



Literature Study: The Role Of Management Accounting System and Decentralization On Managerial Performance

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Abstract. A high-quality management accounting system provides accurate, timely, and relevant information to support managers in decision-making, planning, and control. Research shows a positive relationship between the quality of management accounting systems and managerial performance. In addition, decentralization, by delegating authority to lower-level managers, allows for faster and more effective decision-making and increases managerial motivation. Effective implementation of these two factors can significantly improve managerial performance and the competitiveness of a company.

Keywords: Managerial Performance, Decentralization, Management Accounting System

1. INTRODUCTION

The increasingly intense economic conditions and global competition force companies to continue to improve and enhance managerial performance in managing their businesses. In order to adapt to the existing situation, it is necessary to adjust strategies and more efficient management control. Every company has goals that its top management wants to achieve (Ardiany, 2021). One of the main measures of the success of a business or company is its managerial performance. This performance describes the extent to which a person has succeeded in carrying out his duties within a certain period of time, compared to norms, goals, or criteria that have been set and agreed upon. To achieve this, companies must improve performance through various steps, such as reducing costs, creating innovations in products and processes, and continuing to make improvements. Thus, in order to be able to take advantage of opportunities, analyze problems, and implement existing ones, a competent manager is needed.

Management practices show that resources can be managed in depth to achieve good results in both the short and long term (Rudianto, 2013: 189). Good governance practices in downloads ensure effective, deep, and effective governance. This includes the activities of issuing requests effectively and efficiently, including organizations, departments, Production Service employees.

Decentralization is a process in which top managers transfer authority and obligations to lower-level managers. This gives lower-level managers the freedom to make decisions independently. A decentralized organizational structure requires more information because

these managers are responsible for making their own decisions. In contrast, in a centralized structure, lower-level managers only carry out instructions from above and require less information. Decentralization supports top management by dividing tasks and responsibilities, allowing managers to make appropriate decisions in their respective areas. (Ardiany, 2021).

In this context, managers need information, both in terms of accounting and management, to make the right decisions. The management accounting system is very important because it provides the information needed by managers to make decisions. Thus, playing a role in decentralization and the management accounting system and giving full rights to lower-level managers can help in effective decision making. According to (Amalia, 2022), the management accounting system is a process that involves identifying, collecting, measuring, classifying, and reporting information that data helps users in planning, controlling, and making decisions. This system makes it easier for managers to make decisions to achieve company goals. There are four main characteristics of information in the management accounting system that influence decisions: broad coverage, timeliness, aggregation, and integration. The main purpose of this system is to provide information to calculate costs, support planning and control, and conduct continuous evaluation and improvement. With these goals, this system helps managers in identifying problems, solving them, and evaluating performance.

Accounting plays a vital role in supporting the decentralization process. Accounting helps each unit or division within an organization to manage their finances independently, allowing for better control over the use of resources. In addition, the management accounting system provides the information needed to measure the performance of each unit, making it easier to assess the effectiveness of autonomous management. In the decision-making process, accurate and timely accounting data also plays a vital role, allowing managers at various levels of the organization to make strategic decisions that are relevant to the specific needs of their units. On the other hand, accounting serves to maintain accountability and transparency in the management of resources in a decentralized organization, thereby creating better coordination between units. This role overall supports improved managerial performance because decentralization aided by a good accounting system provides greater flexibility and responsiveness in dealing with operational challenges.

In other words, it is very important to support management related to planning, controlling, decision-making, and performance evaluation. This system plays a role in collecting, analyzing, and presenting relevant economic information according to the needs of managers. In order for this system to function properly, the information provided must cover

various aspects, be delivered in a timely manner, and be well integrated and structured, so that it can make a significant contribution to the management of the company.

2. LITERATURE REVIEW

Contingency Theory

Contingency theory emphasizes that leadership style must be adjusted to the specific conditions of the company where the leader works. In essence, this theory assumes that the effectiveness of leadership style depends on the understanding of the company's situation. In management accounting, this theory states that there is no accounting system that is suitable for all organizations in all circumstances. Instead, an effective accounting system must be adjusted to the specific conditions faced by the Organization (Eriani & Fanani, 2019). Therefore, contingency theory focuses on identifying aspects of the accounting system that are relevant and appropriate to a particular situation.

Managerial Performance

Rudianto (2015) explains that managerial performance is the ability of managers to manage company resources to achieve profits, both short and long term. Meanwhile, Robbins and Coulter (2014) list several indicators that influence managerial performance, namely: Planning Ability: This includes the ability to determine tasks, who carries them out, how to group tasks, reporting structures, and decision-making locations.

1. Organizing Ability: This involves motivating subordinates, influencing individuals or teams, ensuring effective communication, and resolving employee behavioral problems.
2. Leadership Ability: This includes monitoring performance, comparing actual performance with standards, and making corrections if necessary.
3. Control Ability: This includes setting goals, developing strategies to achieve them, and preparing plans to integrate and coordinate various activities.

