

Flavius-Andrei GUINEA
Bucharest University of Economic Studies

THE NEED FOR MANAGERIAL ACCOUNTING SYSTEMS

Theoretical article

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Abstract

The implementation of a managerial accounting system represents a genuine initiative for implementing change, this involving the need for change, a vision of change and strategy, and last, but not least, innovation stimulation. In the last decades, the implementation of such a system translated into a broader reform, including the management system used. A management control system, once implemented, tends to attract the manifestation of creative accounting phenomena, especially in times of crisis. Taking these into consideration, the article aims to highlight the importance of the implementation of a modern managerial accounting system in the Romanian firms, as well as to analyse the potential consequences of this process, from the author's point of view.

INTRODUCTION

The present time seems to be described by confusion, as people seem to disagree with everything and consequently, object on every matter. Beyond being considered too radical, everything can be improved or even get improved to perfection. Complexity creates a strange sensation of helplessness or frustration. Translating these remarks in economic life, things get even worse. Financial accounting is believed to be “riddled” by many critics; eventually, everyone has his own accounting or the accounting he deserves. The economic reality demolishes the whole system. Being an accountant has become an act of courage or unconsciousness. One is even afraid to discuss about cost accounting or managerial accounting, the only aspects thought to be able to create a rough picture of reality. There is too much conventionalism, there are too many opinions, too many solutions (and each is considered to be the best!)...Isn't simplicity the antidote to complexity? However, this paper aims to have the courage of dismantling the “black box” of accounting.

Regarding the design and implementation of a managerial accounting system, both for cost reasons and for ensuring a degree of continuity and comparability in time, the required information must not lead to the setting of a complex and difficult system that is unstable and has numerous changes. On the other hand, the need to permanently adapt to environmental changes and objectives calls for a flexible and evolving system (Atkinson et al., 2012; Bhimani et al., 2015; Albu și Albu, 2003; Bhimani și Pigott, 1992; Cobb, Innes și Mitchell, 1992; Macintosh, 1994; Drury, 2012; Corfmat et al., 2000; Bhimani și Bromwich, 2010). The issue of practical implementation and effects of the implementation of managerial accounting systems does not seem to be sufficiently debated in literature, requiring further research in this area (not just empirical studies, but more field research, in particular, are needed).

THE HISTORICAL NEED FOR REFORMING MANAGERIAL ACCOUNTING SYSTEMS

Since the 80s, the Western industrial environments had to answer to a series of major challenges arising from the need for investment in research and development and in advanced manufacturing technologies. International competitiveness has sanctioned slow-running organizations and has stimulated the growth of efficiency in a global recessionary environment. Competitive challenges also include aspects regarding the increasing diversification of products, superior quality, delivery deadlines, and increased adaptability to

new consumer demands. The managerial accounting reforming process is determined (especially in certain countries, including Romania) by the pressures of an increasingly aggressive competition, new technologies, the dictatorship of financial accounting and the expansion of roles of managerial accounting (Bhimani și Bromwich, 1994).

The competitive production methods used by Japanese environments and by newly industrialized ones are considered superior to the Western ones. Applying flexible technologies has become a prerequisite for diversity, quality and low costs. The specific ways of organizing work, the production and motivational systems are radically different from the Western ones. All these factors have increased the interest on differences in managerial accounting concepts and practices.

Modern resource planning, computer-assisted design and manufacturing have determined the appearance of distrust in managerial accounting conventional techniques. Considering an automated work environment, specialized and flexible, considering investment growth, the managerial accounting systems continued to operate under the classical assumptions of repetitive and homogeneous production, with a high consumption of direct labor. These assumptions become obsolete considering the new productive environment.

Managerial accounting has always had a rich history, closely linked to the changes in organizational strategy. After World War I, the developments in managerial accounting were basically seen only in terms of increasing external financial reporting. For over 70 years, managerial accounting follows the requirements of financial statements. The managerial accounting reform should be based on the idea of an independent development, closely linked to the strategic management of the organization.

