

Improving Quality of Accounting Information Through Transformational Leadership: A Review

Nelsi Wisna

Telkom Appliance Science, Department of Computerized Accounting,
Faculty of Economics and Business, Telkom University,
University of Padjadjaran, Bandung, Indonesia

Abstract: Quality of information is very important for users. The more quality information received also the more qualified decision to be taken. This study shows a review of the factors that affect the quality of accounting information, namely transformational leadership and accounting information systems. Transformational leadership greatly affect the quality of accounting information systems through dimensional charisma, intellectual stimulation, individualized consideration, inspirational motivation and others. It has been described in studies that show a positive effect between transformational leadership on the quality of accounting information systems. Influence the quality of accounting information is also influenced by the quality of accounting information systems. Quality accounting information system, it can be seen from the characteristics possessed by the information system such as flexibility, realibility, usability, integration, availability and others. The more quality information system, the information generated is also more qualified. It has been described also in studies showing positive influence between the quality of accounting information system of the quality of accounting information. In conclusion, it is undeniable that the quality of accounting information systems greatly affect the quality of accounting information, while the quality of accounting information system itself is influenced by several factors, including transformational leadership.

Key words: Leadership, transformational leadership, quality, accounting information system, accounting information

INTRODUCTION

Information is powerful. Information is useful in telling an organization how its current operations are performing and estimating and strategizing how future operations might perform (Haag *et al.*, 2008). Information is data that have been organized so that they have meaning and value to the recipient (Rainer and Casey, 2007). Information can be viewed as an organizational resource just as humans are. As such it must be managed carefully, just as other resources are (Kendall and Kendall, 2008). The information used for decision must be tailored to the type of decision under consideration. Furthermore, the information is more useful it recognizes the personal management styles and preferences of the decision maker (Gelinas *et al.*, 2012).

The quality of information is determined by its usefulness to users and its usefulness determines the success of an information system. Information is useful it enables the right decision makers to make in a timely manner. To useful, information must have the following qualities: timeliness, integration with other data and information, consistency and accuracy, relevance. If information lacks any of these qualities, the results are incorrect decisions, misallocation of resources and overlooked windows of opportunity (Bidgoli, 2015).

A system is a collection of interrelated components that function together to achieve some outcome (Satzinger *et al.*, 2002). An information system is a collection of interrelated components that collect, process, store and provide as output the information needed to complete a business tasks (Satzinger *et al.*, 2002). Information system : a process that collects, processes, stores, analyzes and disseminates information for a specific purpose; most ISs are computerized (Rainer and Casey, 2007).

The information systems that process business events and provide information for management decision making must be designed, implemented and effectively operated (Gelinas *et al.*, 2012). Information systems are crucial to the success of modern business organizations and new systems are constantly being developed to make businesses more competitive (Satzinger *et al.*, 2002). An information system usually processes data in some way and presents the results to user. With the easy availability of personal computers, users often process the output of a formal system themselves in an ad hoc manner. Human interpretation of information extremely important in understanding how an organization reacts to the output of a system (Lucas, 2000). One of the primary goals of information systems is to economically process data into information or knowledge (Rainer and Casey, 2007).

As system-implementation managers who want to create and lead a team need to understand the dynamics of leadership, if the leadership dimensions are properly established, the system implementation can and will be successful (Jacobs, 2012). The management dimension of information systems involves issues such as leadership, strategy and management behavior (Laudon and Laudon, 2012).

LITERATURE REVIEW

Transformational leadership: Rue and Byars (2007) state that leadership is the ability to influence people to willingly follow one's guidance or adhere to one's decisions. Meanwhile, according to Robbins and Judge (2011) Leadership is the ability to influence a group toward the achievement of a vision or set of goals. Meantime, McSchane and Glinow (2010) revealed that leadership is about influencing, motivating and enabling others to contribute toward the effectiveness and success of the organizations of which they are members.

