

Critical Aspects regarding the Implementation of Managerial Accounting Systems

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Abstract

Implementing a managerial accounting system is a process leading to the introduction of change, which involves the creation of a vision of change and strategy, as well as the stimulation of innovation.

This implementation is a genuine organisational revolution that includes the managerial system used. Any implementation process should take into account the scope of the change in mentality and culture that the people involved should undergo. The implementation should not be made by imposing hierarchically adopted decisions, but focus on the daily contribution of each and everyone. A new system which has not been properly internalised and accepted is doomed to disappear. The training effort should be oriented more towards the change of mentality than on the presentation of the techniques. Within this context, putting the decisions into practice becomes extremely important, especially when it comes to studying the impact on the organisation of the leaders' attempt to impose their vision.

Key words: managerial accounting, implementation, traceability, managerial objectives

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1. Introduction

Within the current context, analysing the objectives and instruments of managerial accounting is leading to a new outlook, with managerial accounting becoming a more complex and qualitative system for ongoing, real-time coordination and piloting (Alazard and Sépari, 2001, pp. 676-677).

The development of the business environment and the richer arsenal of instruments highlight the increasing complexity of the objectives of managerial accounting. Initially, the system had a quantitative structure, its focus being to analyse and compare the activities of the various departments. It is more and more difficult to carry out a structural analysis of the organisation using a single model, since the performance indicators are undergoing significant mutations. The managers are no longer trying to control the results only, because measuring the whole performance of the organisation is becoming a priority. Extending the objectives and the instruments of managerial accounting is already part of a strategic action. The qualitative aspects offer a comprehensive overview and make it possible to conduct a complex analysis of the value chain.

In order to pilot an increasingly complex organisation, operating in an uncertain business environment, managers need an ongoing, real time information system. Measuring the outcomes *a posteriori* is no longer enough and it has become a necessity to provide managers with those tools which would support the decision making activity throughout the operational and strategic processes.

Consequently, managerial accounting is becoming a system meant to analyse the performance of the organisation and to dynamise it, a system adapted to the developments of the business environment. Currently, managerial accounting is understood as an information system, used for collecting and analysing past and present data on an ongoing basis, in order to measure the activity of the organisation. Managerial accounting should be integrated into a systemic approach as a tool

facilitating the strategic decisions and ensuring the coordination and understanding of the organisation as a whole. It should take on the role of dynamising all the participants in the socio-economic systems represented by organisations.

When choosing and implementing a managerial accounting system, one should make sure that it has several essential characteristics (Albu *et al*, 2003, pp. 243-247): it should be adapted to the type of activities performed by the organisation and to the business environment; it should be compatible with the cultural environment; it should put the strategy of the organisation into practice; the information cost should not be too high; it should be simple as a mechanism, known, understood and accepted; it should not trigger behavioural deviations; it should be extremely flexible in case of abrupt and unpredictable changes in the business environment; it should create value for the organisation. Implementing a managerial accounting system is not restricted to choosing a tool which seems to be the most adequate and putting it into practice. The stakes are huge, as the whole organisational system is involved in a process of cooperation, incitement, learning and putting into practice of the strategic objectives.

2. Research methodology

The two types of research used in the study were experimental research, which involved direct access to the subjects, and case study research, which allowed for the analysis and interpretation of certain existing features. In other words, clinical or action research was performed. This means field work, the major advantage being that of gaining a better understanding of the relationships and processes inside an organisation: the analysed data was collected from 25 Romanian companies in the field of civil and industrial constructions, intermediaries in the wood trade and construction materials. The experimental and case study research covered the period 2005-2015, the subjects being actively involved in this process. The field work aimed at identifying and eventually solving issues related to: the possibility of implementing a managerial accounting system or of changing the existing one (when there was already one in place); designing a managerial accounting system by involving the whole organisation in the process and selecting an adequate tool for the environment in which it was to be implemented; perceiving and understanding the change by the participating actors; the deficiencies and reluctance appeared after the implementation process.

A first analysis of the companies included in the research referred to the specific activities they carried out, since these characteristics have a fundamental impact on choosing, implementing and using a managerial accounting system.

