

Accounting Research Seminar

“The Revival Of A Management Accounting Technique: Zero-based Budgeting
And Shareholder Activism”

Martin Messner - University of Innsbruck, Austria

Thursday, June 7th, 2018 – 14:40 – 16:10

Abstract:

The paper examines the recent ‘revival’ of zero-based budgeting (ZBB). This particular approach to budgeting had initially emerged in the 1970s and has only recently reappeared on a larger scale, as evidenced by a surge in corporate and media attention since 2014. Our paper analyzes the origins behind this revival. By means of a qualitative analysis of media articles, we first trace the re-emergence of the concept and how it has been framed as a solution to corporate problems.

We thereby identify the particular role of an activist shareholder, 3G partners, in bringing ZBB to the attention of corporate executives. We then use archival data to examine the firm characteristics that make it more likely that a firm has adopted, or is considering adoption of, zero-based budgeting.

We find evidence that firms in certain industries and with cost inefficiencies are more likely to adopt the technique. Finally, we examine the economic outcomes of adoption. We find some evidence suggesting that adoption reduces cost inefficiencies. Overall, our paper highlights how shareholder activism can drive the adoption of a management accounting technique.

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