Leadership: an attempt to use influence to motivate individuals to accomplish some goal (Gibson, 2006). The same thing was also stated by Ivancevich *et al.* (2008) which explains that the Leadership is the process of influencing others to facilitate the attainment of organizationally relevant goals. This is confirmed by the statement Newstrom and Davis (2002) which revealed that leadership is the process of influencing and supporting others to work enthusiastically toward achieving objectives. Schermerhorn (2002) said that transformational leadership is inspirational leadership that gets people to do more in achieving high performance. Similar statement was expressed by Lewis *et al.* (2004) which stated that transformational leadership: where the leader has the ability to influence subordinates to achieve more than was originally expected. Transformational leadership is a type of leader who stimulates and inspires (transforms) followers to achieve extraordinary outcomes (Robbins and Coulter, 2007). Robbins and Judge (2011) said that the characteristics of transformational leaders:

- Idealized influence: provides vision and sense of mission, instills pride, gain respect and trust
- Inspirational motivation: communicate high expectations, uses symbols to focus efforts, expresses important purposes in simple ways
- Intellectual stimulation: promotes intelligence, rationality and careful problem solving
- Individualized consideration: gives personal attention, treats each employee individually, coaches, advises)

Schermerhorn (2002) reveals that transformational leadership has six characteristics, namely:

- Vision: having ideas and a clear sense of direction: communicating them to others; developing excitement about accomplishing shared "dreams"
- Charisma: arousing others enthusiasm, faith, loyalty, pride and trust in themselves through the power of personal reference
- Symbolism: identifying "heroes" offering special rewards, and holding spontaneous and planned ceremonies to celebrate excellence and high achievement
- Empowerment: helping others develop, removing performance obstacles
- Intellectual stimulation: gaining the involvement of the others by creating awareness of problems and stirring their imagination to create high quality solutions
- Integrity: being honest and credible, acting consistently out of personal conviction and following through commitments

Mejia *et al.* (2004) explained that the transformational leadership characteristics, namely:

- Charisma: provides vision and sense of mission, instills pride, gains respect and trust
- Inspiration: communicate high expectations, uses symbols to focus efforts, expresses important purposes in simple ways
- Intellectual stimulation: promotes intelligence, rationality, and careful problem solving
- Individualized consideration: Gives personal attention, treats each employee individually, coaches, advises)

Bertocci (2009) reveals that transformational leadership characteristics are:

- Charisma, the leader is able to instill a sense of value, respect and pride and to articulate a vision
- Individual attention, the leader pays attention to follower's needs and assigns meaningful projects so followers grow personally and professionally)
- Intellectual stimulation, The leader helps followers rethink rational ways to examine a situation and encourages followers to be creative)

According to Geijsel *et al.* (2003), transformational leadership has four dimensions:

- Idealized influence, This dimension entails putting followers' needs first, being role models for followers, doing the right thing, demonstrating high moral standards and avoiding the use of power unnecessarily or for personal gain

- Inspirational motivation, This factor describes the ways by which leaders motivate and inspire those around them, including practices aimed at creating attractive visions of future states, boosting follower goals, and inspiring enthusiasm and optimism
- Intellectual stimulation, This process is aimed at developing followers' capacities to higher levels and the practices of this process stimulate effort to become more innovative and creative)
- Individualized consideration, this dimension implies paying close attention to the needs and interests of the organization's members
- Scalability: Refers to how well system can adapt to increased demands
- Realiability: Ensures all systems are functioning correctly and providing accurate information. Realiability is another term for accuracy when discussing the correctness of systems
- Availability: Addresses when systems can be accessed by employees, customers and partners. High availability refers to a system or component that is continuously operational for a desirably long length of time
- Performance: Measures how quickly a system performs a certain process or transaction

Furthermore, Dubrin (2012) stated that transformational leaders have characteristics similar to those of other effective leader. In addition, they are charismatic, extroverted, create a vision, encourage personal development of the staff and give supportive leadership. So, based on the above matters, the dimensions used in this study are: Charisma, Individualized Consideration, Intellectual Stimulation.

Accounting information system quality: Hurt (2008) reveals that an accounting information system is a set of interrelated activities, documents and technologies designed to collect data, process it and report information to a diverse group of internal and external decisions makers in organizations. Accounting information system is a specialized subsystem of the information system, the purpose of this separate accounting information system was to collect, process and report information related to the financial aspects of business events (Gelinas *et al.*, 2005). An accounting information system as an organizational component which accumulates, classifies, processes, analyzes and communicates relevant financial-oriented, decision making information to a company's external parties (such as current and potential investors, federal and state tax agencies and creditors) and internal parties (principally management).

