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THE INFLUENCE OF MANAGER COMPETENCE ON THE QUALITY OF MANAGEMENT ACCOUNTING INFORMATION SYSTEM AND ITS IMPLICATIONS ON THE QUALITY OF MANAGEMENT ACCOUNTING INFORMATION

Rini Lestari

Abstract: Manager Competence can improve the quality of management accounting information system. The quality of management accounting information system affects the quality of management accounting information. This research was conducted to seek the truth through testing that proves the influence of manager competence on the quality of management accounting information system which affects on the quality of management accounting information. The data used in this study is obtained through a survey by distributing questionnaires to 80 insurance companies in Indonesia. The testing data uses SEM-PLS. The research method uses explanatory research. The research results show that the management accounting information has not had quality because the management accounting information system has not had quality either. The management accounting information system that has not had quality is caused by the manager competence which has not been entirely good as it is expected.

Keywords: Manager Competence, the Quality of Management Accounting Information System, the Quality of Management Accounting Information.

1. INTRODUCTION

Nowadays the quality information is a competitive advantage for an organization (Rani & Kidane, 2012). If the information is not qualified, it will have an impact on wrong decision making (Huang, et al., 1999). To obtain quality information, it needs an information system that can be utilized by both internal users (management) and by external users (Wilkinson, et al., 2000: 8). In fact the management accounting information system which is applied in an institution still has problems, such as in non business institution (government), namely the Directorate General of Mineral and Coal, the low quality of management accounting information system leads to the potential loss of tax revenue from the mining sector in 2012. The same thing is also expressed by member of the Audit Board IV, Masykur Ali Musa (2014), that
the data which is related to the production of mineral and coal is inaccurate. The statement is the same as the opinion of Thamrin Sihite (2013), the departments in the Ministry of Mining are not integrated which cause the data is different, so that the information which is resulted is not aggregated and not accurate for decision-making. So is the case in the Ministry of Finance as reported by the Directorate General of Taxation, which the institution does not have an accurate number of tax receivables due to the non-integrated recording (Agus Martowardoyo, 2011). The problems of management accounting information system also occur in business organizations, such as at PT Avesta Continental Pack, in which the non-integrated management accounting information system causes more and more time is needed to process the data and decision-making becomes slow (Berry Karlis, 2011).

Further problems occur in the insurance industry, about 60 general insurance companies or 80% of the total 81 companies have not had an integrated management accounting information systems (Julian Noor, 2013). Jusuf. D. Salim (2010) states that the success of the system depends on the employee ability or competence.

Based on the above phenomenon, the poor quality of management accounting information system can be affected by poor of employee competence as the user of information system. The competence which is represented by the knowledge and skills (Stewart & Brown, 2011: 22) contribute to the success of management accounting information system in meeting its goal to provide the information that is needed by managers (Belkoui, 2002: xi). The opinion is the same as the research of Tayles, et al. (2007), Madapusi & Ortiz (2014) and Daoud & Triki (2013) which shows that the application of management accounting information system requires the involvement of the manager competence.

Rani & Kidane (2012: 15) states that to implement the quality of management accounting information system, it is important to do focusing on how to produce a quality of management accounting information. Furthermore Chitmun & Ussahawanitchakit (2011) and Mia & Winata (2005) state that the integration of management accounting information system positively affects the quality of information.

Based on the phenomenon, the literature which are used and the results of previous researches, this research will focus on the research object, The manager competence and its influence on the quality of management accounting information systems and the implications on the quality of management accounting information.

2. REVIEW OF LITERATURE

2.1 Manager Competence

Based on the definitions that are proposed by Spencer & Spencer (1993: 9), Marshall (2003: 41), Funk (2005: 33), Yukl (2010: 419), McShane & Glinow (2010: 36),
Bernardin (2010: 522), Moeller (2011: 161), Stewart & Brown (2011: 22), and Dessler (2011: 435), the manager competence in this research is the knowledge and skills of managers which are applied to produce superior performance on the work. In an organization besides employee, as the user of information system also includes the managers (McLeod & Schell, 2007: 14). So that an information system in an organization can run well, it requires competence (Stewart & Brown, 2011: 22). Based on the opinion of Whitten & Bantley (2007: 9) the manager competence in this research is the manager competence at the middle level, because the managers are directly related to the daily operations of the company and technical decision-making of companies or organizations.

