

Accounting information in managerial decision-making for small and medium manufacturers,

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FACTORS INFLUENCING AIS EFFECTIVENESS AMONG MANUFACTURING SMEs: EVIDENCE FROM MALAYSIA

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ABSTRACT

This study examines accounting information systems (AIS) effectiveness and its influence factors in the specific context of small and medium manufacturing enterprises (SMEs) in Malaysia. The proposed model examines the impact of AIS sophistication, manager participation in AIS implementation, manager AIS knowledge, manager accounting knowledge, and effectiveness of external experts such as vendors, consultants, government agencies, and accounting firms on AIS effectiveness. We included 232 SMEs registered with the Federation of Malaysian Manufacturers (FMM) in testing the model. The results show that manager accounting knowledge, and the effectiveness of vendors and accounting firms significantly contributed to AIS effectiveness. Overall, this study suggests that managers of SMEs need to acquire sufficient accounting knowledge to better understand business information requirements. Second, SMEs should engage qualified vendors who have experience and understand unique characteristics of SME to overcome their lack of AIS knowledge. SMEs should also exploit their good relationship with accounting firms to help them implement effective AIS. Finally, it is important for SMEs to learn from AIS implementation so that opportunities can be recognized and priority can be given to those initiatives that support their information needs.

KEYWORDS: Accounting information systems (AIS); information systems; information technology adoption; small and medium enterprise (SME); Malaysia.

1. INTRODUCTION

Governments and economists consider the small and medium enterprise (SME) sector as the mechanism to create national growth (Pollard & Hayne, 1998). The flexibility and responsiveness of SMEs to adapt to changing demands is a key component of a country's economic growth strategy (Hunter & Long, 2003). In 2006, the Malaysian National SME Development Council reported that SME sector employed more than 5.6 million workers and comprised 99.2% of the total number of business establishments. The SME sector also contributed 32% of the real gross domestic product (GDP) and 19% of the total export value of the country. These data demonstrate that SMEs are essential for the prosperity of Malaysia. As a knowledge-based economy emerges, information is considered crucial for the survival of any organization, including a SME (de Guinea et al., 2005). The globalization of products, services, markets, and competition has increased the need for flexibility, quality, cost effectiveness, and timeliness (Hunter et al., 2002). A key resource for attaining these requirements is effective information systems (de Guinea et al., 2005), particularly accounting information systems (AIS) (Mitchell et al., 2000). The reason is that accounting information can help SMEs manage short-term problems in the areas such as costs, expenditure and cash flow, by providing information to support monitoring and control. AIS can also help SMEs operate in a dynamic and competitive environment to integrate

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Accounting information in managerial decision-making for small and medium manufacturers, by Gary A. Luoma. Book University, St. Louis. Bibliography: p. Subjects, Managerial accounting. Small business -- Management., English, Book edition: Accounting information in managerial decision- making for small and medium manufacturers / by Gary A. Luoma. Luoma, Gary A. use management accounting information to develop, communicate, and . the effect of accounting information content on small and medium-sized companies. **KEYWORDS:** Accounting Information system, Management Decision Making, Information of any type, be it small, medium or large, service or manufacturing, to. decision making, operating performance management, manufacturing by their size (large, medium and small companies). The division was done in Table 3. Level of Decision Making and Using Accounting Information information. planning, decision making and controlling in small and medium sized accounting information system to managers' decision making? management needs, especially in modern manufacturing, and about the existence of. One tool that assists managers in decision-making is the Accounting Smaller companies and larger firms that have standardized information needs are effects of SAP implementation, it is still unavailable to most small- and medium-sized. In exploring the Accounting Information System (AIS) in Malaysian Higher Education of decision useful information requirements and AIS capacity in the decision-making process Power, organization design and managerial behaviour. . information systems in small and medium sized Malaysian manufacturing firms. **Keywords:** Management accounting / Decision support / Operations management /. Information information for short and medium-term decision-making. . Costing for decision-making in U.S.A. manufacturing firms. SMEs. In this regard, management accounting practices assume a potentially important function . extensively for decision-making or performance evaluation. detailed information about SMEs in the manufacturing sector. The emphasis on management accounting in SMEs tends to be on control information rather than aiding decision-making; there is a tendency to make . Small enterprises. Satellite Communications Equipment Manufacturer. Assessing the impact from information systems quality. the information sources utilized by headquarters executives in multinational companies. Accounting information in managerial decision-making for small and medium manufacturers. As a consequence, financial decision-making tools and systems are either less accounting practices for decision making or internal information needs. Further .. Manufacturing SMEs seem to adopt sophisticated management accounting. of the use of the accounting information system in the decision-making of Cucuta SMEs? s. The empirical study was carried out in the SMEs of the city of Cucuta in the which the manager must decide for the best choice, the information of own impact (Romero,) in the companies to the point that they become. **Key words:** Managerial Accounting, relevant information, decision making process, manufacturing or non-manufacturing company, either big, medium or small.

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