The accounting information system is actually one major component of a management information system. Infrastructure architecture includes the hardware, software and telecommunications equipment that when combined, provide the underlying foundation to support the organization goals. As an organization changes, its systems must be able to change to support its operation. Characteristics of a solid infrastructure architecture (Haag *et al.*, 2008):

- Flexibility: Systems must be flexible enough to meet all types of business changes

Baltzan and Phillip (2008), describe the characteristics of an information systems :

- Accessibility: varying levels allow system users to access, view or perform operational functions
- Availability: The system is operational during different time frames.
- Maintainability: The system quickly transforms to support environmental changes
- Portability: The system is available to operate on different devices or software platforms
- Reliability: The system functions correctly and provides accurate information
- Scalability: The system can 'scale up' or adapt to increased demands of growth
- Usability: The system is easy to learn and efficient and satisfying to use

Stair and Reynolds (2010) states the successful implementation of information systems can be measured with the dimensions of flexible, efficient, accessible and timely. The quality of system input determines the quality of system output. It is vital that input forms, displays and interactive Web documents be designed with this critical relationship mind. Well designed input forms, displays and interactive Web fill-in forms should meet the objectives of effectiveness, accuracy, ease of use, consistency, simplicity and attractiveness. Effectiveness means that input forms, input displays, and fill-in forms on the Web all serve specific purposes for users of the information systems, whereas accuracy refers to design that ensures proper completion. Ease of use means that forms and displays are straightforward and require no extra time for users to decipher. Consistency means that all input forms, whether they are input displays or fill-in forms on the Web, group data similarly from one application to the next. Simplicity refers to keeping those same designs uncluttered in a manner that focuses the

user's attention. Attractiveness implies that users will enjoy using input form because of their appealing design (Kendall and Kendall, 2008).

Accounting information quality: Richardson stated that information is defined as being data organized in meaningful way to be useful to the user. Information is the result of data processing that gives meaning and benefits. Information is data presented in a form that is useful in a decision making activity. The information has value to the decision maker because it reduces uncertainty and increases knowledge about a particular area of concern. (Gelinas *et al.*, 2005).

Accounting information is on actual financial events, not on future events and therefore accounting does not provide all information for making an economic decision (Hogget *et al.*, 2006). Ingram *et al* (2005) stated that Accounting information is useful for identifying the types and location of an organization's resources. Information about the results of the operations of a business is used to estimate, compare and manage companies' risks and returns. Accounting information captures and summarizes a firm's financial transactions and provides information about revenues and expenses to people who use this information to make decisions (Reimers, 2007).

People need information of high quality that is, information products whose characteristics, attributes, or qualities make the information more valuable to them (O'Brien and Marakas, 2010). The dimension of information (McLeod and Schell, 2004):

- Relevancy: Information has relevancy when it pertains to the problem at hand. The user should be able to select the data that is needed without wading through a volume of unrelated facts. In fact, only when data is relevant to the decision to be made should it be called "information"
- Accuracy: Ideally, all information should be accurate, but features that contribute to system accuracy add to the cost. For that information entry standards formats reason, that user is often forced to settle for less than perfect accuracy
- Timeliness: Information should be available for problem solving before crisis situations develop or opportunities are lost. The user should be able to obtain information that describes what is happening now, in addition to what happened in the past. Information that arrives after the decision is made has no value
- Completeness: The user should be able to obtain information that presents a complete picture of a problem or a solution

Information is complete when it has the correct amount of aggregation and supports all

areas of the decision being made Characteristics of high quality information (Haag *et al.*, 2008):

- Accuracy: are all values correct
- Completeness: Are any of the values missing
- Consistency: Is aggregate or summary information in agreement with detailed information
- Uniqueness: Is each transaction, entity, and event represented only once in the information
- Timeliness: Is the information current with respect to the business requirements

Laudon and Laudon (2012), information quality dimensions :

- Accuracy: The data represent reality
- Integrity: the structure of data and relationships among the entities and attributes consistent
- Consistency: data elements consistently defined
- Completeness: all the necessary data present
- Validity: data values fall within defined ranges
- Timeliness: data available when needed
- Accessibility: the data accessible, comprehensible and usable

CONCEPTUAL FRAMEWORK

Transformational leadership on accounting information systems: Koehler and Pankowski (1996) transformational leaders perceive their role as improving processes so they can deliver value to their customers. Their goal is implement efficient and effective management information systems. To be efficient means to minimize waste transforming inputs to outputs. Effective means to provide outputs that yield desired outcomes for customers. Furthermore that transformational leadership would be positively relatinformation systems success. Personnel can solve the problems of optimization of Information Systems (IS) with become more intellectually as transformational leaders of their team (Bass, 2000). Executive management and high level leadership are further required to transform organizations into high performance systems units, capable of delivering high quality information systems with consistency.

