

# The Effect of Management Style on Accounting Information Systems

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Management style is a complex concept. It is identified as a factor that can succeed or thwart the achievement of quality of a financial reporting system. The purpose of this study is to investigate through testing confirmation of management style influence on the quality of financial reporting systems. It was statistically processed using simple regression analysis. The research method used explanatory research method to get basic answers of causation by analysing the causes of the problems on the quality of financial reporting systems. The results of this study show that management style influences the quality of financial reporting systems and the problems of financial reporting systems which has not qualified occur because of the financial reporting systems which are less qualified, less integrated, less efficient and have not achieved optimal access. The financial reporting systems which have not qualified are because the management style does not fully guarantee the implementation of financial reporting systems.

**Key words:** *Management, Style, Quality, Financial reporting, Accounting information systems.*

## Introduction

Bagranoff (2010: 5) states that a financial reporting system is a set of data and procedures that generate information for its users, which can be used in decision making processes (Laudon & Laudon, 2007: 13). The quality of information systems can mean a successful information system (works) or effective (DeLone & McLean, 2003) in which the quality of financial reporting systems that will produce financial reporting into a competitive advantage within an organisation (Baltzan, 2012: 14). The competitive advantage of an organisation is that it is

superior in decision-making than its competitors (Laudon & Laudon, 2007: 34). According to Sacer et al (2006), the quality of information systems shows the integration of various components of financial reporting systems, they are: hardware, software, brainware, telecommunication network, and quality of database, and quality of work. Furthermore, an integrated information systems is defined by Marcus (2009: 2) as the process of generating the organised information in information systems which consists of hardware, software, databases and telecommunication networks, as well as human interaction and communication as a user. In line with Azhar Susanto (2013: 14) that the quality of financial reporting systems is the integration of all elements and sub-elements, it is also called the financial reporting systems components which consist of hardware, software, brainware, procedures, databases and communication networks. To produce the quality of information, companies must make significant investment in their information system/s (O'Brien & Marakas, 2008: 58).

According to Stair and Reynolds (2010: 57) a quality information system is generally flexible, efficient, accessible and timely. Similarly Horan (2006) states that the characteristics of a quality information system consist of utility, reliability, efficiency, customisation and flexibility. To date financial reporting systems which are utilised by public and private sector organisations in Indonesia have not been good. Fauzi (2011) states that the financial implementation reporting system of local governments tended to be inefficient, both in terms of time and budget. Furthermore, as experienced by BUMN, in which BPK still finds a number of problematic documents because the information system to access data in management and financial responsibilities of the state still has to be developed (Dahlan Iskan, 2012). Mitroatmojo (2012) added that the economic potential of Indonesia is untapped because many people do not have access to the banking information system. The phenomenon of poor quality financial reporting systems also occurs in pharmaceutical companies, where non-uniformity of procedures and irregularities of process occurs, as a result of un-integrated information systems (BPK 2008).

The quality of financial reporting systems is influenced by aspects of management style. Stone (1994) argues that management style is a factor which significantly influences the success of AIS implementation. Besides, leaders must understand that information systems should be designed and implemented effectively (Nye, 2008: 106). Choe *et al* (2011) also revealed that a transformational management style positively influences the success of information systems users. Management style in this study is defined as the ability to influence and motivate competence in the system user, to use financial reporting systems. The system user is directed through the communication process to produce financial reporting which is suitable to the users' needs (Lussier, 2008: 81). In line with Stuart (2002: 352), the leader is expected to have the ability to influence, to give directions and also to be able to influence the individual to achieve organisational goals.

The phenomenon of management style is observed from a current management style crisis. This crisis is experienced at this time and at various levels, that can be one cause of a poor national situation. Even the state ideology Pancasila, has been forgotten by the leaders (Mahfud MD, 2013) as evidenced by 1) the lack of integrity of national leaders, 2) less able to escape from corruption, collusion, nepotism, 3) lack of moral and ethical management style understanding, 4) less able to understand precisely the essence of pluralism, 5) promoting the interests of the party, rather than the people's aspirations (Pusaka Indonesia, 2013). Syamsuddin Haris (2013) also states that the nation's problems occur mainly because of a lack of decisive management style, so that the government is ineffective. This is reflected in the execution of infrastructure that responds too late, APBN that is slow and unhealthy, and a government that is not directly tackling problems (Prasetiantono, 2012) Therefore the government has remained trapped in a conflict of interest (Tanjung, 2012), when it is necessary to make improvements, including improving the head of state (Nasution, 2009).