Decentralization

Companies often use two approaches to decision-making to manage their various activities: centralization and decentralization. In a centralized system, decisions are made by top managers, while lower-level managers simply implement those decisions. In a decentralized system, lower-level managers have the authority to make and implement decisions related to their areas of responsibility. Many companies choose decentralization to improve overall efficiency.

Management Accounting System

Mulyadi (2015) stated that performance appraisal is an evaluation process that is carried out routinely to assess the effectiveness of the organization, as well as its parts and employees, based on established standards and criteria. Mahoney, as explained by Supomo and Indriantoro (2015), stated that managerial performance includes individual work results in managerial activities including planning, investigation, coordination, supervision, staffing, negotiation, and representation. On the other hand, Supriyono (2014) stated that managerial performance is measured by the manager's ability to carry out basic functions in classical management including planning, analysis, coordination, evaluation, supervision, recruitment, negotiation, and representation.

3. METHODS

This article is compiled using the literature review method. According to Andiola, L. M., Bedard & Hux (2017), a literature review is a study that summarizes and synthesizes findings from previous studies that are relevant to a particular topic. Santis et al., 2018 identified three main steps in a literature study. The first step is planning, where researchers evaluate various scientific articles, journals, proceedings, and other literature sources that are relevant to the purpose of writing this article. At this stage, researchers examine the role of decentralization in managerial performance by referring to the results of previous studies that show a relationship between decentralization and managerial performance.

The second step is conducting a review, where researchers evaluate the relevance of each literature source to ensure that the review is satisfactory and in accordance with the topic. In this article, secondary data is used because information is collected from journals and websites, not through direct data collection. Researchers use Google Scholar to search for literature with keywords such as "Management Accounting", "Decentralization" and "Managerial Performance".

4. RESULTS

Accounting information systems are important tools that provide information needed for effective decision making. In this context, management accounting systems assist managers by collecting, analyzing, and presenting relevant economic data. This information includes financial reports, budgets, and in-depth cost analysis. The existence of a good accounting system ensures that the data received by managers is accurate, timely, and useful for planning

and control. With clear and comprehensive information, managers can make better decisions, monitor performance, and make adjustments as needed to achieve organizational goals.

The results of research from Febiana et al., 2023, improving the quality of management accounting systems plays a role in improving managerial performance. There are three main objectives of this system: first, providing information to calculate the cost of services, products, and other needs relevant to management; second, providing data for planning, controlling, and evaluating; and third, providing information that is important for decision making. In addition, managers who use MIS effectively can evaluate and ensure that their companies compete efficiently with their competitors.

According to research from (Febiana et al., 2023) found that the better the management accounting system in a company, the more effective its performance. Thus, it can be concluded that there is an influence between the management accounting system and managerial performance. This means that the better the management accounting system implemented, the better the managerial performance. The research findings indicate that the management accounting system has a positive effect on managerial performance, indicating that the implementation of this system directly contributes to improving managerial performance.

Basically, decentralization is an arrangement in which decisions are made at a higher level in the organization, but are also delegated by top management to managers at lower levels. In other words, in companies that implement decentralization, top-level managers give responsibility independently to managers with lower positions (Febrianti & Fitri, 2020).

Decentralization is believed to affect managerial performance by giving responsibility and authority to managers at lower levels (Febrianti & Fitri, 2020). This is because decentralization allows managers who are closest to the problem to provide a quick and appropriate response. Decentralization allows managers closest to the problem to respond quickly and effectively. Research by (K & Santoso, 2020), (WIJAYA, 2021), and (Febrianti & Fitri, 2020) shows that decentralization has a positive and significant effect on managerial performance. By delegating authority from top-level managers to managers at lower levels, the quality of decisions made increases because managers who are given responsibility are considered to have an accurate understanding of the problems at hand. In addition, according to (Febrianti & Fitri, 2020), decentralization improves managerial performance because managers feel more motivated when their personal needs, such as feeling appreciated, accepted, and involved in company activities, are met. With a decentralized system, supervision and assessment become simpler. Therefore, decentralization is very important to implement in companies because it can improve managerial performance. This happens because the

delegation of decisions to managers at lower levels (subordinates) is accompanied by responsibility for the actions taken (Mustofa & Trisnarningsih, 2022).

5. CONCLUSION

In conclusion, both MIS and decentralization play important roles in improving managerial performance. A good MIS delivers valid and timely data that supports managers in decision-making, planning, and control mechanisms, which ultimately contribute to improved managerial performance. The results show that the quality of MIS is positively correlated with improved managerial performance. On the other hand, decentralization also contributes significantly to managerial work by delegating authority to lower-level managers, enabling them to respond quickly to problems and make wiser decisions. In general, effective implementation of both aspects can design a more responsive, efficient, and competitive managerial environment.

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