

# **INFLUENCE OF MANAGEMENT STYLE ON THE QUALITY OF ACCOUNTING INFORMATION SYSTEM**

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## **Abstract**

*Purpose of this study was to determine the influence of management style to the quality of the quality accounting information system. This study aims to examine: the influence of management style on the quality of the information system. The study was theoretical research which considered the roles of management style on quality of accounting information system which using extensive review of past studies. The results showed that the management style have a significant effect on the quality of accounting information systems.*

*Keywords: Management, Management Style, Information System, Quality, Accounting Information System*

## **INTRODUCTION**

The fundamental role of accounting information systems in an organization is to produce quality accounting information (Azhar Susanto, 2013: 374). Laudon and Laudon (2008: 7) that the quality of accounting information generated by the quality of accounting information system, so that in carrying out its activities all companies need quality accounting information systems. Further explained Laudon and Laudon, that the accounting information system generates accounting information used in decision-making processes (Laudon and Laudon, 2008:13). Internal users of accounting information system will use accounting information as a basis for decision making (Azhar Susanto, 2013: 72). McLeod and Schell (2008: 19) states that the role of accounting information systems put data into the accounting information and emphasis on

administrative work in to a problem-solving activity, then the accounting information system developed specifically to assist managers in decision making processes.

In the framework of the decision-making process, an executive requires accounting information quality (O'Brien and Maracas, 2008:324). The importance of accounting information indecision-making activities expressed by Gelinas and Dull (2008: 17) as follows information is the data presented in a form that is useful in a decision making activity. The value of accounting information depends on the quality of accounting information is presented (Azhar Susanto, 2013: 11). Accounting information can be aligned with labor, raw materials, machines, money and described as blood flow through the human body (Laudon and Laudon, 2008:7). Furthermore, Azhar Susanto (2013: 65) states that the accounting information is the output of the accounting process. In general, the accounting information presented in the financial statements (Kieso et al, 2012:5). By using accounting information, internal parties will obtain accounting information relating to past and future, such as prediction/forecasting which includes annual plans, strategic and decision alternatives (Azhar Susanto, 2013).

Quality accounting information obtained at the right time for decision-making, where the result is a more informed decision, the allocation of resources more precise and better response time, so as to reduce costs and generate profits (Laudon and Laudon, 2008:13). Accounting information submitted in the proper form will have relevance, accuracy, timeliness and complete (McLeod and Schell, 2008:52). Integration is the key to success in the accounting information system (Nicolau, 2000: 92), due to the integration of the accounting information system generated accounting information that is accurate, timely, and consistent for management (Rodin and Brown, 2008). According to McLeod (2007: 29) the integration of accounting information system not only integrates the components of hardware, software, brainware, communication networks, databases and procedures, also includes the quality of work and satisfaction of users of accounting information systems (Sacer et. Al, 2006:62).

In fact, various types of companies in Indonesia have not held a quality accounting information systems. As happened in several government agencies expressed by some experts below: Agus Martowardojo (2013) a former finance minister, stated that there are 10 ministries / agencies who have a poor quality of financial reporting. Chairman financial Audit Agency (BPK) found there were four issues in the Government Financial Statements (LKPP) in 2010. Subsequently Boediono (2011) as the former vice president, said that now there are 67 areas of about 524 regions which statements get WTP opinion . Former Chairman of the Board of Audit (2010), Hadi Purnomo considered that the management of state assets in Senayan and Kemayoran still bad. Due to poor management, financial statements Ministry State Secretary obtain a qualified appraisal. More is said by Hadi Purnomo (2012) as the former Chairman of

the Board of Audit stated that the CPC get 4941 worth Rp 13.25 trillion in the case of Local Government Finance Report (LKPD). Hadi Purnomo continued that poor management of Local Government Finance Report (LKPD) of 426 LKPD of 2011 in 524 local governments and 4 LKPD 2010 which examined the first half of 2011, the number of LKPD who gain an unqualified (WTP) is only 16% and in Examination Results Summary (IHP) second half of 2011, the Supreme Audit Agency found the abuses of state funds at the provincial level, where the losses in 33 provinces of the country in 2005-2011 reached 4.1 trillion. Member of the Board of Audit, Rizal Djalil (2013) says that the CPC found there were eight district hospitals (Hospital), and 49 health centers in 12 participant data that is inaccurate. Accounting information quality is not caused because not quality accounting information system as described by M. Jasin (2010) as the former Vice Chairman of the Commission said that the system is not integrated information, human resource competencies weak and inaccurate data centers, potentially making program carried out repeatedly.