The main objective of these organisations is to constantly increase their market share in the constructions field and to diversify their construction projects and auxiliary activities. Their organisational structure is becoming increasingly complex with the passing of time, but the responsibilities are not clearly defined and the tasks are frequently transferred from one department to another. These slippages are often the source of conflicts and interruptions in the chain of responsibility. One of the weak points of the organisational structure is represented by the lack of clear procedures for defining the responsibility centres and for carrying out and controlling the activities. The work force is characterised by strong fluctuations and by increasingly inadequate professional levels.

3. The current diagnosis and establishing the procedures for implementing managerial accounting systems

As far as the existence of a managerial accounting system within the Romanian business environment is concerned, the following aspects should be highlighted:

- Most companies do not even have an organised managerial accounting system, in spite of it being requested by law;
- The reason for the lack of a managerial accounting system is represented by the logic according to which all the work performed for the beneficiaries throughout a month is invoiced at the end of the respective month, which is obviously erroneous, since there can sometimes be a time gap of a few months between the production and the invoicing;

- The existing managerial accounting systems are more than rudimentary. There is no strict allocation by cost-generating item of the resources used. The production cost is established roughly by taking into consideration certain direct costs, which could be easily identified and which have significant values. Consequently, the production cost thus established is an incomplete direct cost. One effect of this calculation mode is a completely wrong discharge of administration of the production costs corresponding to the invoiced production. In most cases, there is no justification for the structure and manner of calculation of the production cost entered into the financial accounting;
- There is a complete lack of control as far as the consumption of resources is concerned, the governing principle being of the input=output type;
- There is no concern for controlling, identifying and analysing the discrepancies between the effective costs and the standardised costs. The catering and consumption are done just-in-time, but in the chaotic sense of the concept;
- The acute lack of staff in charge of implementing and organising a managerial accounting system;
- As regards the management, there is a strong focus on establishing arbitrary, large enough margins which should cover the more or less calculated or known costs. Another concern of the management is the excessive importance attached to the cash-flow, to the detriment of identifying and analysing the cost;
- The absence of organisational procedures and allocation of responsibilities within all the departments;
- Rejecting the information which is not measured in money, considered to be less legitimate than the non-financial data.
- Perceiving the control as an inspection and therefore focussing on the outcomes and responsibilities to the detriment of the analysis and piloting.

The following aspects related to the implementation of a managerial accounting system can be considered as points of reference (Lorino, 1991, pp. 181-187):

- The implementation of the new managerial accounting systems should be made in stages, one function after another, one objective after another, passing to the next stage only after results have been obtained;
- The active involvement of the top management is required;
- The implementation should also be regarded as a real change of culture, rather than as the mere change of a tool;
- The focus should not be only on implementing a new system, but also on introducing the procedures that will allow this system to evolve in the future;
- Previous to the implementation, the roles of the different departments should be clarified, as more often than not these are not well defined, managerial accounting in particular.
- Whenever certain tools exist already, it is less costly and less risky to use them, instead of resorting to creativity;
- The information systems architecture should follow the organisational options and not the other way round. This should ensure maximum flexibility when coping with present and future highly volatile needs;
- The eventual company adaptation should be treated as pragmatically as possible: there will be only necessary changes, no more than that.

One of the essential conditions of this design and implementation process is represented by the involvement of the top managers of the organisation. They should not only coordinate the implementation process, but also gradually adapt the management style to the cross-functional character of the activities, multiplication of non-hierarchical links, where persuasion, communication, cooperation and delegation replace hierarchical authority.

The new managerial accounting system will have to be permanently maintained, in order to prevent its involution. In this sense, departments should be set up that will deal with the ongoing review of the processes and activities.

Another interesting aspect is the mix-up between financial accounting and managerial accounting. Managerial accounting is a consumer of accounting information, as well as of other types of information regarding quality, production management, human resources management, commercial management. This contributes to defining the most important diagnosis and piloting tools depending on the strategy and has as an objective the overall economic performance. Managerial accounting is not the main user of the information it produces, this being made available to other functions and used for their own administration. A pertinent system contributes to designing piloting and diagnosis tools, but the piloting cannot be done on behalf of the other functions.

