



IMPACT OF BUSINESS STRATEGY ON THE MANAGEMENT ACCOUNTING: THE CASE OF THE PRODUCTION OF STATE-OWNED ENTERPRISES IN INDONESIA, SOUTH SUMATRA



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ABSTRACT

Article History

Received: 3 September 2019

Revised: 7 October 2019

Accepted: 23 October 2019

Published: 4 November 2019

Keywords

Management accounting system
Business strategy.

The purpose of this study was to determine the impact of Business Strategy on quality of management accounting system. The unit of analysis in this study is the manager of a State-Owned Enterprise in Indonesia. The results of the study indicate that the quality of the management accounting system is influenced by Business Strategy. The quality of the management accounting system can change because of the business strategy. The application of optimal business strategies shapes the organization to use a quality management accounting system. A quality management accounting system is formed by a good business strategy. In the face of business competition and working with business partners, it emphasizes increasing the competitive position of products and services produced by companies in a particular industry or market segment to achieve company goals.

Contribution/ Originality: This study contributes to the existing literature by determining the impact of business strategy on management accounting system.

1. INTRODUCTION

Initialization and economic change from an industry-based economy to an information-based economy requires business management to operate efficiently and be integrated online, and controlled to achieve competitive advantages both locally and globally through improving the quality of human resources, goods and services produced and the use of information technology through a useful information system (Susanto, 2013). Useful contributions are the key to a company's business strategy in order to meet user satisfaction through business information as relevant news (Drury, 2012). Next O'Brien (1996) states information as data that has been converted into a context that is more meaningful and useful for certain end users. If the raw data is arranged in a meaningful way, then the raw data will be information (Stair & George, 2010). Thus, information means a set of facts that are organized in a certain way so that these facts have added value beyond the values of the facts themselves (Susanto, 2008).

Hall (2011) explained that an information must be marked by direct influence on the user. Because information people in the organization can decide whether to do or not take certain actions (Hall, 2011; Susanto, 2009). Accounting information is the result of an accounting process that includes the process of recording, grouping, and summarizing financial data of certain entities (Kieso, 2012). Wikinson, Cerullo, Rival, and Wong-On-Wing (2008) and Susanto (2008) as a whole state the same thing that accounting information is the output of the accounting process. In general, accounting information is presented in the form of financial statements (Kieso, 2012) or annual reports. Useful or quality accounting information is accounting information that fits (fit) with the needs of information users (Wang & Strong, 1996), or accounting information that can direct users to expected actions (Hall, 2011), or accounting information that have characteristics, quality attributes that make accounting information valuable to the wearer (O'Brien, 1996). Quality accounting information is useful to assist information users in making useful decisions (Gelinias, Oram, & Wriggins, 1990). Conversely, if accounting information is not quality, the accounting information becomes useless (Kieso, 2012). Without quality, information will lose its use (Hertati, 2015a). Thus, according to Huang, Lee, and Wang (1999), inadequate accounting information can direct users of information to make decisions wrong and ultimately lead to losses.

Hertatip, Zarkasyih, Suharman, and Umar (2019) and Susanto (2008) states that the collection of sub-subsystems that are interconnected with each other and work together harmoniously to process financial data into financial information needed by management in the decision making process is called an accounting information system. According to Drury (2012) accounting information system is a collection of data and processing procedures that produce information needed by the user. Whereas according to Don, Maryanne, and Mowen (1995) accounting information system is a system consisting of computer parts and manuals that are interconnected to carry out the process of collecting, recording, summarizing, and analyzing, and processing data to produce output information to the user.