Cho *et al.* (2011) carried out a study, how does leadership affect information systems success? The role of transformational leadership. Result from the study showed that transformational leadership achieved both individual information systems success as well as information system satisfaction. Study showed a positive impact of transformational leadership on information systems success in korea.

Hassan *et al.* (2012) also carried out a similar study transformational leadership and use of management

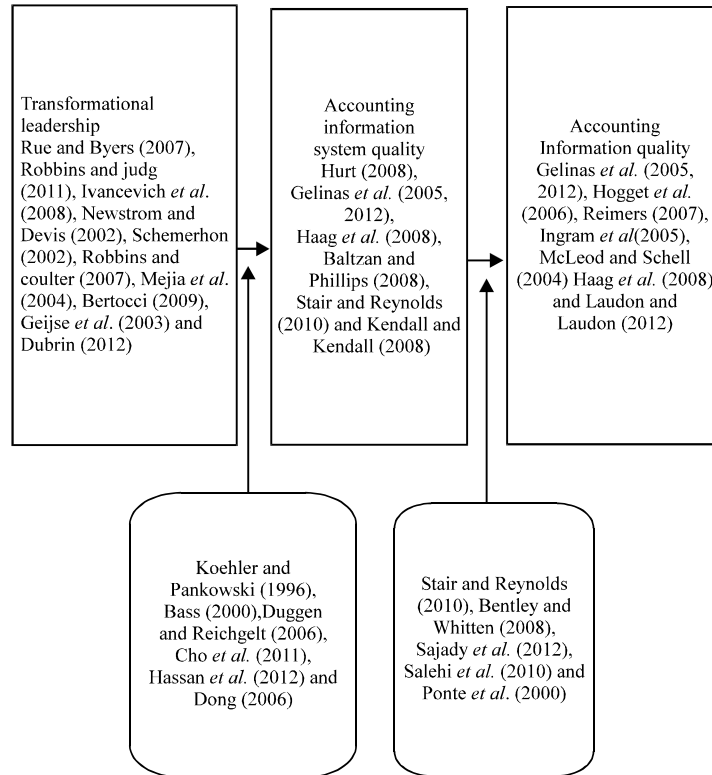


Fig. 1: Conceptual model

accounting information system in airlines industry, The results show that Malaysia Airports Holding Berhad (MAHB) practice transformational leadership affect the use of Management Accounting Information System (MAIS). Study from Dong (2006) Modelling leadership influence on information systems implementation effectiveness, the result Transformational Leadership can influence implementations of information systems and the transformational leadership can make information systems effectiveness.

Accounting information system on accounting information : Stair and Reynolds an information system’s ability to organize information so that it provides fuel for smart business decisions is the real value of computer-based information systems. Information systems in organizations capture and manage data to produce useful information that supports an organization and its employees, customers, suppliers and partners (Whitten and Bentley, 2008). Furthermore O’Brien and Marakas (2010) stated that information systems provide information in the form of reports and displays to managers and many business professionals. All information systems use people, hardware, software, data and network resources to perform input, processing,

output, storage and control activities that transform data resources into information .

Sajady *et al.* (2012) carried out a study, evaluation of the effectiveness of accounting information systems, the results indicate that implementation of accounting information systems at these companies caused the improvement of managers’ decision-making process, internal controls and the quality of the financial reports and facilitated the process of the company’s transactions. Salehi *et al.* (2010) revealed that accounting information system enhances the truth of financial statements. Ponte *et al.* (2000) state that accounting information is considered as a basis to support the satisfaction of request for information during the decision making process by the user. Based on the prior discussion, the conceptual model is shown in Fig. 1.

CONCLUSION

Information is data that is very beneficial for the organization. Quality information with the characteristics of a timely, complete, accurate and valid is an asset for the company. The more quality information obtained by the organization to further improve the organization’s ability to compete. The information generated quality of

accounting information systems are also qualified. From several studies have revealed that the quality of information systems greatly affect the quality of accounting information. Quality information system, an information system that has the characteristics of integration, usability, flexibility, reliability, adaptability, maintain ability and other characteristics. There are several factors that affect the quality of accounting information systems such as transformational leadership. A leader who has the charisma characteristic, intellectual stimulation, individualized consideration, inspirational and other characteristics of a leader who is able to influence employees to work toward the vision of the organization mainly works according to the procedure set out accounting information system. It has been proved from several studies conducted by researchers and can conclude that the transformational leadership greatly affect the quality of accounting information systems.

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