The information necessary for a new managerial accounting system should not lead to the configuration of a complex and difficult to understand, unstable system that is undergoing numerous changes due to the high costs and to the need to ensure some kind of continuity and comparability in time. On the other hand, the need to permanently adapt to the changing environment and objectives calls for a flexible and evolving system. The informational architecture should be flexible enough to allow for the evolution of informatic applications and the stability of the basic system. This can be built around a database containing the fundamental information related to the activities and processes.

The implementation, organisation and operation procedures of a managerial accounting system for the entities included in the analysis were included in a manual with the direct contribution of all the actors in the organisation.

4. Critical aspects related to the implementation of managerial accounting systems

A starting point can be considered to be an empirical study regarding the Romanian performances in terms of managerial accounting (Ionaşcu *et al*, 2000, pp. 1-3). Certain results of the study prove that passing from the standard cost accounting to the normalised financial accounting, involving a higher degree of flexibility of the managerial accounting information, resulted in a very low assimilation of the practices related to cost establishing, because accountancy practitioners failed to understand the advanced principles of managerial accounting. Most of the companies which have organised a managerial accounting system are using classical methods for the calculation of costs.

It is more than surprising that although not so many efforts are made to organise a managerial accounting system, not even a classical one, most of the managers are interested and very interested in relevant information related to the production costs.

We believe that the acute need for productivity and competitiveness experienced by Romanian companies will change the current situation of managerial accounting in a radical manner.

It is only natural that we should ask ourselves if a modern managerial accounting system is likely to be implemented in Romania. An eventual answer cannot overlook, first and foremost, the main difficulties that may appear and which are more than predictable: the economic, social and political conditions; the lack of interest of the entity in charge of normalisation to solve such issues; the almost inexistent popularisation of the concepts and practices of managerial accounting; a certain behaviour, formed in time, of Romanian accountants who cannot operate outside the law; the excessive costs that might be generated by the implementation of an effective managerial accounting system and by the adequate training of accountants. In this sense, Feleagă (1996, p. 142) indicates that "it was enough to have an official statement saying that management accounting was free, falling under the responsibility of each company, for us not to know what to do anymore. We abandoned it, although it is very useful. Or we started improvising, like craftsmen do. We haven't defined new objectives for it. As for the old ones, we reacted to them by integrating into the structure of financial accounting certain methods for collecting and allocating the expenditure and calculating the costs, following the tradition of our glorious methodologies."

The biggest obstacle to the implementation of the managerial accounting system is represented by the typically Romanian conservatism of the employees. The heads of the various departments may fear that this system is just a manner by which the top management receives detailed information about ineffective practices which had been initially hidden by the traditional methods. The companies' policy should specify the fact that such information shall not be used against the

various departments. On the contrary, all the staff should be encouraged to discover the dysfunctionalities, so that such practices can be improved and that decisions can be taken to the benefit of the whole organisation.

Those in charge at the lower management levels are part of the team that will implement the managerial accounting system, since everyone will be using the new system. A more diverse group will contribute to a better integration and mastering of this system by the entire company staff. Everyone should have access to the information. Before initiating the implementation process, all the key employees should be persuaded to give the system a chance. In order to obtain the employees' support, the management should try to demonstrate that the information offered by the new system will be used to make decisions and to improve the performances. Whenever the new system promotes changes meant to cut the costs and to eliminate inefficiency, the employees should be explained that their efforts have contributed to the company's increased profitability.

The variety of the fields of activity, of the objectives pursued by each and every company, as well as of the market conditions where the companies operate make it almost impossible to design a universally valid system, capable of meeting the information needs of all managers. However, the existing alternatives in terms of performance measurement and piloting allow every company to choose the tool they consider to be the most adequate. Moreover, due to their sometimes complementary character, a mix of information systems can be put in place in order to offer a clearer image of what the managers should be looking for in terms of their company performances.

An aspect which is entirely unrelated to the capabilities of such tools but plays a major role in their ability to offer information is that they should be well chosen and especially correctly implemented by the interested company.