As for James (2016) specifically states that the fundamental purpose of accounting information systems is to present accounting information to external parties, management and parties to operational personnel (Susanto, 2016a). So, the essence of accounting information systems is collecting raw data, then processing and then presented in the form of accounting information that is useful for information users (Bagranof, Mark, Simkin, & Carolyn, 2010; Kieso, 2012). Delone and McLean (2003) states that management accounting systems provide managers with high-quality information that is relevant to making effective and efficient decisions to achieve organizational goals or objectives. Quality management accounting systems have characteristics, Adaptability, Availability, Reliability, Response time, capability. In fact, many management accounting systems are not adaptable, Availability, not Reliability, not Response time, not capability. As happened by Pelindo II revealed by Richard (2014) stating that it has not been able to adapt to the management accounting system that occurs in container port shipping services and cargo with IT systems that are not comparable to high logistics costs and goods shipped cannot be monitored where it has arrived so that it affects the data process in decision making. The problem of a non-quality management accounting system is also not related to Availability of a management accounting system that is unable to adapt to changes in environmental conditions. As happened in the management accounting system used by Perum Peruri, one of the BUMN accounts payable processing system personnel is not done well so that the recording of inaccurate data is feared wrong in decision making (IHPS I, 2016). The problem of a quality management accounting system is also difficult for Reliability. This is a problem related to the difficulty in accessing the management accounting system that occurred in BPJS Health, one of the BUMN in Medan, as said by Sitompul (2016) as the head of the quality control team, said that BPJS health referrals were complicated because the referral system was still manual and not Response time so that consumers feel complicated.

The problem of a quality management accounting system is also not related to capability. happened in BUMN related to the summary report on the results of the BPK (2016a) revealing that the main problems were non-compliance with statutory provisions on BUMN operations against 19 audit objects at 21 BUMN, including PT PGN (Persero) Tbk, PT Waskita Karya (Persero) Tbk, PT Perkebunan Nusantara XIII, PT Danareksa (Persero) Tbk, and PT Sarana

Multi Infrastruktur. Examination of BUMN operations which includes management of revenue, costs and investments in 2013-2016 BPK (2016b). As a result of these problems the main problems of non-compliance with the provisions of laws and regulations in the operation of SOEs occur potentially uncollectible receivables, goods purchased cannot be utilized, wasteful / overpriced prices, and other issues of non-compliance. From the description of the above phenomena, it can be concluded that the management accounting system in a non-quality state-owned enterprise is indicated by a management accounting system that is not Adaptability, not Availability, not Reliability, not Response time, notability. so that it is feared to influence business strategies in maximizing profits at the company.

The quality of management accounting systems is influenced by business strategies in the context of this study. Quality management accounting information systems are influenced by various factors. Marshall and Steinbart (2006) stated that business strategy is one of the factors that influence the implementation of quality management accounting information systems in an organization. Susanto (2013) states that business strategy is a fundamental pattern of a decision allocation source related to information systems. Then Hertatis (2016) argue that the selection of the right business strategy is an important factor in managing an effective management accounting information system in an organization. Furthermore Susanto (2009) argues that business strategies are found in all business units, divisions or product levels that refer to how an organization competes in each type of activity and strives to achieve competitive advantage. Business strategy is a variety of plans, alternative solutions and decisions that are used to guide companies in generating greater profits and achieving success of a company (Hertatis, 2016). In line with the statement Campbell (2002) argue that business strategy is the basis for determining the company's long-term goals and objectives, the application of concrete actions and the sharing of resources. Quality management accounting information systems are influenced by various factors. Marshall and Steinbart (2006) stated that business strategy is one of the factors that influence the implementation of management accounting information systems in an organization. Gottschalk (2006) states that business strategy is a fundamental pattern of a decision allocation source related to information systems.

Susanto (2013) argues that the selection of the right business strategy is an important factor in managing an effective management accounting system in an organization. Furthermore Don et al. (1995) argues that business strategies are found in all business units, divisions or product levels that refer to how an organization competes in each type of activity and strives to achieve competitive advantage. Business strategy is a variety of plans, alternative solutions and decisions that are used to guide companies in generating greater profits and achieving success of a company. In line with the statement Campbell (2002) argue that business strategy is the basis for determining the long-term goals and objectives of the company, the implementation of concrete actions and the distribution of resources needed to implement various objectives to be achieved by the company.

