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The Role of Accounting in Performance Evaluation to Optimize Organizational Performance

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Abstract. This study aims to determine the role of accounting in performance evaluation to optimize organizational performance. This study uses a literature review method by collecting and analyzing various sources from the Google Scholar database related to the role of accounting in evaluating and optimizing organizational performance. The results of the Literature Study show that the implementation of proper accounting and systematic performance evaluation make a significant contribution to the success of the company's operations. An effective AIS not only improves accuracy in financial management but also improves employee performance by providing relevant information for strategic decision making enabling companies to develop effective programs and address internal problems.

Keywords Accounting, Performance Evaluation, Organizational Performance

INTRODUCTION

In an increasingly complex and evolving business environment, organizational performance is one of the key factors determining long-term success. Performance evaluation is not only a tool for assessing the achievement of organizational goals, but also as a basis for strategic decision-making that has a direct impact on the operational effectiveness and sustainability of the company. Behavioral accounting focuses on elements of individual behavior that can impact the accomplishment of organizational goals, it plays a crucial role in employee performance appraisal (Trisnarningsih & Hanni Fadhillah, 2024). Amid the development of information technology, accounting information systems (AIS) have emerged as an important component in supporting more accurate and data-based performance evaluations.

Management accounting information systems not only provide financial data that is important for assessing financial performance, but also provide non-financial data that can be used to assess other aspects of organizational performance, such as operational efficiency, service quality, and customer satisfaction. With increasingly sophisticated integration between AIS and other management systems, the resulting data can be

processed effectively to provide deeper insights into various aspects of company performance (Praditya & Utomo, 2022).

LITERATURE REVIEW

Agency Theory

The concept of ¹agency theory is a contractual relationship between the principal and the agent. This relationship is carried out for a service where the principal authorizes the agent to make the best decisions for the principal by prioritizing interests in optimizing the Company's profits so as to minimize ¹the burden including tax burdens by avoiding taxes (Supriyono, 2018).

In agency theory, it is explained that there is an agent who is responsible for the work that has been done to the principal. In the cooperative relationship owned by the principal and agent, there are goals and expectations from the cooperative relationship. The management (agent) records the best amount so that users of financial reports, The existence of different ¹⁰interests between the principal and the agent causes an agency conflict, the emergence of an agency conflict causes the actions taken by the agent to be inconsistent with what the principal wants, resulting in information asymmetry or information that is not comparable. This makes it difficult for the principal to find information or activities carried out by the agent in his company. So, with information that is not comparable to what is desired, the principals or company managers take incorrect actions to gain profit. This theory is considered in line with this study where the community who are the principals feel that the financial report information provided by the company is lacking or does not match what is desired so that the community needs a third party to check the financial report (Kusnurhidayati, 2020).

⁸The Role of Accounting

The role of accounting as a function or activity carried out by accounting in helping organizations or companies achieve their goals and objectives. Accounting acts as a tool for collecting, processing, and presenting accurate and relevant financial information to assist in decision making (Ashari & Riharjo, 2023). Accounting must be able to prepare financial reports of public sector organizations in accordance with applicable regulations and SAP so that the financial reports can be relied on and

accounted for and can assist in decision making and policy making carried out by public sector organizations.

Performance Evaluation

Performance evaluation is a process of evaluating employee performance, sharing information by finding ways to improve performance. The method and process of performance evaluation is to assess whether a person or group of people or work units in an organization perform their duties in accordance with previously established performance standards or goals (Wibowo, 2009). Performance evaluation can be used to identify a person's strengths and weaknesses, document personnel decisions, reward a person's performance, identify poor performance, assist in setting goals, making decisions about promotions, terminations, and evaluating goal achievement (Wibowo, 2009). Performance evaluation is a process of evaluating employee performance, sharing information by finding ways to improve performance. The method and process of performance evaluation is to assess whether a person or group of people or work units in an organization perform their duties in accordance with previously established performance standards or goals (Wibowo, 2009). Performance evaluation can be used to identify a person's strengths and weaknesses, document personnel decisions, reward a person's performance, identify poor performance, assist in setting goals, making decisions about promotions, terminations, and evaluating goal achievement. (Wibowo, 2009).

