



IMPACT OF ACCOUNTING INFORMATION SYSTEM ON THE ORGANIZATIONAL PERFORMANCE: A CASE STUDY OF PROCTER AND GAMBLE

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ABSTRACT

Accounting information system is a set of interrelated elements that work together, to collect, retrieve, process, store and disseminate accounting information to support decision making, coordination, analysis, observation, and control of the organization. It uses advanced information technology to provide accurate information to the organization to help the management in taking decisions, to meet the needs of their customers in the best possible way, and to facilitate the process of change. The present research has been conducted to examine the impact of accounting information system on the organizational performance in Procter and Gamble. Data was collected through questionnaires designed on five point likert scale. The sample size of the study is 174 employees. Simple linear regression was used as the statistical tool for analysis. The findings highlighted that there is a significant impact of accounting information system on the organizational performance in the company under study.

KEYWORDS: Accounting Information, System, Organization, Performance, Regression.

INTRODUCTION

Information is simply symbols like data, text, images, voices, etc. that convey meaning through their relative ordering, timing, shape, context, etc. Information is the meaning that a human expresses by, or extracts from, representations of facts and ideas, by means of the known conventions of the representations used. This definition includes the word “meaning” which is just as intangible and elusive as “information”. Information can be defined as data that has been processed into a form that is meaningful to the recipients and is of real value in the current or the prospective actions or decision of the recipients. Information is an essential commodity required by the management in order to plan and control the business operations effectively and efficiently. Notwithstanding, information system is a combination of people, equipment, policies, and procedures that work together to collect data and transform it into useful information. It is a system in which grouping, processing, managing, and controlling of data helps in producing and carrying the useful information to decision makers through network of the channels and communication lines. Information system is homogeneous set of resources and components like human, equipments, finance, records which interact simultaneously inside specific framework (the system boundaries) and working as one entity towards achievement of organizational goal. There are different types of information system like enterprise resource planning systems, procurement systems, manufacturing systems, sales and marketing systems, delivery systems, finance systems, accounting information systems etc.

Accounting information system is a formal mechanism for gathering, organizing and communicating

accounting information about an organization’s activities. It is a financial information system which includes accounting terms, records instruction manuals flow charts programs, and reports to fit the particular needs of the business. It is a set of records, procedures, and equipment that routinely deals with the events affecting the financial performance and position of the organization. Its main function is to acquire, process, and communicate data that is essential to the operation of the organization. It is a network established in an organization to provide managers with information that will assist them in decision making. It is a routine and an automatic system used for gathering and communicating data for the ends of assisting and coordinating collective decision in view of the overall objectives of a firm.

Accounting information system plays a vital role in the success of the business organisation. It is a structured approach which provides organization past, present and future accounting information to support the functions of the organization and to assist in taking appropriate administrative decisions. Moreover, it varies from one organization to another and from time to time depending on the beneficiary and the purpose of the system. The successful accounting information system would lead to the success of the organization in achieving its objectives but the unsuccessful information system could lead to the failure of the organization in achieving its goals meaning thereby an inability to grow and survive.

PROCTER & GAMBLE

Procter & Gamble Co., also known as P&G, is an American multi-national consumer goods corporation headquartered in downtown Cincinnati, Ohio. It was

founded by British American William Procter and Irish American James Gamble in the year 1837. It primarily specializes in a wide range of cleaning agents and personal care and hygienic products. Before the sale of Pringles to the Kellogg Company, its product portfolio also included foods, snacks and beverages. P&G recorded \$83.1 billion in sales in 2014. However, on August 1, 2014, P&G announced it was streamlining the company, dropping and selling off around 100 brands from its product portfolio in order to focus on the remaining 65 brands, which produced 95% of the company's profits. Mr. David Taylor is the current president and CEO of Procter & Gamble.

LITERATURE REVIEW

Salehi, Rostami, & Mogadam (2010) investigated the impact of Accounting Information System (AIS) in selected industries in Iran. Data was collected through questionnaires designed on five point likert scale from 498 financial managers. The findings of the study showed that AIS leads to correct financial statements and reliable financial reporting. Grande, Estebanez, & Colomina (2011) explored the relationship between the use of the Accounting Information Systems (AIS) by the Small and Medium Sized Enterprises (SMEs) in Spain. The findings showed that firms which use AIS for the whole of their management obtain a higher profit. Onaolapo & Odetayo (2012) investigated the impact of accounting information system on the organizational effectiveness in selected construction industries in Ibadan, Oyo state of Nigeria. The sample size of the study was five construction industries. Data was collected with the help of questionnaire. Linear regression was used as the statistical tool for hypotheses testing. The findings showed that accounting information system has significant effect on organisational effectiveness. Samuel (2013) in the project entitled, "Impact of Accounting Information Systems On Organizational Effectiveness Of Automobile Companies in Kenya" try to find out the impact of Accounting Information Systems on the organizational effectiveness in selected Automobile Companies in Kenya. The findings of the study there exists a relationship between AIS and organizational performance. However, the author highlighted challenges faced by automobile organizations like lack of proper training, high staff turnover, and lack of proper system documentation. Woldehawariat (2013) in the thesis investigated the role of management accounting information systems on the managerial decisions in printing industry in Ethiopia by collecting data from 534 respondents. The findings highlighted that management accounting techniques like budgeting, material resource planning, variable costing; variance analysis, cost volume profit analysis, ratio analysis, and balanced scorecard have significant influence in support of managerial decisions. Ahmad & Alrjoub (2014) found that accounting information systems has a significant impact on administrative decisions taken by managers in selected banks and