Managerial accounting systems should revolve around the principle that a product, through all its attributes, provides customer value, rather than value for its manufacturer. Managerial accounting for too long has remained isolated from other functions of the organization. Classical methods have practically parasitized organizations by excessive and rigid structures, acting in dynamic economic environments.

Traditional methods of calculating the costs become obsolete. The loss of relevance of traditional systems of cost calculation is mainly due to the existence of a gap between the current model of control of the company and the model of the analysis centers and the gap between the way of composing the actual cost and its image created by management accounting. The vision of the company on which the centers analysis method was based no longer corresponds to the current reality.

The capital can have alternative uses, in order for managers not to be concerned if the return on invested capital exceeds the cost of capital, which can be measured by the return generated by alternative use. The second reason for measuring the return on capital is the promotion of a control and analysis in the organization process of capital budgeting. Without certain forms of measuring the effective return of capital in the process of budgeting investments, there may exist a reduced incentive for managers to accurately estimate future cash flows.

The primary mission of managerial accounting was to “search the absolute truth”, the “absolute truth” being defined by achieving the most accurate cost. But managerial accounting has begun to evolve, which has fixed multiple deficiencies, including the concern of determining the unique cost. The most important contribution has been focusing on the potential benefits from making decisions based on accounting information. The idea of different costs for different purposes has spurred concerns to define the conditioned truth or decision models. Decision models occur in the outsourcing of information for various purposes (Horngren, Foster și Datar, 1997).

Accounting systems are influenced and determined by a series of factors, such as the economic, financial, political, legal, social and cultural environment. The phenomena of growth and globalization have led to an accelerated increase of the need for financial information. In these circumstances, both financial and managerial accountings differ in terms of content and scope from country to country. Accounting is a social construct and, therefore, reflects the characteristics of a cultural group, including the society in which it operates.

Any managerial accounting system must take into account the scale of cultural changes required for its adoption. It is useless to implement the system by imposing a decision adopted at hierarchical level. A modern system can only be viable through daily intake of its basic users. If they do not adhere to the system, the system is doomed to extinction. The explanation and training efforts should be oriented towards cultural change rather than to the presentation of techniques. Mastering the tools always accompanies and follows and never precedes (Lorino, 1991).

FUNCTIONALITY AND CONSEQUENCES OF IMPLEMENTATION

The implementation of a managerial accounting system represents a genuine initiative for implementing change, this involving the need for change, a vision of change and strategy, innovation stimulation (Albu și Albu, 2003). After the '80s,

implementation translates into a broader reform, including the management system used (Burlaud și Simon, 1999).

A management control system, once implemented, will also attract the manifestation of creative accounting phenomena, especially in times of crisis. Having at their disposal the most relevant set of information, managers are tempted to resort to more or less ingenious techniques, more or less questionable, more or less legal techniques, in order to improve the financial statement presentation.

The success of functioning of management tools depends, as in the case of all the decisions dealing with enterprise management, not only on the reliability of the decision itself, but also on the way it's implemented. The implementation of decisions taken in this context acquires a particular importance through the study of the impact had by leaders' attempt to impose their vision on the organization.

In the last decades, managerial accounting has undergone more metamorphosis than in any other period in its history. These changes are related to increasingly advanced forms of production technologies, to a rapidly changing and unpredictable demand, to phenomena of globalization and international competitiveness and, why not, to an increasingly receptive attitude of Western organizations to foreign managerial systems. Managerial accounting is the historical product of several forces that cannot be ignored in the creation, implementation and use process of new tools and techniques.

The implementation of advanced production technologies should not be analyzed isolated, when considering its general advantages. It is important to analyze whether the expected benefits have the capacity to sustain the organizational structure affected by the new technologies. Given the reducing labor costs can be considered an advantage, one can question whether this economy is viable in the organizational context and whether the decision to invest in such technologies influences the resource allocation decisions.

Managerial accounting, in its evolutionary process, represents a response to organizational changes. Its potential will not be demonstrated until the system will be understood, accepted and used by all structures of the organization. In this context, the role of managerial accounting will be one of developing certain mechanisms that will be useful to the managerial team, beyond the usually limited perspectives of the professional accountant.