The influence of business strategies on the quality of management accounting systems has been proven through the results of research conducted by several previous researchers. Research conducted by Abernethy and Guthrie (1994), results of the Strategic Management Accounting process, gathering competitor information, looking for opportunities to reduce costs, integrating accounting with an emphasis on strategic positions are big plans of competition. has shown empirical evidence that business strategies affect the quality of the management accounting system. Indonesian crude oil reaches 818,000 barrels / day but is not balanced with oil consumption by the community which reaches around 1,500,000 barrels / day. This condition causes a deficit of 628,000 barrels / day which impacts on increasing fuel imports. Even though until now PT. Pertamina has yet to find new oil reserves, the amount of production comes from only 15 basins from around 60 existing basins. This shows the inability of PT. Pertamina in producing low production costs and has not been able to innovate to open up new oil reserves so that the selling price of oil in Indonesia becomes more expensive compared to other countries. Based on these various problems it can be said that the quality of the management accounting system in an organization is not yet due to the fact that the organization has not been able to implement a business strategy properly. The application of optimal business strategies directs organizations to

use a quality management accounting system. A quality management accounting system will produce quality management accounting information that is used by managers in strategic decision-making activities to achieve competitive advantage .

2. LITERATURE REVIEW

2.1. Business Strategy

Richards (1998) stated that business strategy is a way of describing how an organization deals with competitors, what products are sold in the market and through what methods the products / services that the company has delivered / distributed. Business strategy determines how an organization deals with its competitors and what products sell in what markets and through what deliver methods. Likewise Palepu, Loudons and Jane (1996) state that business strategy is a way of describing how a company positions itself in its environment to achieve competitive advantage. The business strategy determines how the firm positions itself to be a competitive advantage. In line with that opinion, Langabeer, James, and John (2000) stated that business strategy is an illustration of the internal response to environmental stresses that determine the direction and approach used by companies to move forward / develop. Business strategy represents the internal response to environmental pressures that determine the direction and approach for moving forward. Furthermore, Stephen and Mary (2012) argues that business strategies are plans, various alternative choices / solutions and decisions that are used to guide the company in generating greater profits and achieving the success of a company. Business strategy: is the Plans, Choices and Decisions used to guide a company greater Profitability and Success) Similarly, according to Campbell (2002) Business strategy is the activity of determining the basic goals and long-term goals of a company, implementing a series of actions and allocating the resources needed to implement these objectives. The business strategy is the determination of the goals and objectives of the enterprise, and the adoption of courses of action. Then Thomson, Jhon, and Strickland (2004) business strategy is planning activities to manage the activities of a company's business flow (Business strategy is an action plan for managing a single line of business). Next Hill and Gareth (1998) states that business strategy is planning long-term activities implemented by strategy managers in using company resources and special competencies that aim to benefit from competitive advantage over competitors in a market or industry. Laudon and Jane (2014) indicators and dimensions of business strategy can be stated as follows: 1.Low cost leadership a. Achieve the lowest operational cost. Achieve the lowest prices 2. product differentiation, a. Enable new products and services b. Atkinson, Kaplan, Matsumurah, and Young (1998) stats that change the customer convenience in using your existing products and. 3. Focus on the niche market a. Enable a specific market focus. b. This service is narrow target market better than competitors.

2.2. Quality of the Management Accounting System

The management accounting system is a formal system designed to provide information to managers Bouwens and Abernethy (2000). Furthermore Horngren, Sundem, and Stratton (1996) states that the management accounting system is a formal mechanism for collecting, organizing and communicating information about organizational activities. Drury (2012) states that Management accounting systems are to provide relevant financial information to managers to help them make better decisions. Collier (2013) argues that Management accounting system must provide timely and accurate information to facilitate efforts to control costs, improve productivity and productivity, and to improve the production process. Atkinsons, Kaplan, Matsumurah, and Young (2012) states that Management accounting System is the process of supplying the managers and employees of relevant information, both financial and nonfinancial, for making decisions, allocating resources, and monitoring, evaluating, and rewarding performance. Hoques (2005) states that account management information systems provide managers with high quality and relevant information to make effective decisions to achieve their organization's goals or objectives. Hansen and Mowen (2007) stated that Management accounting information system are processes; they are described by activities such as collecting, measuring, storing, analyzing, reporting, and managing information. The same thing expressed by Marcus (2008a) states that the management accounting

system (SAM) is Management systems Information Systems (MAS) are formal systems that provide internal and external environment to managers information. The statement expressed by Anders (2008) states that the management accounting system is an enterprise system including the information system terms and integrated information system (Susanto, 2016b). Some notions that are in line with the above understanding are stated by other experts who basically say that what is meant by the management accounting system is a formal system designed to provide information to managers and employees in the organization to provide relevant information, both financial and non finance, such as collecting, measuring, storing, analyzing reports and managing timely, accurate information about activities to make effective decisions in achieving integrated goals or objectives in the organization to make decisions. Heidmann, Schaffer, and Straringer (2008b) states that the management accounting information system can be measured from 5 (five) characteristics of Integration, Flexibility, Accessibility, Formalization, Media Richness, namely:

1. Integration: measures to facilitate the combination of information from various sources to support business decisions. Based on these statements, it is said that an integrated system is the relationship between system components integrated with other systems.
2. Flexibility: measures of the system that can adapt to a variety of user needs and changing conditions. From the various meanings expressed by the experts above, what is meant by management accounting information systems is a formal system designed to provide information to managers and employees who are relevant, both financially and non-financially, such as collecting, measuring, storing, analyzing and reporting information that is relevant, timely, accurate to make effective decisions in achieving goals.
3. Accessibility, measures and information about relatively low effort can be accessed. There is a match between the user and the service system, there is a good match regarding the service system with what is needed by the user so that access will be easy to obtain and meet the needs between the two.
4. Formalization: measures for the system which contains rules or procedures. Based on the above understanding, having a high level of formalization usually has formal job discription, as far as the rules are large, as well as various procedures and work instructions that are strictly defined.
5. Media richness: measures that the system uses channels that enable a high level of personal interaction. Based on this understanding media is a function of the following characteristics: The ability to handle multiple information signs at the same time, facilitating rapid feedback, building personal focus, utilizing natural language.

2.3. Management Accounting System Quality is Influenced by Business Strategy

Business strategy is one of the company's business environment, all changes that occur in the company's business environment (in this case the Business Strategy) have a significant effect on the company's management accounting system (Drury, 2012). Susanto (2016c) states that accounting systems (finance and management) are influenced by business strategies which are the main approaches in managing information systems (to achieve effective information (system) management, a new top down approach was required a (bussiness) strategy for the management of Information system). Then Romney and Steinbart (2015) argues that there are three main factors that influence accounting information systems (finance and management) which consist of: information technology, business strategy and organizational culture (Three factors that are AIS developments are: developments in information technology (IT), business strategy, and organizational culture). Next Laudon and Jane (2014) argue in a modern / present system there is a growing interdependence between accounting (financial and management) information systems of companies and business strategies and business processes of companies. Hirsch and Maurice (1994) states that in contemporary systems there is a growing interdependence between firm information systems and its business strategic and business processes / business capabilities. In line with the statement, Susanto (2010) states that business strategy is the most extensive pattern / spread in resource allocation decisions and other more specific decisions, which affect the implementation of accounting information systems (finance and management) and information technology. Marcus (2008a) explains the effect of business strategies on management accounting systems one of the company's goals is to achieve competitive advantage. To be able to survive in a

competitive environment, organizational managers need to identify and understand strategic issues as a requirement for changing business strategies. To deal with these strategic issues the organization must obtain, interpret, and control the flow of information originating from the corporate environment so that the company is not surprised by the threat and is even ready to face the various possibilities that will occur. To understand strategic issues, managers must be able to connect the strengths and weaknesses of the company in getting specific opportunities and threats embedded in this problem. Information is needed from the internal environment as well as from the external environment to anticipate the issue of strategy in a competitive business environment. The business strategy used by an organization provides support for the management accounting system in providing information that comes from the organization's internal and external environment to managers who need it. Furthermore Wallace (2015) argues that business strategies influence the success of management accounting systems. The management accounting system is the heart of the company to achieve competitive advantage. In implementing the cost leadership strategy, the company must be able to automate suppliers as much as possible to support service to consumers. Hill and Gareth (1998) states that the use of accounting (financial and management) information systems can effectively reduce the costs incurred to carry out back office functions within the company (accounting and payroll functions, procurement of goods, inventory tracking, and management of asset management). Large savings can be done by reviewing how business processes are carried out first by eliminating several stages or avoiding duplication of effort. Robbins and Timthy (2011) states that the influence of business strategies on the effectiveness of management accounting systems has been investigated by experts and provides empirical evidence for the interrelationship between the two concepts. Research conducted by Abernethy and Guthrie (1994) produces empirical evidence that the use of innovation in business strategies is very important to influence the implementation of management accounting systems. Next Ghasemi (2015) conducted a study on 120 manufacturing companies, the results of these studies prove that business strategies affect the effectiveness of management accounting information systems. In line with previous research, the results of research conducted by Hertatie (2015c) also prove that business strategies have a significant effect on the quality of accounting information systems. Based on theories and research results that have been proven by previous researchers, it can be said that business strategies affect the Accounting information system