Referring to the definition that is disclosed by Spencer&Spencer (1993: 9), it shows the five characteristics of competence, they are: motives, traits, self-concept, knowledge, skills. Dubois & Rothwell (2004: 16), to measure competency, it can be used the following characteristics: knowledge, skills, aspects of self-image, social motives, traits, thought patterns, mind-sets, and ways of thinking, feeling, and acting”. Knowledge is something that can be learned, either through formal education or through the development of one’s ability that can be gained from reading and watching (observation) (McLeod & Shell, 2007: 81). According to Zikmund, et al. (2010: 22), knowledge is a blend of experience that we have experienced before, deep experience, and the data which forms in an organized memory. Pearlson & Saunders (2010: 9) states that managers, especially general manager who is at the middle level should have basic knowledge of information systems to make decisions that have serious implications for the business. The skills which are possessed by management can adapt to the needs of individuals with the needs of organization so that the goal can be met (Mullins, 2005: 335). Daft (2001: 12) describes the individual skills that are expected in organizations such as: ability of understanding and mastery in performing certain tasks. Referring to the opinion of the experts above, the characteristics of visible competencies are knowledge and skill.

2.2. The Quality of Management Accounting Information System

According to the definitions that are proposed by Horngren, et al. (2008: 7), Burns, et al. (2013: 7), Atkinson, et al. (2001: 3), Belkoui (2002: 9) Hansen & Mowen (2007: 4) and Heidmann (2008: 44), then management accounting information system can be regarded as a collection of system components which is associated with and cooperates with one to another by utilizing resources to process the data into financial and non-financial information to meet the specific objectives of management. The quality of management accounting information system can be defined as a form of statements about the conditions in which management
accounting information system can generate management accounting information useful for managers in the running process management (Hoque, 2003: 4). Management accounting information quality is a reflection of the results of the processing of accounting information system of quality management (Heidmann, 2008: 80). Delone & McLean (2003) shows the success or quality of the information systems that focus on efforts to produce quality information. So, what is meant by quality management accounting information system in this study is the integration of the system components associated with and cooperate with one another by leveraging the resources to process the data into financial and non-financial information to meet the specific objectives of management. Heidmann (2008: 87) explains the dimensions of management accounting information systems, they are integration, flexibility, accessibility, formalization and media richness.

2.3 The Quality of Management Accounting Information


Decision-making will be better, if it uses quality of information (Romney & Steinbart, 2012: 24). Hall (2011: 14) states quality of information has the characteristic: “relevance, timeliness, accuracy, completeness, and summarization.” While O’Brien & Marakas (2010: 327) states that: It is useful to think the information as having the three dimensions of time, content, and form. Based on the above description, what is meant by quality of management accounting information is the accounting information which has the quality of attributes or characteristics in it that is useful for managers in conducting management processes (planning, controlling and decision-making). The quality of information can be measured by several criteria or dimensions, such as: relevancy, accuracy, scope, timeliness, completeness and aggregation (McLeod & Schell, 2007: 35; Heidmann, 2008: 82; Stair&Reynolds, 2010: 57; Romney & Steinbart, 2012: 25; Chenhall&Morris, 1986; Bouwens & Abernaty, 2000).
3. THEORETICAL FRAMEWORK

