both parties in this relationship (shareholders and company managers) want to maximize their benefits, there is a basis to believe that the company manager will do not always act in the best interests of the owners, the shareholders. The agency relationship is also expressed in the relationship between senior managers and managers at lower levels in the decentralized system, and between managers and people who directly use the organization's resources.

Agency theory suggests that conflicts will arise when there is incomplete and asymmetric information between the subject and the agent in the company. Both parties have different interests and this problem is minimized by using appropriate mechanisms that can limit the divergence of interests between shareholders and company managers, through the establishment of appropriate mechanisms. Appropriate remuneration for managers, and establishment of effective monitoring mechanisms to limit abnormal and self-interested behavior of company managers.

According to Healy and Palepu (2001) [3], optimal contracts between managers and investors, remuneration agreements and bonuses of managers, solutions to harmonize interests between business managers (and business owners) with the interests of outside investors. These contracts often require businesses to use information provided by management accounting systems such as budget systems, cost control information, and resource allocation for investors to evaluate the comply with contractual commitments and evaluate whether corporate administrators manage the company's resources in accordance with the interests of outside investors.

3. Method

This study uses the systematic literature review method SLR (Systematic Literature Review) of Tranfield *et al.* (2003) [6]. Sample selection for the study was based on PRISMA (priority items for systematic reviews and meta-analyses) originally proposed by Liberati *et al.* (2009) [4] and updated in 2021 by Page *et al.* (2021) [5]. The PRISMA flow diagram is based on three steps: Identification, screening, and study inclusion.

As a first step, the authors began by selecting a database to collect articles to include in the study. The database chosen is Google Scholar, known as a free, accessible database mainly through its database of references and abstracts on

many research topics. With research to understand and evaluate representation theory in management accounting, this is a highly scientific database to collect data. Data were collected on December 27, 2023, with the use of the following keywords "Agency theory" and "management accounting". The "AND" operator is used between two keywords to search in the keywords section of published articles. A total of 481 results were found from Google Scholar from 2010 to 2023.

In the second step, the author group screened to remove inappropriate documents through technical screening and content screening. For technical screening, documents in the form of: Encyclopedias, editorials, short communications, small reviews, book chapters will be eliminated by deselecting. For content screening, documents are pre-read to remove documents with irrelevant content even though they contain search keywords. The results after filtering showed that all 481 results met the filtering conditions for inclusion in the study.

The remaining number of documents after the two steps were analyzed with an overview of the SLR (systematic literature review) document system and entered into VosViewer software to analyze keywords and co-citation analysis. The results of SLR analysis are presented in tables and graphs. The results of bibliometric analysis will be presented in visual form. From the analysis results, the study finds popular research directions, names the research directions, and suggests future research directions.

4. Results

4.1 Statistics on year of publication

From 2010 to 2023, a total of 481 articles on agency theory in management accounting were indexed in Google Scholar with an average of 34 articles published per year. The highest number of articles was in 2021 (52 articles published) and 2018 (43 articles published). And 2010 was the year with the least number of articles published (19 articles). The statistical results of the year of publication show that researchers are increasingly interested in evaluating agency theory in management accounting in businesses. This is a topic that many researchers have been interested in over the past 10 years and the level of interest is quite consistent between years.

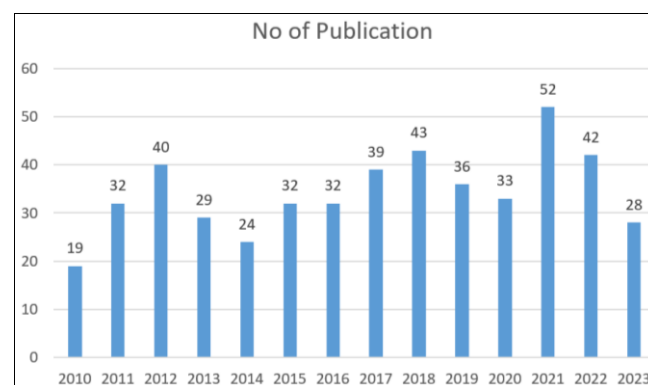


Fig 1: Chart of the number of studies over the years

Statistics by number of citations are shown in Table 1. The article "Contemporary performance measurement systems: A review of their consequences and a framework for research" by authors M Franco-Santos, L Lucianetti, M Bourne, published in 2012 is the article with the highest

number of citations with 1099 citations. The article "The agency problem, corporate governance, and the asymmetrical behavior of selling, general, and

administrative costs" by authors CX Chen, H Lu, T Sougiannis, published in 2012, is the article with the second most number of citations. with 1071 citations.