Based on this phenomenon and the previous research, this study will focus on: "The Effect of Management style on Financial reporting Systems".

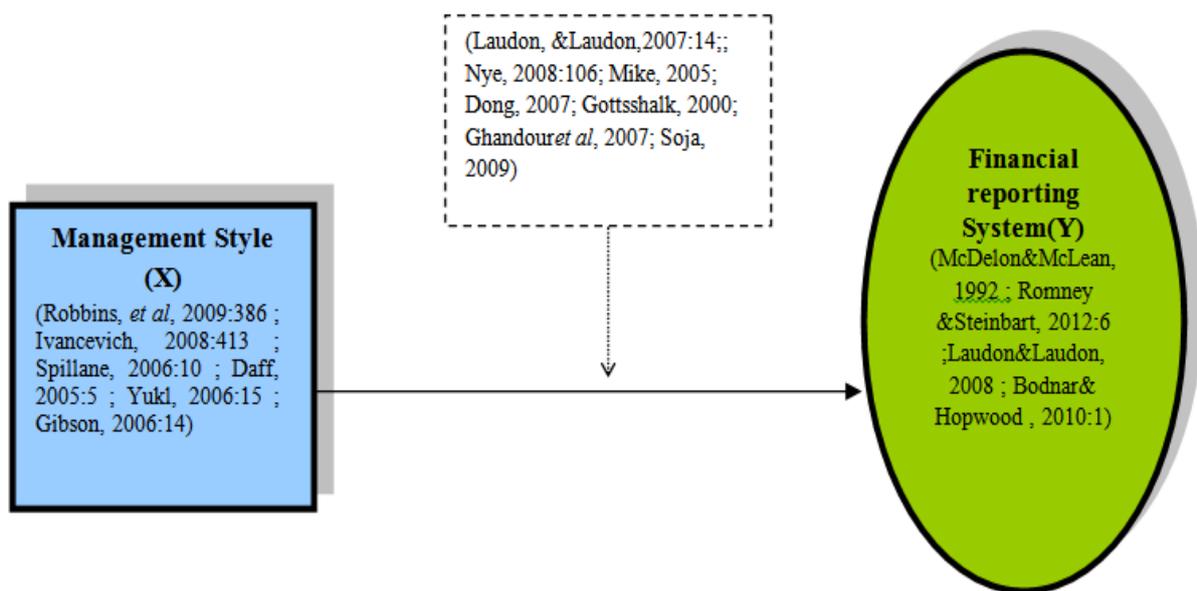
### **Literature Study, Theoretical Framework and Hypotheses**

Robbins, et al (2009:386) and Ivancevich (2008:413) argue that management style is the process of influencing others, to facilitate the attainment of organisationally relevant goals. While the leaders themselves, according to Stuart (2002:352), are the one who are expected to have the ability to influence, to give directions and also to be able to influence the individual to achieve organisational goals. Spillane (2006:10) states that leaders are the agents of change, with the ability to influence people, more than the people have the ability to influence the leader. Daff (2005:5) defines management style as an influence that connects leaders and followers. Gibson (2006:14) states that management style is an attempt to exert influence to motivate people in order to achieve a goal. Similarly Daff (2005:5), Hughes (2006:19) and Lussier (2008:281) state management style is the process of influencing others towards achieving group goals. Furthermore Yukl (2006:15) suggests the approach which is taken by a leader is influenced by personality, motives, values and skills. In line with Yukl (2006:15), Ivancevich (2008:302) reveals that management style effectiveness is measured from: (1) Personality - energy level, stress, tolerance, self-confidence, emotional maturity and integrity; (2) Motivation - socialised power orientation, strong need for achievement, affiliation skills, technical skills and cognitive skills; (3) Ability - interpersonal skills, cognitive skills and technical skills.

Eom (2005) reveals that the project leaders' management style is likely to be positively related to the participation and involvement of users in systems development. Dong (2007) also states that the project winner and the leaders' behaviour has an influence on user confidence in the

use of information technology. Furthermore Gottsschalk (2000) states management style in information systems (IS) and information technology (IT) has changed in fundamental ways over the past decade. Ghandour et al (2007) argue that the management style of business owners and managers in small and medium enterprises hold the key role in the success of e-commerce systems (ECS). Soja (2009) concludes that management style is one of the basic requirements that must be met, in order to achieve successful information systems implementation (ERP).