therefore continuous improvement in accounting information systems should be made because of its positive role in the decision-making and investment. Amanamah, Morrison, & Asiedu (2016) analyzed the usage, and benefits of computerized accounting systems (CAS) in small and medium scale enterprises (SMEs) of Ghana. The findings of the research highlighted that computerized accounting systems play an important role in timely information management, large data storage capacity, reduction of clerical works and enhanced customer satisfaction. The authors suggested that the Government of Ghana should provide help to SMEs in making their accounting function computerized.

OBJECTIVES OF THE STUDY

1. To investigate the impact of accounting information system on the marketing performance of Procter and Gamble.
2. To examine the impact of accounting information system on the financial performance of Procter and Gamble.
3. To measure the impact of accounting information system on the job performance of Procter and Gamble.

HYPOTHESES OF THE STUDY

1. H_{01} : There is no significant impact of accounting information system on the marketing performance of Procter and Gamble.
2. H_{a1} : There is a significant impact of accounting information system on the marketing performance of Procter and Gamble.
3. H_{02} : There is no significant impact of accounting information system (AIS) on the financial performance of Procter and Gamble.
4. H_{a2} : There is a significant impact of accounting information system (AIS) on the financial performance of Procter and Gamble.
5. H_{03} : There is no significant impact of accounting information system on the job performance of Procter and Gamble.
6. H_{a3} : There is a significant impact of accounting information system on the job performance of Procter and Gamble.

RESEARCH METHODOLOGY SAMPLING TECHNIQUE

Data was collected with the application of simple random sampling.

DATA COLLECTION

A well designed questionnaire was distributed among 300 employees working in Procter and Gamble. The questionnaire was pre-tested several unit. Data collection period was three months since August, 2017 to October, 2017. Out of 300 distributed questionnaires, 126 questionnaires were rejected on account of mistakes and incomplete information and 174 were accepted. Therefore, the sample size of the study is 174 (table 1).

VARIABLES

AIS was used as independent variable whereas organizational performance is taken as dependent variable. Marketing performance, financial performance, and job performance are taken as proxy variables of organizational performance. These variables were rated on five-point Likert scales in a structured format with the verbal statements ‘strongly disagree’ and ‘strongly agree’

anchor to the numerals 1 and 5 with response options ranging from strongly agree to strongly disagree.

STATISTICAL TOOL

Simple linear regression was used to analyze the results through Statistical Package for the Social Science (SPSS) 20_version.

**TABLE 1
SAMPLE SIZE OF THE STUDY**

Questionnaires	Total	Percent
Distributed	300	100
Rejected	126	42
Accepted	174	58

Source: Primary Data

HYPOTHESES TESTING

H₀₁: There is no significant impact of accounting information system on the marketing performance of Procter and Gamble.

H_{a1}: There is a significant impact of accounting information system on the marketing performance of

Procter and Gamble.

The impact of accounting information system (AIS) on the marketing performance of Procter and Gamble has been measured by applying linear regression. The independent variable is accounting information system and the dependent variable is marketing performance.

**TABLE 2
REGRESSION MODEL- MARKETING PERFORMANCE**

Model-1	Beta	SE	t Value	P Value
(Constant)	1.937	2.1403	14.741	0.257
AIS	0.711	1.5738	65.505	0.000
Adjusted R Square: 0.842; Dependent Variable: Marketing Performance				

Beta: Unstandardized Coefficient

SE: Standard Error

Source: Output of SPSS_18

Table 2 shows the values of adjusted R Square, unstandardized beta coefficient, standard error, t value and P value. The value of adjusted R square is 0.842 meaning thereby, 84.2 percent variation in marketing performance is explained by the AIS and the rest of the variation (1-R²) is an unexplained variation in the marketing performance due to variables that has not been considered in this model. Besides, the value of unstandardized beta coefficient is 0.711 which means that if AIS increases by one unit, then marketing performance will increase by 0.711 units. This impact is strong and statistically significant as the P value is 0.000 which is less than 0.05 at 95 percent confidence interval. Therefore, the null hypothesis is rejected and it can be

said that there is a significant impact of accounting information system on the marketing performance of Procter and Gamble.