The strong point of the new managerial accounting system implemented in the companies which were part of the analysed set is the focus on traceability. The expenses recorded in the financial accounting by their nature are grouped by functions. The strict allocation of the expenditure by cost objects makes it possible to avoid that certain costs are considered indirect production costs. When there are doubts or difficulties regarding the allocation of a cost to the cost generating object, this expenditure is taken as a general administrative cost (to avoid the arbitrary allocation of costs). This instrument can be considered a variant of the direct costs method, which takes into account the differentiation between the direct costs and the general administrative costs. The effect of traceability is so strong that whenever expenditure is related to several cost objects, although it could have been considered an indirect production cost, it will be allocated before it is entered into the accounting records. Under these circumstances, the respective expenditure will be classified either as a direct cost (related to one or several cost objects) or as a general administrative cost.

An important advantage of the implemented tool is that it allows for decisions to be made when the cost objects are very different in structure. Also, by allocating only direct costs or costs which have become direct to the cost objects, the conventional character of the indirect production costs allocation is completely eliminated.

5. Conclusions

One of the most important issues of the managerial accounting instruments is represented by the traceability processes and the rational allocation of costs. The accuracy is constantly limited by the costs of gaining access to the information. This aspect is more and more counterbalanced by the information technology, which eliminates the barriers in achieving accuracy. The cost of designing adequate information systems, adapted to the organisation needs, is currently lower than the advantages it can generate. However, the limitations appear in terms of cost accuracy, especially in the understanding of those whose motto is "different costs for different objectives". The costs considered to be useful in some particular situations are not real costs. Cost accuracy is seen more from the decision-making than from the objective view point. The subjectivity of the indirect costs allocation criteria remains unchanged, even during the transition towards evolved production systems. The effect consists in the reduction of direct labour and the increase of indirect costs. Replacing the classical cost allocation base (direct labour) with measures pertaining to the new technology (machine hours, occupied area, installed power, etc.) does not solve the problem. There is still no causation between the value of the used resources and the elements which generated the

respective consumption. The ABC method doesn't always represent a solution, either because of the implementation difficulties or because it cannot be adapted to certain organizational environments. Even this method maintains a certain amount of conventionalism in the allocation of the indirect costs.

Managerial behaviour can affect the practices of managerial accounting, this being obvious especially at national level. Managerial decisions may determine the shape that should be given to the accounting information depending on certain objectives. The managerial strategy which is wrongly reoriented towards the short (and very short) term triggers mutations in the way in which the accounting information is generated. Generally, a manager's perception of the accounting system amounts to the idea that absolutely anything is possible and that the consequences can be easily minimised. Finally, the direction of the cash-flow dictates the form of the accounting information and the performance level.

The implementation of managerial accounting systems at national level is suffering, in the first place, due to the acute lack of professionals in the field and of an adequate managerial vision. The innovative ideas of managerial accounting are penetrating with extreme difficulty in the Romanian environment and they are looked upon with reluctance. The Academia doesn't have enough force yet to facilitate this learning process. The economic, political, legislative and fiscal context is a genuine stimulus for adopting practices contrary to the real performance concept. In our opinion, an implementation can be successful only in multinational companies with a tradition in organising managerial accounting systems. Only the knowledge and abilities of multinational companies can force the Romanian firms to operate within the limits of what should, in fact, be an extremely effective managerial accounting system. Rigidity, reluctance, hostility, inertia, lack of knowledge are the viruses that managerial accounting has to fight against. Forced implementation leads to exploiting the vulnerabilities of the adopted systems and to creating the image of a flawless functionality.

There is a need to stimulate the organisations to be more responsive to the innovations in the field of managerial accounting. Professional accountants and the academic environment should be pro-active in this direction, as more empirical studies and field research are necessary. Research should focus on identifying and assessing the new managerial accounting systems, on the analysis of the emotional factors regarding the inertia manifested during the change process. The aspects related to the implications of human nature in the implementation processes shouldn't be ignored, intensive activities being necessary for becoming familiar with the behavioural manifestations. A major objective should be that of creating an overview of the problems related to managerial accounting, even if some of them have not yet been clarified or will never be. Thus, by means of these warnings, we will be prepared to counter behavioural problems and to avoid them before choosing a certain accounting system.

6. References

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