



## Business Strategy of Success Factors of Enterprise Resource Planning System (ERP) and the Impact Towards the Quality of Accounting Information

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**Abstract:** The Study aims to reveal the influence of business strategy towards the success of Enterprise Resource Planning System (ERP) and the implications towards the quality of accounting information. The results of the study is expected to become a proof that offered model can be a solution and an improvement in ERP System success and the quality of accounting information.

The Method used in the study is explanatory research method, in gaining basic answer of cause and effect by analyzing the cause of problems. Data used in the research is questionnaires spread in 32 chosen state-owned enterprises, and the data was processed using SEM PLS Statistics. The results show that business strategy can influence the success of ERP system. A success ERP system will produce a quality accounting information.

**Keywords:** Business Strategy, ERP System Success and Quality Accounting Information.

### INTRODUCTION

#### Background research

Quality Information is important in encouraging the management in invest decision-making activity (Zhai & Wang, 2016) information is processed data dedicated to someone, organization or anyone who needs it (Mulyani, 2016) information is important for the efficiency especially quality and transparency of information (Zhai & Wang, 2016). Information needs a system, information system is nowadays an inseparable part of business practice (Mulyani, *et al*, 2016), Enterprise Resource Planning (ERP) is an example of application

system use. ERP system is an overall package system that is fully integrated and supporting the automation in whole standard business process in organization, Enterprise Resource Planning (ERP) is an integrated software application package widely used in organization (Mudiantono, 2013).

Shehab *et al*, (2004) states that ERP is a business management system that consists of a set of integrated software that can be used, when it is successfully applied, to manage and integrate all business function in an organization. ERP system connects with complexity and business environment change. This also affects on business risk management (Arena, Arnaboldi, & Azzone, 2010).

In reality, some phenomena are found, that show financial report of state-owned enterprises is not on time (Iskan, 2013), Aziz (2015) states that financial report of state-owned enterprises is problematic; He at least found four problems. Afterwards, Sudarmanto (2016) states that Indonesia has never had employment opportunity data that is integrated in a certain period, including the state-owned enterprises that have never been known for certain. Fawaid (2016) states that financial report of State Electricity Company (PLN) does not apply reporting method as in financial accounting standard that causes state equity participation to become uncertain. Furthermore uncertain business strategy phenomenon causes state-owned enterprises in plantation field to incur losses (Cori, 2017).

## LITERATURE REVIEW

### Business Strategy

Company's strategy is a whole goal and organization reach in fulfilling the owner's and other stakeholders' expectation in improving the value of the company (Johnson & Scholes (1999). Furthermore Campbell *et al*, (2011) states that Business Strategy is the determination of the basic long-term goals and objectives of an enterprise, and the, adoption of courses of action and the allocation of resources necessary for carrying out these goals. Thomson *et al*, (2003) also states that Business Strategy is the action plan for managing a single line of business. Palepu *et al*, (2008) states that Business strategy determine show the firm positions itself in its environment to achieve a competitive advantage. Different opinion is also stated by Langabeer & Napiewocki (2000) Business Strategy represent the internal response to environmental pressures that determines the direction and approach for moving forward.

Based on the stated opinions, it can be said that business strategy is an activity design that aims to improve prosperity and company's success in facing business competition and create a competitive superiority implemented by varied integrated activities.

### Measurement of Business Strategy

Laudon & Laudon (2012) states that there are six goals of business strategy namely Operational Excellence, New Products, Services and Business model, Customer and supplier intimacy, Improve Decision making, Competitive Advantage and Survival. Furthermore, Palepu *et al*, (2008) states that business is measured by Diversification, Cost Leadership Differentiation. Romney & Steinbart (2015) use dimensions of Product differentiation strategy. Entail adding features or services not provided by competitors to a product so you can charge customers a premium price and a low-cost strategy entails striving to be the most efficient producer of product or services.

## **Enterprise Resources Planning (ERP) System Success**

A system has a certain goal that has been designed by the system maker and becomes coordinate point of the system's components so that the goal can be achieved (Mulyani, 2016), in facilitating the flow of information between every function in organization and managing the connection with outsiders, a system of Enterprise Resources Planning is necessary (Bidgoli, 2004). ERP system is a computer based system that is designed to process transactions of a company and facilitate an integrated planning and real time production and customers' response (O'Leary, 2000). ERP system is a business packaging software that enables the company to automate & integrate most of its business process and share the data and general practice in the entire company (Seddon, Shanks & Wilcocks, 2003).