Table 1: Articles with the most citations

S. No	Cites	Authors	Title	Year	Publisher
1	1099	M Franco-Santos, L Lucianetti, M Bourne	Contemporary performance measurement systems: A review of their consequences and a framework for research	2012	Elsevier
2	1071	CX Chen, H Lu, T Sougiannis	The agency problem, corporate governance, and the asymmetrical behavior of selling, general, and administrative costs	2012	Wiley Online Library
3	1011	B Panda, NM Leepsa	Agency theory: Review of theory and evidence on problems and perspectives	2017	journals.sagepub.com
4	938	NB Macintosh, P Quattrone	Management accounting and control systems: An organizational and sociological approach	2010	books.google.com
5	582	C Nitzl	The use of partial least squares structural equation modelling (PLS-SEM) in management accounting research: Directions for future theory development	2016	emerald.com
6	572	S Van Puyvelde, R Caers, C Du Bois...	The governance of nonprofit organizations: Integrating agency theory with stakeholder and stewardship theories	2012	journals.sagepub.com
7	460	K Ward	Strategic management accounting	2012	books.google.com
8	448	O Lavia López, MRW Hiebl	Management accounting in small and medium-sized enterprises: Current knowledge and avenues for further research	2015	publications.aaahq.org
9	426	RE Hoskisson, F Chirico, J Zyung...	Managerial risk taking: A multitheoretical review and future research agenda	2017	journals.sagepub.com
10	411	Y An, H Davey, IRC Eggleton	Towards a comprehensive theoretical framework for voluntary IC disclosure	2011	emerald.com

4.2 Keyword analysis results

In the keyword analysis section, research and select keywords that appear 20 times or more. Keywords are evaluated by the software based on the number of occurrences and total link strength. Keyword analysis results can be exported into files as images. The keyword analysis results are as follows:

management accounting, study, theory. Group 3 is represented by blue links with the keyword research. With 3 research directions and 13 popular keywords, the results show that the research content on agency theory in management accounting is quite comprehensive. Future studies can base on that to choose research directions to fill the gap, or analyze more deeply.

Selected	Term	Occurrences	Relevance
<input checked="" type="checkbox"/>	agency theory	667	3.09
<input checked="" type="checkbox"/>	effect	46	1.57
<input checked="" type="checkbox"/>	theory	218	1.56
<input checked="" type="checkbox"/>	relationship	47	1.15
<input checked="" type="checkbox"/>	evidence	40	1.06
<input checked="" type="checkbox"/>	accounting	336	0.79
<input checked="" type="checkbox"/>	firm	45	0.72
<input checked="" type="checkbox"/>	analysis	34	0.68
<input checked="" type="checkbox"/>	paper	30	0.58
<input checked="" type="checkbox"/>	management accounting practice	37	0.54
<input checked="" type="checkbox"/>	study	124	0.52
<input checked="" type="checkbox"/>	research	124	0.40
<input checked="" type="checkbox"/>	agent	24	0.34

Fig 2: Keywords appearing multiple times

The group of keywords that appear 20 times or more includes agency theory, effect, theory, relationship, evidence, accounting, firm, analysis, paper, management accounting practice, study, research, agent. The keyword "agency theory" is the keyword that appears the most with 667 appearances. Next is the keyword "accounting" which is the second most frequent keyword with 336 appearances. Next is the keyword "theory" which is the second most frequent keyword with 218 appearances.

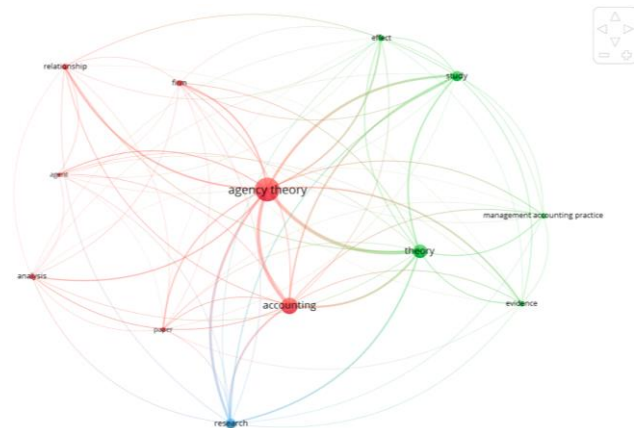


Fig 3: Co-occurrence networks

Fig 3 shows the keyword network. Note that the larger the circle, the more times it appears; the thicker the line connecting the two keywords, the greater the frequency of occurrences. Related keywords are grouped into groups, each group is a separate color. Looking at the image, it can be seen that the keywords are divided into 3 groups, with 75 links and total link strength of 2242. Group 1 is represented by red links with the keywords accounting, agency theory, agent, analysis, firm, paper, relationship. Group 2 is represented by green links with keywords effect, evidence,