Organizational Performance

Organizational Performance as a description of the level of achievement of responsibility in an organization, which helps realize the goals, objectives, missions, and missions of the organization (Bastian, 2005). According to Wibawa & Atmosudirjo (2011) stated that organizational performance is when the organization can meet the needs of each relevant group through systematic efforts and improve the organization's ability to meet those needs. Management efforts to interpret and adjust organizational goals, organizational culture, and human resource quality are some of the most important factors that affect organizational performance (Yuwono, 2005).

METHODS

The method used in this study is the literature review approach. A literature review, also known as a bibliography, is a very important type of research that involves reviewing, collecting, and synthesizing various literatures related to a particular subject. The main purpose of a literature review is to improve understanding of research progress in the field being studied and to build a strong theoretical foundation for the research to be conducted. To collect information about The Role of Accounting in Performance Evaluation to Optimize Organizational Performance, this study uses the Google Scholar database, Mendeley and other applications.

RESULTS AND DISCUSSION

The application of accounting in business is important because accounting plays an important role in every movement that occurs, both income and expenses in a business. Even one mistake can have a big and lasting impact on the company. (Wibowo, 2009). According to Mardini et al. (2022) that an effective accounting information system provides benefits that improve employee performance and contribute to business success.

²The importance of implementing performance evaluation as a strategic tool to identify employee strengths and weaknesses, and to design ²employee development programs as an important strategy in organizational development (Hina et al., 2024). The results of Widyastuti & Sigarlaki (2019) research entitled "Employee Performance Evaluation as a Basis for Strategic Planning: Case Study at PT Trijaya Indo Pratama, Sidoarjo", look for factors that cause problems in internal work processes and suboptimal employee performance, then the results of the evaluation are used as a basis for management to plan strategies to overcome problems that occur, improve and enhance employee performance. Evaluation in the company is needed to identify obstacles and problems that interfere with employee performance. Managers must conduct work evaluations to find the best way ³to ensure that the company's work operations run smoothly.

³The results of Oktapiani et al. (2024) research entitled "Analysis of the Application of Management Accounting to Company Financial Performance" explain that the application of management accounting, which covers the fields of finance,

production and marketing, helps all department managers in evaluation and decision making. Therefore, to maximize the financial performance of each company, management accounting must continue to be applied. Three criteria are used when evaluating the performance measures of responsibility center managers: efficiency, effectiveness, and cost effectiveness (Imelda Hutabarat, 2020).

The results of the study by Nurma Febrianti et al., (2024) entitled Planning and Improving Organizational Performance explain that planning and improving organizational performance is very important to do because to get employees who have quality performance certainly cannot be done instantly, so it is important for organizations to make maximum efforts to get the quality of human resources needed. In addition, the application of human resource technology and employee training are considered important components in improving operational efficiency and company performance (Khaeruman et al., 2023).

⁹ The role of accounting is very important in organizational performance as it helps in better decision making by providing accurate and relevant financial information. Errors in accounting ³ can have a negative impact on the company. The application of management accounting helps managers in evaluation and decision making to improve financial performance. Employee performance evaluation helps in ² identifying employee strengths and weaknesses and designing employee development programs. Accounting also helps in identifying constraints and issues affecting employee performance. The application of human resource technology and employee training is important in improving operational efficiency and company performance.

CONCLUSION

⁵ The results of the literature study show that the implementation of accounting and performance evaluation plays an important role in the success of a company's operations. Accounting not only functions as a financial management tool, but also as a main pillar in every strategic decision-making, where the slightest error can have a significant and sequential impact on the company's overall performance. An efficient accounting information system improves employee performance, contributing to the success of the organization. Performance evaluation serves as a strategic tool to identify resources and

capabilities, enabling companies to develop effective programs and address internal problems. Integration between AIS and comprehensive performance evaluation practices is key to optimizing organizational performance and competitiveness amidst ever-growing business challenges.

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