ERP system is multi-module, a solution of business packaging application that enables an organization to integrate business process and company's performance, distribution of general data, resources management and to provide an actual access of information (Hau & Kuzic, 2010), and if the planning of information system is in poor quality, it can reduce the quality of management which will make the information resulted have a low quality too (Strong *et al*, 1997). ERP system success is meant as a statement concerning the condition of system that results accounting information corresponding to users' needs. Quality can be meant as a success (Dellon & McLean, 1992 & 2003; Seddon, 1997; Davis, 1989; Pompandejwittaya & Pairat, 2012).

Based on the above statements, it can be said that the advantage of ERP Success is that it can reduce the cost of structures, improve existing business performance, customer services improvement, simplify complex business process, global business management, time management and support business strategy in increasing efficiency and integration.

## **Measurement of Enterprise Resources Planning (ERP) System Success**

According to Delone and McLean (1992, 2003) the success of a model covers six components which are, 1) System quality, 2) Information quality, 3) Use, 4) user Satisfaction, 5) Individual Impact, 6) Organizational. Davis (1989) states that The Technical Acceptance Model (TAM) describes factors that direct to acceptance level and real usage of technology at the highest level. Saarinen (1996) states that there are four dimensions in measuring the success of ERP System which are, 1) Development-process satisfaction, 2) System-use satisfaction, 3) System Quality satisfaction, 4) Organizational impact of information systems.

Markus *et al*, (2000) states that measurement of ERP system success depends on which perspective we measure it. Markus *et al*, (2000) states that the success of ERP implementation from some perspectives are; success viewed in technical terms, success viewed in economic, financial, or strategic business terms, success viewed in terms of the smooth running of business operations, success as viewed by the ERP-adopting organization's managers and employees and success as viewed by the ERP-adopting organization's customers, suppliers, and investors. Shanks *et al*, (2000) states that ERP System success is closely related with the completion of a project and in cost that can be accepted as standard in the first two stages (planning and implementation) from ERP process model.

## **Accounting Information Quality**

Accounting information that is not qualified can cause unqualified decisions made by users and it can cause losses (Huang *et al*, 1999). Baltzan (2012) states that Information is a measure of the quality of

information. Integrity constraints are rules that help ensure the quality of information. The database ensures that users can never violate these constraints. To ensure information system do not suffer from data integrity issues, review for characteristics common to high quality information: accuracy, completeness, timeliness, consistency and uniqueness. Shipper & Vincent (2003) states that the quality of information is a complex concept that contains the value of relevance information, accounting conservatism and earnings management.

Eppler (2003) states that there are two dimensions in measuring information quality which are Quality of information content, and quality information access. The indicators of quality information content consist of comprehensiveness, conciseness, clarity, correctness, accuracy that include: traceability, maintainability, interactivity, speed, security, currency, accessibility and convenience. McLeod (2007) states if a user defines the output produced by information processor considering basic information dimensions such as accuracy, relevancy, on time, and complete, these dimensions will increase the value of the information.

### **Business Strategy Influence towards ERP System Success**

Nah & Lau (2001) states that by a good knowledge of issues involved in ERP Success, the management will be able to make a critical (strategic) decision and allocate necessary resources in making the ERP system success. Gilbert & Singer (1998) proves that business strategy significantly influences the information system. Business strategy influence towards information system is also proven by Johnson (2000) that results an empirical proof that business strategy is significantly influential towards information system.

Cummins & Xiaoying (2008) in their study also prove that business strategy significantly influences the information system. Based on the theories and empirical proofs, it can be concluded that business strategy significantly influences the success of ERP system.

### **The Influence of ERP System Success towards the Quality of Accounting Information**

Lupasc *et al*, (2009) states that Information system proceeds financial data obtained both from the inside and outside of the company to produce accounting information, that is used in decision making by user for both internal and external user management (Mitchell *et al*, 2000).

Bad quality information will cause chaos, thus a diagnosis of root cause is necessary. It is conducted to enable the company to identify and overcome information quality problem before other financial and law consequences emerge (Strong *et al*, 1997). The quality of information is influenced by used information system (Lupasc *et al*, 2009). Bad information system planning can reduce the quality of data processing that will produce a poor quality of information (Strong *et al*, 1997).

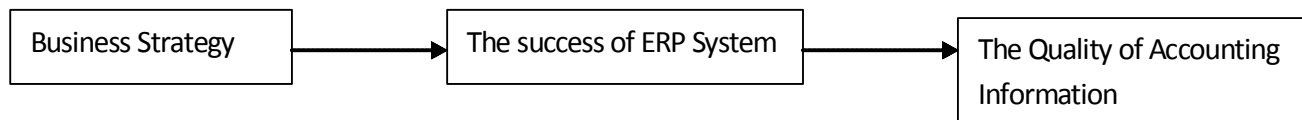
Salehi *et al*, (2010) states that information system increases financial report accuracy. Supported by Sacer *et al* (2006), using an empirical method deductively and logically, it can be concluded that there is a relationship between information system and the quality of accounting information. It is in line with Sajady *et al*, (2008) that states information system increases the quality of accounting information.