The influence of business strategies on management accounting information systems is also proven in research conducted by David (2004). The study was conducted on 112 CEOs in 218 hospitals in Spain, the results of the study prove that the satisfaction of the management accounting system used is influenced by the business strategy used by the company. Likewise with the results of research conducted by Dong, Liu, and Yin (2008) prove that business strategy through strategic alignment influences the success of management accounting systems in companies in China. Then Vincent and Chong (1997) conducted a study on 62 managers in Australia, the results showed that business strategies and perceptions of environmental uncertainty were very important and influential in the design of quality management accounting system. Next the results of the research of Vincent and Chong (1997) prove that business strategies have a significant effect on accounting information systems. These research shells are as follows Figure 1:

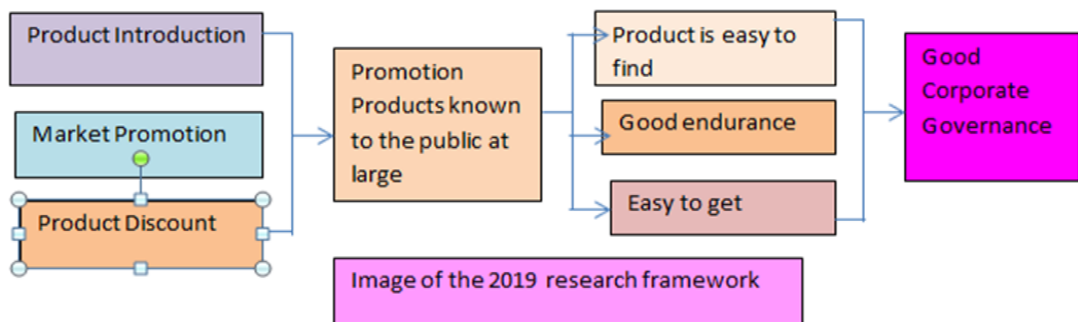


Figure-1. Business strategies.

3. METHODOLOGY

Quantitative methods were used this study. Data collection using questionnaires. Sampling is based on simple random sampling technique on Fuctional Units in Indonesia SOE's Indonesia. The data were measured using Likert scale five-point.

Structural Equation Modeling based on component or variance (PLS-SEM) is used for analysis tool. Evaluation of PLS-SEM model includes evaluation of measurement model (outer model) and structural model (inner model). In this study, exogenous and endogenous variables are latent variables. The latent variable measurement model in this research includes: (1) the first order is the dimension measurement model.

4. MEASUREMENT MODEL

Hair, Hult, Ringle, and Sartet (2014) based on the framework developed in this study, for the purpose of testing the hypothesis is made the structure of the analysis of the overall research variable which is a combination of the measurement model and structural model that describes the causality relationship between exogenous variables and endogenis variables.

Hair et al. (2014) states that to build an indicator precisely the formative combination of indicators. If it is reflective and if a combination. Indicators represent consequences that reflect or cause constructs. if there are consequences and if formative causes. If the assessment of changes in nature, all items will change in the same way (assuming they are both coded), if it is reflective and if not formative. The structure of the analysis of research variables is described as follows Table 1:

*Research hypothesis: Based on the framework described earlier, the hypothesis proposed in this study are:
H1: The quality of the Management Accounting System can be influenced by Business Strategy.*

Table-1. Recapitulation of variables response of respondents on business strategy and quality of management accounting information systems.

Variabel	Statistical size		
	Average value	Standard deviation	Criteria
Business strategy	2,77	0,79	High
Quality of management accounting systems	2,59	0,99	High

The results of calculating the average score for the variables under study can be explained as follows: Business Strategy variables are known to have an average score of 2.77 and are included in the High category.

Similarly, the variable variable quality of accounting information systems is stated to be included in the medium category with an average score of 2.59 including high. Furthermore, the recapitulation of the average value of respondents' responses to 2 (two) dimensions of the environmental uncertainty variable in the SOE management accounting unit in Indonesia is presented in the following Table 2:

Table-2. Recapitulation of the respondents' average values in the business strategy dimension.