The adoption of modern managerial accounting systems has a widespread effect in all organizational structures. Managerial accounting has still not managed to reach the stage in which the financial implications of an organizational “earthquake” of this kind can be analyzed. All

organizations develop in time certain specific characteristics that become a prerequisite for their operation. The implementation of new managerial accounting systems, otherwise considered necessary, cannot overcome the difficulties caused by the reaction of the human factor and by the specific cultural type. These difficulties become fundamental factors that can determine the failure or success of the implementation, regardless of the advantages offered by the new system.

The functionality of a managerial accounting system should not be perceived independently from the organizational and managerial context. New techniques should be converged with the interdependence of all organizational processes and informational circuits between managerial accounting and managers at all levels. Organizational infrastructure cannot be ignored and must be a key factor in designing and implementing a new management and accounting system.

The transition to a new view regarding production was accompanied by the corresponding accounting challenges. This does not automatically mean that all organizational problems find their solution. But once the change is implemented, there is no turning back. In any case, the advantages generated by the potential of managerial accounting are reliable and viable. In fact, no tool or method can be overrated in any sense. The organizational and managerial context plays a fundamental role in the change process and in the subsequent functionality of managerial accounting systems. Current reality shows, on one hand, that there are organizations that are changing and, on the other hand, that there are also inert organizations or organizations that wait to see what happens to the forefront, although change is already an irreversible process. The prejudice that must at all costs be avoided is given by the idea that regardless of the implemented system, a deficient organization will not be miraculously transformed in a successful one, and an organization at the edge of survival will not be automatically saved. These sort of problems require more than an evolution of the managerial accounting systems. On the other hand, the transition process should be gradual and carefully constructed, as an abrupt end of use of the old instruments is not recommended.

Another reality is the fact that managerial accounting systems collect, process and produce certain useless information that are not needed in the decision making process. It is obvious that organizational changes are more important than accounting ones, characterized by an unnatural inertia. The designed accounting systems bear more the signature of the accountant, than the one of the managerial utility or, in other words, take into consideration the accounting vision, in the absence of the managerial one.

The change of production technologies and of managerial accounting systems has major implications in the information flow of the organization. The specific aspects of the organization, in the various moments of its evolution, must lead to a corresponding adaptability of the accounting information and the way of communication. A modern managerial accounting system must overcome the “gap” between the accounting and technical information released by the operational system of the organization.

The accounting information necessary in the decision-making process is not always found in the final decision. There are situations in which, as a result of a decision, managerial accounting is requested to justify the already adopted decision. Under these circumstances, managerial accounting is allocated an unwanted role, that of a “numerical burial” of a decision-making process. The reasoning process is an “upside-down” one and it sometimes occurs in the modern implemented managerial accounting systems, either because of the need for goals that should bypass reality, or due to a rejection reaction to the new system.

The role of the professional accountant is to also bear the process of improving and extending the organizational vision. Relations with trading partners become complicated and significant in size. The accounting information should be directed to different destinations and under relevant forms to the users, especially for monitoring the functionality of the managerial accounting system.

The advantages of modern managerial accounting systems are not limited to numerical information. There are situations in which organizational concerns and the description of certain projects must be quantified in non-financial terms. The decision-making process is based on a tandem of financial and non-financial measures, as performance also includes qualitative information.

Organizational problems tend to have as an, obviously not exclusive, remedy the accounting information generated by a particular managerial accounting tool, especially depending on the circumstances. The organization must not be limited to this particular tool or consider it as a panacea for its “sufferings”.

The globalization phenomena emphasize the importance of production cost and its link with the organization’s strategy, rather than focusing on the appropriate determination of the internal cost. Managerial accounting begins to exploit the opportunities of integration and coordination of non-financial results generated by the organization’s activity, viewed as a whole. The boundaries of individual entities in the context of group societies are artificialized and informal management styles tend to be adopted more often.