The quality of accounting information systems influenced by the style of management (McLeod and Schell, 2007: 14). Then Dick Abel (2008: 13-16) says that talking about the management style, which is the outward expression of the character of the inner, where the character is fundamental to motivate people to perform activities. Low characteristics of management in the public sector impact on the poor public services (Gina Kartasasmita, 2010). Furthermore Prabasari, (2013), as an observer state enterprises stated that in 2009 the results of the performance appraisal PT. PLN (Persero) Distribution of Bali with an average value of 183.31 shows less potential value, this was due to lack of effort motivation given by management such as the lack of awards to employees who excellent, lack of attention to his subordinates supervisor when completing a given task (Prabasari, 2013). According to McShane and Glinov (2010: 336) includes a directive management style, through the provision of duty and reward; spikologis supportive through support and troubleshooting; participative by requesting advice of subordinates and decide based on the suggestions / ideas subordinates; achievement-oriented by setting individual targets and evaluate the achievement.

## **EXISTING LITERATURE**

### **Quality of Accounting Information Systems**

Gelinas et al (2012: 19) gives the sense of the quality of accounting information is useful information for decision makers. Users of accounting information in order to determine the specific quality-quality decisions by providing additional suppression the relevance, timeliness, accuracy and completeness. Quality of information is information that is useful for the decision to be made. User-specific quality (decision usefulness) provide additional emphasis for theses

points: relevance, timeliness, accuracy and completeness. The Stair and Reynolds (2012: 7) states that the accounting information quality is a complex concept, containing the value relevance of accounting information, accounting conservatism and earnings management. The value of information is Directly Linked to how it helps decision makers Achieve Reviews their organization's goals. Valuable information can help people and Reviews their organizations perform tasks more efficiently and effectively.

Furthermore, the quality of accounting information said by Al-Hakim (2007) as multidimensional. This means that the organization should use multiple measures to evaluate the quality of their information (information quality is multidimensional. This means that organizations must use multiple measures to Evaluate the Quality of Reviews their information).Dimensions to measure the quality of accounting information by Gelinas et al., (2012: 21) is the relevance, timeliness, accuracy and completeness. Understanding each dimension is as relevance if the information is capable of making a difference in a decision-making situation by reducing uncertainty or improve knowledge of the particular decision. Information available to decision makers before it loses its capacity to influence decisions have timeliness. Lack of timeliness can make irrelevant information (Gelinas, 2012: 21).

According to Porter and Norton (2012: 27) quality of accounting information is information that is relevant and faithful representation, include: (1) Relevant information that is useful for decision-making process, the information of the past may help in predicting the future. (2) Timelines that information should be available at the time of the decision being made. (3) Faithful representation that the information is complete, neutral and free from error. Neutral means the presentation of information free of bias towards a particular outcome. Neutral information can be used by anyone, and do not try to influence the decision in one direction. Dimensional accuracy is correspondence or agreement between the information and the actual events or objects that represent information (Gelinas et al., 2012: 22). Completeness is the extent to which information include data on any relevant object or event that is required to make a decision and include information only once. Relevance in the sense of all objects or events that we intended to include (Gelinas et al., 2012: 22).

Next by Bidgoli (2004: 164) says that the quality of accounting information is the user get the needed information quickly when needed, and objective information presented so that the user can take appropriate action. Further described by Kahn et al., (2004: 164) the quality of accounting information is information that is suitable for the user, wherein the information available has distinctive features that meet or even exceed the expectations of users. Information that is inaccurate, outdated or difficult to understand not going to give meaning, usefulness and value to users (O'Brien and Maracas, 2010: 350).The O'Briens and Maracas

(2010: 353) stated that the quality of accounting information can be described in three dimensions, namely, time, content and the format. Next McLeod (2007: 43) involves accurate, timely, relevance and completeness as a dimension of quality information. The Stair and Reynolds (2010: 6) involves dimensions of quality information that is more comprehensive, accessible, accurate, complete, economical, flexible, relevant, reliable, secure, simple, timely and verifiable. Based on some of the definitions above it can be concluded that the quality of accounting information is appropriate accounting information that can be used by users as a basis for decision making (Azhar Susanto, 2013: 16; Hall, 2011: 12; Gelinas, 2012: 19-22, Azhar Susanto, 2013: 13-38; Sri Mulyani NS, 2009: 19).