No	Category	Standard	Deviation average	Statement
1	Cost leadership	2,42	0,93	High
2	Differentiation	2,49	0,86	High
3	Business strategy	2,77	0,79	High

Table 2 shows the average value of respondents' responses to the dimensions of the Business Strategy variable in the SOE management accounting unit in Indonesia as a whole in the High category.

It can be interpreted in general that the respondents stated that the cost of leadership and differentiation had not been accommodated in the application of the management accounting information system available at the BUMN management accounting unit in Indonesia today. Thus it can be said that in general the application of the Business Strategy in the application of SIAM to

the management accounting units of SOEs in Indonesia is included in the High category so that it can be used by various users in strategic decision making.

Table-3. Relevance of formative indicators in dimensions.

Latent	Indicator	Weight	Default error	Value -z	Value-p	Significant	Relevance
Cost leadership	x01	0,56	0,029	19,62	0,0000	Significant	Relevance
	x02	0,54	0,024	22,67	0,0000	Significant	Relevance
	x03	0,59	0,026	22,83	0,0000	Significant	Relevance
	x04	0,21	0,060	3,52	0,0004	Significant	Relevance
Differentiation	x05	0,58	0,027	21,62	0,0000	Significant	Relevance
	x06	0,30	0,042	7,12	0,0000	Significant	Relevance
	x07	0,51	0,042	11,94	0,0000	Significant	Relevance
	x08	0,56	0,027	20,51	0,0000	Significant	Relevance
Integraion	x25	0,74	0,018	41,07	0,0000	Significant	Relevance
	x26	0,67	0,020	34,32	0,0000	Significant	Relevance
Flexibility	x27	0,72	0,015	46,67	0,0000	Significant	Relevance
	x28	0,69	0,016	43,13	0,0000	Significant	Relevance
Assesibility	x29	0,71	0,023	30,65	0,0000	Significant	Relevance
	x30	0,71	0,023	30,57	0,0000	Significant	Relevance
Formalization	x31	0,70	0,021	32,69	0,0000	Significant	Relevance
	x32	0,72	0,021	34,30	0,0000	Significant	Relevance
Media richness	x33	0,73	0,019	39,05	0,0000	Significant	Relevance
	x34	0,68	0,020	34,41	0,0000	Significant	Relevance

Based on the information obtained from Table 3 shows the value of P- smaller than 0.05, then all indikator relevant as a measure of their respective dimensions.

Table-4. Composite reliability summary.

Dimension	Indicator	Estimated standard	1-estimate raw	R ²	CR	VE
Cost leadership	AC 1	0,877	1,00	0,768	0,840527	0,725099
Differentiat	AC2	0,826	0,94	0,682		

The composite reliability test results in Table 4 show all dimensions and variables with reflective measurement models have a Construc Reliability (CR) value greater than 0.6 and Variance Extract (VE) greater than 0.5 then all dimensions and variables with a reflective measurement model in this research was stated to be consistent (reliable) measured by the measuring instrument.

5. RESULTS OF THE PATH STRUCTURE OF SUB STRUCTURE TWO

The hypothesis proposed is that there is an influence of the quality of the management accounting system on business strategies.

The results of statistical tests show that the quality of the management accounting system has a positive and significant influence on business strategies in state-owned enterprises in Indonesia so the hypothesis can be confirmed by data.

6.CONCLUSION

Theoretically, business strategy influences the management accounting system, which is qualified because the MAS application currently used is not in harmony with the company's business strategy. Business strategies that describe how an organization faces competitor's power, what products are sold in the market, and through what methods the products / services owned by

the company are delivered / distributed. Quality management accounting systems produce low cost leadership business strategies, product differentiation, focus on market. In accordance with the theory and previous research. Furthermore, the results of this study can be examined by other researchers by adding different variables, dimensions or indicators.

Funding: This research was supported by Directorate General of Higher Education, Ministry of Research, Technology and Higher Education Republic of Indonesia.

Competing Interests: The authors declare that they have no competing interests.

Acknowledgement: We thank our colleagues from SOE's Indonesia and who provided insight and expertise that greatly assisted the research, although they may not agree with all of the interpretations/conclusions of this paper.

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