3.1 The Influence of Manager Competence on the Quality of Management Accounting

Manager competence affects the quality of management accounting information systems (Belkoui, 2002: xi; O’Brien & Maracas, 2010: 68; Laudon and Laudon, 2014: 114; Weetman, 2010: 24; Pearlson & Saunders, 2010: 9). The manager competence in which can be regarded as the basic characteristics are knowledge and skills that are used by a manager in conducting his duties so that it results in superior performance (Spencer & Spencer, 1993, Moeller, 2011: 161; Stewart and Brown, 2011: 22), affect the success and efficiency of management accounting information system in meeting the company’s goals (Belkoui, 2002: xi). Weetman (2010) states that the managerial competence and ability of each manager is different, management accounting information system can be developed with the contribution of the user competence and ability. In the context of the quality of management accounting information system, in addition to employees, managers are also as the users of information system in organization (McLeod & Schell, 2007: 17; Whitten & Bantley, 2007: 9). A manager who knows how to work with the situation of an organization information system will be more successful than the one who is less skillful in implementing information systems (Laudon and Laudon, 2014: 114) so that it becomes one of the successful factors for information system. O’Brien & Maracas (2010: 68) states that: "These systems cannot benefit an organization if its employees fail to contribute their knowledge, if they fail to use the system to retrieve information, or if the system simply is not available where and when needed."

The research results show that the technical competence of human resources is the factor that affects the successful implementation of management accounting information system (Madapusi & Ortiz, 2014). Daoud & Triki (2013) shows the research results which states that the competence of human resources both accountants and managers is an important factor in the success of management accounting information system. In line with the above research, Tayles, et al. (2007) conducted a study on 119 big companies in Malaysia which the results show that the application of management accounting information system requires the involvement of the manager competence. The same result is shown in research of Campanale, et al. (2010) that the competence and capabilities of the managers such as their knowledge and skills contribute to the development of management accounting information system and the application of management accounting information system. Based on the above description, it can be said that the manager competence affects the quality of management accounting information system.
3.2 The Influence of the Quality of Management Accounting Information Systems on the Quality of Management Accounting Information

According to Hall (2011: 15) one of the fundamental goals of the information system, is to provide information to assist management in decision making. Azhar Susanto (2009: 6) states that for a company, Accounting Information System is built with the main aim to process accounting data from various sources into the accounting information which is needed by various users to reduce risk in making decisions. While Kaplan & Atkinson (1998: 1) states management accounting information system provides information to assist managers in planning and controlling. Hansen & Mowen (2007: 4) explains in detail that management accounting information system has three main objectives, namely to provide information to: determine basic cost, planning, controlling, evaluation, and continuous improvement, and decision making. Decision-making will be better if it uses the quality of information (Romney & Steinbart, 2012: 24). The quality of management accounting information is the processing result of the quality of management accounting information system (Heidmann, 2008: 80). The quality of management accounting information has various characteristics, attributes and dimensions that make management accounting information to be useful for managers (Heidman, 2008: 82; Williams, et al., 2010: 15; Bouwens & Abernethy, 2000; Gul & Chia, 1994; Chenhall & Morris, 1986).

The supporting research results, as it is done by Gul and Chia (1994), Chenhall & Morris (1986) which shows that the design of management accounting information systems affect the characteristics of useful information for management in decision making. Rani & Kidane (2012), which surveyed some companies in Ethiopia indicate that the quality of management accounting information system is an important factor to generate useful information for managers. Chitmun & Ussahawanitchakit (2011), Mia & Winata (2005) and Heni Nurani Hartikayanti (2011) shows the research results that the good quality of management accounting information system is followed by improving the quality of management accounting information. Based on the above description it can be concluded that the quality of management accounting information system affects the quality of management accounting information.

4. STUDY MODEL AND HYPOTHESES

4.1 Study Model

Based on the description in the framework, it can be formulated paradigm of the relation between the manager competence, the quality of management accounting information system and the quality of management accounting information in a study of the model, as it is shown in the following figure:
4.2 Hypothesis

Based on the framework that has been described previously, the hypothesis which can be formulated in this study are:

1. Manager Competence affects the quality of management accounting information system.

2. The quality of management accounting information system affects the quality of management accounting information.

5. METHODOLOGY, FINDING AND DISCUSSION

The method which is used in this research is explanatory method. Hypothesis testing is done by using structural equation modeling (Structural Equation Model-SEM) with the approach of Partial Least Square (PLS). The method of data collection is done by sending questionnaires to insurance companies, using postal services (mail survey) and electronic mail (e-mail). The questionnaires are distributed to the operational managers in 80 insurance companies (the result of random sampling). There are 400 copies of questionnaires which are distributed. There are 62 companies (203 copies) that returned the questionnaires. Furthermore, the data which is analyzed in this research is the same as the number of companies which returned the questionnaires, 62 companies.