One of the most important problems of managerial accounting tools is the traceability and rational allocation of costs process. Obtaining accuracy is permanently limited by the cost of obtaining information. This aspect is more and more counteracted by computer technology that removes the barriers in achieving accuracy. The cost of designing suitable information systems that are adapted to organizational needs is placed far below the advantages it can bring. Limits show up in terms of cost accuracy, especially considering the perception of those whose motto is "different costs for different goals". Costs considered to be useful in certain particular situations do not represent the actual costs. The cost accuracy tends to be more considered from a decisional perspective, rather than from an objective one. The subjectivity of criteria for allocating indirect expenses remains in force even if there is a transition towards more advanced production systems. The effect of this is reflected in a reduced direct labor and an increase in indirect expenses. Replacing the traditional distribution base (direct labor) with specific measures for the new technologies (hours for a car, occupied area, installed capacity etc.) does not solve the problem. There still is no causal link between the value of the consumed resources and the elements that generated these consumptions. The ABC method does not always represent a solution, either due to implementation difficulties or to its lack of ability to adapt to certain organizational environments. In some cases, even this method maintains a certain conventionalism in allocating indirect expenses.

The managerial behavior can affect the managerial accounting practices, as evidenced in the national context, in particular. Management decisions can determine the form that should be given to the accounting information according to certain objectives. The managerial strategy which, wrongly, is reoriented on a (very) short-term involves mutations in the production of accounting information. The national principle stating that "tomorrow is another day" is truly devastating for the managerial accounting tools and for the relevance of the accounting information. The tendency to invent and to use creative accounting techniques in a poisonous manner becomes a compulsory passion for Romanian managers, who tend to transform it into a common practice. A manager's perception of the accounting system mainly resumes to the idea that absolutely everything is possible, while the consequences can easily be minimized. Finally, the cash flow route imposes the form of the accounting information and the performance level.

The implementation of managerial accounting systems at national level suffers, mostly due to the acute lack of professionals in the field and to the lack of an appropriate managerial vision. The

innovative ideas of managerial accounting hardly manage to enter the Romanian environment and tend to be regarded with reluctance. The academic environment still lacks a force powerful enough to facilitate this process of knowledge. The economic, political, legal and fiscal contexts represent genuine incentives to adopt practices that are contrary to the concept of actual performance. In the author's opinion, the implementation can only be successful if the multinational companies will enforce their authority, as they already have a tradition in the organization of managerial accounting systems. Only the knowledge and abilities of multinational companies can "force" the Romanian practice to act within the limits of what an effective managerial accounting system should actually do. The legislative authority is rudimentary and easily defeated. The national mentality that was created and maintained by the environment in which it manifests itself is oriented towards short-term gains and extremely short-term deadlines. The mirage of immediate liquidities that are obtained by any means destroys any intention of efficient functioning of a managerial accounting system. Strategies for survival in present times completely misrepresent the quality and relevance of accounting information. Stiffness, reluctance, hostility, ignorance and the lack of knowledge are viruses that the managerial accounting system has to struggle against. The forced implementation leads to vulnerabilities exploitation in the adopted systems and to the creation of an image of functionality beyond reproach. All these factors successfully work together and place Romania in a "stone age" in terms of managerial accounting. On the opposite side are placed a few lights successfully lit by the multinational companies.

CONCLUSIONS

There is a need to stimulate organizations to respond more to innovation in managerial accounting. Professional accountants and academics must act forcefully on this line, as empirical studies and additional field research are required. Research should aim to identify and evaluate the new managerial accounting systems, as well as to analyze the motivational factors regarding the inertia manifested in the process of change. The aspects related to the implications of the human factor in the implementation process should not be ignored, as a strong process of familiarization with the behavioral manifestations is required. A major goal should be represented by the "production" of a general vision on the problems of managerial accounting, even if some are not yet clarified or will never be clarified. Thus, through these "warnings", the managers will be ready to combat behavioral problems and avoid

them before choosing a particular accounting system.

Managerial accounting was market by numerous developments and will continue in this manner in the future. New challenges already arise and new tools will appear and disappear as the social and technological aspects of the organizational environment rise and fall. Managerial accounting already can no longer afford to focus only inward.

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