Ponte and Pilar (2000) also state the same thing as a base to support satisfaction of information demand along the process of decision making by users. Information system provides information for

decision making process. The same thing is also stated by Wongsim & Gao (2011) that concludes information system can provide a qualified accounting information.

Nicolaou (2000) also mentions similar opinion; the results of the study indicate that, in line with the hypothesis, there is an influence between system and contingency factors that encourage the success of information system. So that the influence of system towards the second factor of information system effectiveness is measured by decision makers' satisfaction through the provision of qualified accounting information as an output of an information system.

### THE FRAMEWORK



### HYPOTHESIS

Hypothesis is the estuary of premises that have been explained in the above framework as contemporary answer of the formulation of problems proposed beforehand, thus the hypothesis proposed in the study is as follows:

1. Business strategy influences the success of ERP system
2. The success of ERP System influences the quality of accounting information

### METHOD OF THE STUDY

According to Sugiyono (2010) the object of the study is an attribute or characteristic or a value of a person, object or activity that has certain variation. The object of this study is business strategy, ERP system success and the quality of accounting information. The study uses descriptive method and explanatory research method. Sugiyono (2010) states that descriptive method is a method which is used to describe or analyze results of a study but is not used to draw a wider conclusion. Sekaran and Bougie (2013) state that explanatory research is a study conducted to obtain a description, systematic depiction, factual and accurate facts, characteristics and relationships between investigated variables.

### RESULTS OF THE STUDY

#### The Influence of Business Strategy towards the Success of ERP System

Business Strategy is hypothesized as having an influence towards the success of ERP system. Following is the significance test result of the hypothesis:

Ho.  $\gamma_1 = 0$  : Business strategy does not influence The success of ERP system

Ha.  $\gamma_1 \neq 0$  : Business strategy influences the success of ERP system

**Table 1**  
**Significance test of Business Strategy Influence towards the Success of ERP System**

<i>Path Coefficient</i>	<i>t<sub>calc</sub></i>	<i>t<sub>critical</sub></i>	<i>Conclusion</i>
0.446	4.756	1.96	Significant

*Source:* Calculation Result of Semple

The results show that business strategy variable with ERP System success is shown by path coefficient as 0.446 or with direct influence as 19.88%, and with  $t_{calc}$  as 4.756. The values of t-statistics obtained are bigger than the value of  $t_{critical}$  (1.96). It means that Business strategy significantly influences the success of ERP system. Therefore, the results support the studies conducted prior to this study that claims business strategy has a significant influence towards ERP system success such as conducted by Gilbert & Singger (1998), Johnson (2000), and Cummins & Xiaoying (2008).

The Influence of ERP System Success towards the Quality of Accounting Information

The success of ERP system is hypothesized as having an influence towards the quality of accounting information. Following is significance test result of the hypothesis:

Ho.  $\beta_{21} = 0$  : ERP system success does not influence the quality of accounting information

Ha.  $\beta_{21} \neq 0$  : ERP system success influences the quality of accounting information

**Table 2**  
**Significance test of the Influence of ERP System Success towards the Quality of Accounting Information**

<i>Path Coefficient</i>	<i>t<sub>calc</sub></i>	<i>t<sub>critical</sub></i>	<i>Conclusion</i>
0.894	23.580	1.96	Significant

*Source:* Calculation Result of SEMPLS

The result shows that the relationship between ERP system success variable with the quality of accounting information is revealed by path coefficient as 0.894 (80.49%) with  $t_{calc}$  as 23.580, t values are bigger than the value of  $t_{critical}$  (1.96). It means that ERP system success significantly influences the quality of accounting information. Therefore, the results support the studies conducted prior to this study that claims ERP system success significantly influences the quality of accounting information such as conducted by DeLone & McLean (1992), Taber *et al*, (2014), Sajady *et al*, (2008) and Wongsim & Gao (2011).

## CONCLUSIONS

Based on the results and the discussion of the study, it can be concluded that Business Strategy Influences the Success of ERP System, therefore the hypothesis ( $H_1$ ) is accepted and the success of ERP system will increase the quality of accounting information.

## SUGGESTIONS

In anticipating the reappearance of similar conflicts regarding ERP system that is unsuccessfully conducted, especially in state-owned enterprise, it is advised that user satisfaction and system usage to be improved. It



can be conducted by improving company's business strategy through 24 hours online service for customers. For next suggestion, it is expected that next studies will draw in line conclusion with prior study (replicability) in order to increase assurance of prior studies. Future studies are expected to be able to enlarge sample of the study to optimize results of the study. It is also suggested that next studies uses different investigation location in reinforcing support to previous studies.

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