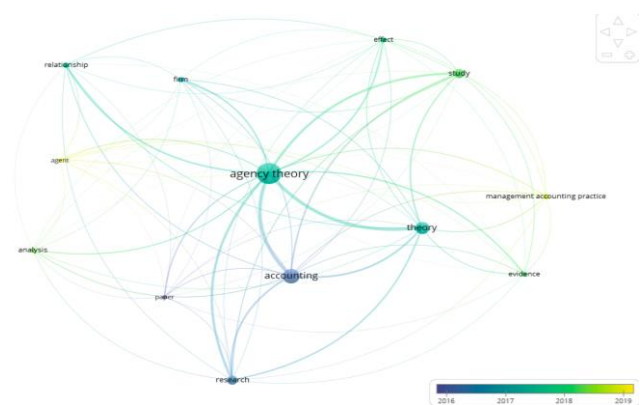


Fig 4: Keyword network over time

In addition, the results from the VOSviewer tool have shown the time of keywords appearing. Dark colors represent keywords researched from the first years (2016), in recent studies, keywords have appeared in brighter colors. The keyword appearance time chart shows that agent and management accumulating practice are the keywords that have received the most attention recently when researching agency theory in management accounting.

4.3 Co-authorship analysis

To explore the collaborative tendency in agency theory research in management accounting, this study analyzed co-authorship relationships between individual authors and between organizations. According to Benoit *et al.* (2018) [1], the analysis results help improve understanding of research collaboration and help discover influential researchers. Fig 5 and Fig 6 present the co-authorship network map. These are the authors who have participated in many representative theoretical articles in management accounting, specifically 3 or more articles. Of which, Alabdullah participated in writing 6 articles, Hiebl participated in writing 8 articles, Wickramasinghe, Almashhadani, and Krishnan participated in writing 4 articles.

Selected	Author	Documents	Total link strength
<input checked="" type="checkbox"/>	alawattage, c	3	3
<input checked="" type="checkbox"/>	wickramasinghe, d	4	3
<input checked="" type="checkbox"/>	alabdullah, tty	6	0
<input checked="" type="checkbox"/>	almashhadani, m	4	0
<input checked="" type="checkbox"/>	alsharari, nm	3	0
<input checked="" type="checkbox"/>	chandrarin, g	3	0
<input checked="" type="checkbox"/>	chong, vk	4	0
<input checked="" type="checkbox"/>	hiebl, mrw	8	0
<input checked="" type="checkbox"/>	krishnan, r	4	0
<input checked="" type="checkbox"/>	lestari, r	3	0
<input checked="" type="checkbox"/>	malmi, t	3	0
<input checked="" type="checkbox"/>	merchant, ka	3	0
<input checked="" type="checkbox"/>	shields, md	3	0
<input checked="" type="checkbox"/>	stede, wa van der	3	0
<input checked="" type="checkbox"/>	vosselman, e	3	0
<input checked="" type="checkbox"/>	waweru, nm	3	0

Fig 5: Co-authors appear multiple times

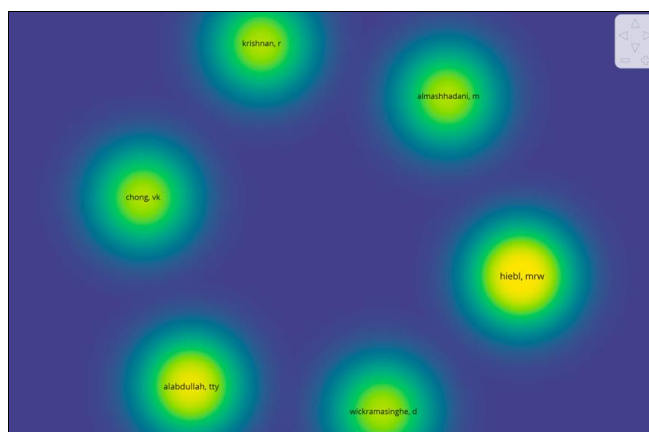


Fig 6: Appearance level of authors

5. Conclusion

In this study, we evaluated the global publication on agency theory in management accounting indexed in the Google Scholar database published between 2010 and 2023 to provide insights in terms of publication quantity, publication journal, keyword network and co-authorship network. This study used the bibliometric method with the help of several statistical and data visualization applications to explore research trends in the content of representation theory in management accounting.

Research results show that there have been a total of 481 articles on agency theory in management accounting indexed in Google Scholar from 2010 to 2023. The highest number of articles was in 2021 (52 articles published) and 2018 (43 articles published). And 2010 was the year with the least number of articles published (19 articles). In terms of keywords, appearing 20 times or more include agency theory, effect, theory, relationship, evidence, accounting, firm, analysis, paper, management accounting practice, study, research, agent. About the author, Alabdullah participated in writing 6 articles, Hiebl participated in writing 8 articles, Wickramasinghe, Almashhadani, and Krishnan participated in writing 4 articles. The research results have contributed to the general theoretical basis, serving as a basis for reference studies on agency theory in management accounting. Data collected from richer sources such as Scopus or Web of Science are suggestions for further research on agency theory in management accounting.

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