H₀₂: There is no significant impact of accounting information system (AIS) on the financial performance of Procter and Gamble.

H_{a2}: There is a significant impact of accounting information system (AIS) on the financial performance of Procter and Gamble.

The impact of accounting information system on the financial performance of Procter and Gamble has been measured by applying linear regression. The independent variable is accounting information system and the dependent variable is financial performance.

TABLE 3
REGRESSION MODEL- FINANCIAL PERFORMANCE

Model-2	Beta	SE	t	P Value
(Constant)	2.008	1.2412	12.547	0.625
AIS	0.484	1.8638	-2.698	0.0054
Adjusted R Square: 0.632; Dependent Variable: Financial Performance				

Beta: Unstandardized Coefficient SE: Standard Error
Source: Output of SPSS_18

Table 3 shows the values of adjusted R Square, unstandardized beta coefficient, standard error, t value and P value. The value of adjusted R square is 0.632 meaning thereby 63.2 percent variation in the financial performance is explained by the AIS and the rest of the variation (1-R²) is an unexplained variation in financial performance due to variables that has not been considered in this model. Besides, the value of unstandardized beta coefficient is 0.484 which means that if AIS increases by one unit, then financial performance will increase by 0.484 units. This impact is strong and statistically significant as the P value is 0.0054 which is less than 0.05 at 95 percent confidence interval. Therefore, the null hypothesis is rejected and it can be said that there is a significant impact of

accounting information system on the financial performance of Procter and Gamble.

H₀₃: There is no significant impact of accounting information system on the job performance of Procter and Gamble.

H_{a3}: There is a significant impact of accounting information system on the job performance of Procter and Gamble.

The impact of accounting information system on the job performance of Procter and Gamble has been measured by applying linear regression. The independent variable is accounting information system and the dependent variable is job performance.

TABLE 4
REGRESSION MODEL- JOB PERFORMANCE

Model-3	Beta	SE	t	P Value
(Constant)	1.548	2.054	59.907	0.769
AIS	0.635	1.956	17.856	0.008
Adjusted R Square: 0.705; Dependent Variable: Job Performance				

Beta: Unstandardized Coefficient SE: Standard Error
Source: Output of SPSS_18

Table 4 shows the values of adjusted R Square, unstandardized beta coefficient, standard error, t value and P value. The value of adjusted R square is 0.705 meaning thereby 70.5 percent variation in job performance is explained by the AIS and the rest of the variation (1-R²) is an unexplained variation in job performance due to variables that has not been considered in this model. Besides, the value of unstandardized beta coefficient is 0.635 which means

that if AIS increases by one unit, then job performance will increase by 0.635 units. This impact is strong and statistically significant as the P value is 0.008 which is less than 0.05 at 95 percent confidence interval. Therefore, the null hypothesis is rejected and it can be said that there is a significant impact of accounting information system on the job performance of Procter and Gamble.

TABLE 5
SUMMARY OF HYPOTHESIS TESTED

No.	Hypotheses	Beta	P Value	Results
1	There is no significant impact of accounting information system (AIS) on the marketing performance of Procter and Gamble.	0.711	0.000	Rejected
2	There is no significant impact of accounting information system (AIS) on the financial performance of Procter and Gamble.	0.484	0.0054	Rejected
3	There is no significant impact of accounting information system on the job performance of Procter and Gamble.	0.635	0.008	Rejected

Source: Based on Hypotheses Tested

CONCLUSION

Information is simply symbols like data, text, images, voices, etc. that convey meaning through their relative ordering, timing, shape, context, etc. Information is the data that has been processed into a form that is meaningful to the recipients and is of real value in the current or the prospective actions or decision of the recipients. Information system is a combination of people, equipment, policies, and procedures that work together to collect data and transform it into useful information. It is homogeneous set of resources and components like human, equipments, finance, records which interact simultaneously inside specific framework (the system boundaries) and working as one entity towards achievement of organizational goal. There are different types of information system like enterprise resource planning systems, procurement systems, manufacturing systems, sales and marketing systems, delivery systems, finance systems, accounting information systems etc. Accounting information system is a formal mechanism for gathering, organizing and communicating accounting information about an organization's activities. It is a set of records, procedures, and equipment that routinely deals with the events affecting the financial performance and position of the organization. It plays a vital role in the success of the business organisation. It is a structured approach which provides organization past, present and future accounting information to support the functions of the organization and to assist in taking appropriate administrative decisions. In the present study, the researcher tried to examine the impact of accounting information system on the organizational performance of Procter and Gamble. Data was collected with the help of a well designed questionnaire from 174 employees since August, 2017 to October, 2017. Moreover, AIS was used as independent variable whereas organizational performance is taken as the dependent variable. Marketing performance, financial performance, and job performance are taken as proxy variables of organizational performance. The result after application of simple linear regression highlights significant impact of accounting information system on the organizational performance of Procter and Gamble.

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