### **Management Style**

According to Klinger and Mosemann (2011: 1308) describes the management style is related to attitudes toward setting priorities for implementing ERP systems. Furthermore, Stoner and Freeman (1992: 421) describes the management style is various behavior patterns favored by the leaders during the process of directing and influencing workers (management styles is the various patterns of behavior favored by leaders during the process of directing and Influencing workers). From the above it can be said that the opinion of management style is an attitude or behavior patterns in the process of directing and influencing workers (Klinger & Mosemann, 2011: 1308; Stoner and Freeman, 1992: 421).

According to Brandon (2006: 299-312) management style is represented in two dimensions: (1) the first dimension is Directive (management) or task-oriented behavior, Reviews such as structure, control, supervision; (2) The second dimension is supportive (leadership) or relationship-oriented behavior, Reviews such as listen, praise, empower, facilitate. Further explained by Brandon (2006: 299-312) states that there are four quadrants representing four types of management styles: (1) directing: high directive and low supportive; (2) Coaching: high directive and high supportive; (3) supporting: high supportive and low directive; (4) delegating: Low supportive and low directive.

Furthermore, according to Hall (2011: 578) describes dimensions' management style: (1) reactive management: responds to problems only when they reach a crisis state and can no longer be ignored. This creates a great deal of pressure to solve the problem once it has been quickly recognized; (2) proactive management: stays alert to the subtle signs of problems and aggressively looks for ways to improve the organization's systems. This management style is more likely to recognize symptoms early and therefore implement better solutions. As according to Klinger and Mosemann (2011: 1584) explained that the dimensions of management style consists of autocratic management style and the style of management directive. The same thing

is described by Gomez and Balkin (2005: 260) that the dimensions of management style consists of: (1) reactive management: management style that respond to the most urgent issues first when not enough time available; (2) proactive management: management style where the anticipated problems before they become widespread and time are set on both sides of every day and every week to plan goals and priorities. From the opinions above can be said that the dimensions of management style consists of a directive management style and supportive management style (Brandon, 2006: 299-312; Schermenhorn, 2005: 334; Gibson et al., 2009: 327).

## **THEORETICAL FRAMEWORK**

Kendall and Kendall (2008: 48) explains that one of the broad base organization that need to be considered when analyzing and designing information systems is the management style. Each of the management style of holding the different influences (implication) to develop a system of accounting information. One broad base of organizations that need to be considered when analyzing and designing information systems is the management style.

Each of the management style of holding the different influences (implication) to develop information systems. Laudon and Laudon (2012: 94) further explains that the management style as one of the factors to be considered in the planning of a new information system (management style as one of the factors that must be considered in the planning of a new information system). More is said by McLeod and Schell (2007: 14) that one of the important things in designing accounting information systems that take into account the company's management style. The same thing is said by RalphM (1992: 387) that one of the factors for the development of a successful accounting information system is to consider the management style.

Besides the theoretical premises above, the results of a study conducted by Hussein et al., (2007), Yurof and Potter (2006), proving that the management style significantly influence the success dimensions of accounting information systems. Based on the description above it can be concluded that the management style with dimensions directive and supportive effect on the quality of accounting information system (Laudon and Laudon, 2012:94; McLeod and Schell, 2007:14; Ralph, 1992:387; Kendall and Kendall, 2008:48; Hussein et al., 2007).

## **CONCLUSIVE REMARKS**

Management Style affects the quality of accounting information system. The theories that already exist about accounting and management make more emphasized linkages, that the influence of management style of the quality of accounting information systems. The results of



the theoretical evidence from this study can be used to solve problems that occurs on the quality of accounting information systems. The quality of accounting information systems can be improved through good management style.

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