The test results of influence of the managers competence on the quality of management accounting information system shows $t_{\text{count}}$ value is greater than the $t_{\text{critical}}$ value of $2.484 > 1.96$, then the error rate of 5% is decided to reject $H_0$. It can be concluded that the manager competence affects the quality of management accounting information system. In other words, it can be interpreted that the quality of management accounting information systems could be improved if companies increase the manager competence by providing human resources such as managers who have knowledge and skills. As stated by Laudon and Laudon (2014: 114) and Pearlson & Saunders (2010: 9).

The test results confirm previous studies which are conducted by Campanale, et al. (2010) stating that the competence of the managers contributes to the successful
implementation of management accounting information systems. The same study results which are demonstrated by Madapusi and Ortiz (2014) and Daoud & Triki (2013) that the competence of human resources are factors that affect the successful implementation of management accounting information system. The $f^2$ value is at 0.118 shows that the manager competence gives moderate influence on the quality of management accounting information system. There is not high enough of the influence of the managers competence on the quality of management accounting information system because there are many insurance companies whose operational managers have less appropriate formal education and many insurance companies whose operational managers have not had full opportunity to attend training, courses and seminars to improve their skills, consequently it takes long time for them to be skillful in using supporting applications (software) of management accounting information system, so that the decision-making is slow and risk mitigation can not be done earlier (Julian Noor, 2013). This research has addressed problems that arise, as it is happened in PT Astra Graphia Information Technology, in developing management accounting information system is still hampered in the ability or competence of employees, as it is revealed by the CEO and Director of Systems & Solutions Joseph D. Salim (2010).

The test results of the influence the quality of management accounting information system on the quality of management accounting information indicates $t_{\text{count}}$ value is greater than $t_{\text{critical}}$ value of 14.843 > 1.96, then the error rate of 5% is decided to reject $H_0$. So it can be concluded that the quality of management accounting information system affects the quality of management accounting information. The quality of management accounting information system affects at 62.4% on the quality of management accounting information. The dimension of this effect is in the moderate category, it occurs because almost all of insurance companies do not have insurance application software (SIAM application) which connects each part in an insurance company in overall and integrated. The results are consistent with the statement that is expressed by Julian Noor (2013) that the insurance companies in Indonesia, approximately 60% of general insurance companies or 80% of the total 81 companies, have not had an integrated management accounting information system.

The test results support the research which is conducted by Gul and Chia (1994) which shows that the design of management accounting information system affects the characteristics of useful information for management in decision making. So are the research result of Rani & Kidane (2012) and Chitmun & Ussahawanitchakit (2011) and Mia & Winata (2005) which states that the integration of management accounting information system affects on the quality of management accounting information. The results of this research have addressed various issues such as happened to the Director General of Mining that management accounting
information system which is not integrated causes the information that is produced is in inaccurate and aggregate, it is expressed by Thamrin Sihite (2013). The other issue is that there are different coal production data between the Director General of Mining and the Central Bureau of Statistics (Andan Pandu Praja, 2014).

6. CONCLUSION

Based on the phenomenon, the problem formulation, hypotheses and research results, the author infers the conclusions as follow:

1. Manager Competence affects the quality of Management Accounting Information Systems (SIAM). SIAM has not had the quality, because there are many operational managers whose formal educations are not suitable to the work field and are less capable to understand the specific assignment and do not have full opportunity to attend training, courses and seminars to improve their skills either.

2. The quality of SIAM affects the quality of management accounting information. Management accounting information has not have quality, because the insurance application software (SIAM application) which is used has not been integrated harmoniously, it still less flexible and can not easily be accessible either.

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