From the description above, as it relates to management style and the quality of financial reporting systems, the framework for this study is explained in **Figure 1**:



Based on the framework above, the hypothesis which is proposed in this study is:

**H<sub>1</sub>**: Management style influences the quality of financial reporting systems.

### Research Methodology

The unit of analysis in this study is pharmaceutical wholesale companies in Bandung city, which have implemented a computer-based financial reporting systems in the Bandung city area. The respondents in this study are the branch managers, heads of accounting/finance and staff of accounting/finance who are related to the financial reporting system, which is implemented by the pharmaceutical wholesalers companies in Bandung city. These have been chosen because they have the role and authority in the implementation of related activities, and to guide the quality of the information systems on each working unit. The target population in this study is the data which is contained in West Java Province health office, 2013, which states that the number of pharmaceutical wholesalers companies in Bandung city is 67 (sixty seven) companies.

Furthermore, the minimum sample size is determined by using the Slovin formula as follows:

$$n = \frac{N}{Nd^2 + 1}$$

### **Explanation**

n: Selected samples

N: Population

d: Bound of error or precision values of 5 percent. Precision values are used by 5 percent as it is widely used in social science research. A precision value of 5 percent means that the average value of population, will not deviate more than 5 percent.

Based on the equation, the minimum sample can be calculated as follows:

$$n = \frac{67}{67(0,05)^2 + 1}$$

$$n = \frac{67}{1,67} = 57,38 \text{ (rounded to 57)}$$

Thus the minimum number of samples are 57 companies.

In order to facilitate the interpretation and hypothesis testing, the collected data will be analysed by using a specific method. The research data was obtained by submitting a list of statements to the respondents through questionnaire, the answers of the respondents to the statement is a measure that will be tested. When obtaining data from the respondents, validity and reliability testing is done so that the data can accurately describe as a concept what is measured. To test the hypotheses a simple linear regression analysis is used.

## **Research Results and Discussion**

### ***Research Results***

The validity test results demonstrate all of the items have  $r_{\text{count}}$  value  $> 0.30$ , so it can be concluded that all management style variables items (X), and the statement items of the quality of financial reporting systems variable (Y) is valid. Reliability value for each variable is seen as more than 0.7, as the limit. It is stated that the measurement tool is reliable, so it can be said that the measurement tool of a statement questionnaire has had a good level of reliability when it is used. The following is the average score of respondents for six indicators of the three dimensions of management style variables which can be seen in Table 1 below.

**Table 1:** Recapitulation of Respondents Average Score for Management style Variable

| No | Indicators/Dimensions                     | Average Scores | Criteria |
|----|---|----------------|----------|
| 1  | Self confidence                           | 4.38           | Good     |
| 2  | Integrity                                 | 4.49           | Good     |
|    | Personality                               | 4.33           | Good     |
| 3  | The encouragement to cooperate (teamwork) | 4.75           | Good     |
| 4  | Enthusiasm                                | 4.71           | Good     |
|    | Motivation                                | 4.51           | Good     |
| 5  | Intelligence                              | 3.53           | Enough   |
| 6  | Creativity                                | 3.27           | Enough   |
|    | Ability                                   | 3.38           | Enough   |
|    | <b>Grand mean</b>                         | 4.26           | Good     |

Source: Processed data

Furthermore, the average score of respondents' for six indicators, of 3 dimensions of the quality of financial reporting systems, variable can be seen in table 2 below.

**Table 2:** Recapitulation of Respondents Average Score for the Quality of AIS Variable

| No | Indicators/Dimensions                             | Average Scores | Criteria |
|----|---|----------------|----------|
| 1  | Integration between components                    | 3.29           | Enough   |
| 2  | Integration between transaction processing system | 3.48           | Enough   |
|    | Integration                                       | <b>3.37</b>    | Enough   |
| 3  | Using optimal resources                           | 3.29           | Enough   |
| 4  | HR that is used is suitable to its expertise      | 3.49           | Enough   |
|    | Efficiency  | <b>3.82</b>    | Enough   |
| 5  | Easy to access                                    | 3.15           | Enough   |
| 6  | Data is easily and quickly available              | 3.28           | Enough   |
|    | Ease of access                                    | <b>3.82</b>    | Enough   |
|    | <b>Grand mean</b>                                 | <b>3.23</b>    | Enough   |

Source: Processed data

The influence of management style on the quality of financial reporting systems, is calculated by the simple linear regression analysis. The result using the SPSS shows regression coefficient and constant value as in the following table 3:

**Table 3:** The Results of Regression Coefficients

| Coefficients <sup>a</sup> |                      |                             |            |                           |        |      |
|---------------------------|----------------------|-----------------------------|------------|---------------------------|--------|------|
| Model                     |                      | Unstandardised Coefficients |            | Standardised Coefficients | t      | Sig. |
|                           |                      | B                           | Std. Error | Beta                      |        |      |
|                           | (Constant)           | -4.098                      | 3.960      |                           | -1.035 | .309 |
|                           | X (Management style) | .518                        | .210       | .420                      | 2.466  | .019 |

a. Dependent Variable: Y (The Quality of Financial reporting Systems)

The regression equation that describes the influence of management style on the quality of financial reporting systems is:

$$Y = -4.098 + 0.518 X$$

The regression coefficient of the management style variable (X) at 0.518, indicates a variation in the quality of financial reporting systems (Y), due to the influence of management style variables on the quality of financial reporting systems. A positive sign shows the direction of the relationship is directly proportional (in line). So, with every increase of one unit score of management style variable (X), the quality of financial reporting systems will increase by 0.518 with the assumption that other factors are constant (unchanged). So, the higher the management style (X), the higher (better) quality of financial reporting systems will be, it has a positive direction.

The calculation result of  $t_{count}$  value for management style variable (X) is obtained by 2.466, with a significance value (*p-value*) = 0.019. The obtained calculation results of  $t_{test}$  statistic value showed  $t_{count}$  on the management style of the independent variable (X) is greater than the  $t_{table}$  value ( $t = 2.466 > 2.040$ ). This shows that the testing result  $H_0$  is rejected. These results are also indicated by the value of statistic test significance (*p-value*), for management style variable (X), on the quality of financial reporting systems for 0.019, which is less than the acceptable error rate of 5%. In conclusion there is significant influence of management style on the quality of financial reporting systems.

## Discussion

The positive influence which is in the same direction and coefficients value, have proved the built hypothesis ( $H_1$ ), in which the management style influences the quality of financial reporting systems. Nye (2008: 106) states the understanding and establishment of information is very important in a management style, in either small groups or large groups, which is needed when designing and monitoring the effectiveness of implemented information systems. Mike (2005) states that management style behaviour of project leaders is likely to be positively

related to user's participation and involvement in the system development. The same opinion was delivered by Dong (2007), who stated that the project winner and leader behaviour has an influence on the confidence in the use of information technology.

The results of the questionnaire show that management style does not fully guarantee or encourage the employees to be more confident in achieving the company's goals and have integrity when completing basic tasks. The results of the questionnaire which have been distributed to respondents in the Bandung pharmaceutical wholesalers company showed that a good system is determined by motivation, which is assisted by an encouraging management style to cooperate with superiors, peers or subordinates, as well as the encouragement to have high motivation in achieving the company goal. Furthermore, within management style, intelligence is needed when dealing with all the problems. For example, the ability to be able to respond intelligently through providing opportunities for employees to express their opinions and creatively develop the company. Depending on the circumstances, management will develop a working relationship between divisions, and a good system that can improve the company's competitive power. This is indicated by the percentage of the questionnaires' responses, in which the respondents say 'enough' and have not reached 'good' criteria.

The study result is in line with research conducted by Ghandouret *al* (2007). Ghandouret *al* (2007) found that the management style of owners and managers in small and medium enterprises, have the key role in the success of *e-commerce systems*. Soja (2009) concluded that management style is one of the basic requirements that must be met, in order to achieve successful implementation of information systems.

## **Conclusion**

Management style influences the quality of financial reporting systems. The problems of financial reporting systems which is unqualified in the pharmaceutical wholesaler's company occurred because management style is not maximised. The problems are: (1) The head is not able to 100% respond intelligently and appropriately to problems that are faced by companies when that sometimes that problem will end with the matter of time; (2) The encouragement to be creative in developing the company is not considered or maximised; (3) Firmness and discipline have not reached the desired expectations, due to various internal and external factors.

## **Acknowledgment**

This work is supported by DIPA Kementerian Riset dan Teknologi/Badan Riset dan Inovasi Nasional T.A. 2020, Republic of Indonesia as a part of Research Grant of INSINAS entitled "Rancangan Sistem Informasi Inventory Online Berbasis Android Bagi UMKM Pada Sektor



Dagang” or “Design of Android-Based Online Inventory Information System for Micro, Small and Medium Enterprises (MSMEs) in Trade Sector”.



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