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Editor's Introduction to Volume 3, Issue 1 of Expert Journal of Business and Management

Simona VINEREAN*

Sprint Investify

The first issue of the third volume of *Expert Journal of Business and Management* presents very interesting theoretical and empirical analyses that investigate business and managements issues from different geographical frameworks and valuable global applications. This issue encompasses papers on factors that lead to the success or failure of SMMEs in South Africa and how their use of accounting information systems may increase their performance and sustainability, relevancy of timely presentation of financial results of publicly listed companies, processes of crisis management in tourism and their impact on various stakeholder groups, and success factors and their underlying relationships that impact a company's competitive advantage. Further, I present a short description of each article published in *Expert Journal of Business and Management*, vol. 3, issue 1.

Kemp et al., in their study '*The usefulness of cash budgets in micro, very small and small retail enterprises operating in the Cape Metropolis*', examine SMMEs in South African economy from the perspective of a descriptive analysis with interesting information. For example, 80% of SMMEs are out of business within 5 years since their inception due to micro and macroeconomics factors. Using this alarming statistic, the authors try to offer more insights on the manageable microeconomic factors with an impact on the SMMEs' success or failure, particularly by examining how cash budgets are helping managers in their decision-making process. Beside this important research question, the authors provide a complex overview of the South African business environment.

Mukhtaruddin, Ririn Oktarina, Relasari, and Abukosim, in their paper '*Firm and Auditor Characteristics, and Audit Report Lag in Manufacturing Companies Listed on Indonesia Stock Exchange during 2008-2012*' examine the relevancy characteristic of financial reporting. This study theoretically and empirically analyzes the influence of firm size, operation complexity, auditor quality, and auditor's opinion on audit report lag of manufacturing companies listed in Indonesia Stock Exchange. The authors use a sample of 65 companies over a timeframe of 5 years. Their findings show that prolonged periods of time from delivering the information of the audited financial statements have negative impacts on the market's perception of the company's financial health.

Zech, in her article '*The Role of Stakeholder Relationship Management – Crisis Management Processes within the Hotel Industry in a Tourism Context*', explores processes of crisis management from the perspective of the hotel industry in a tourism context and their impact on different stakeholder groups. The empirical descriptive analysis of this study presents interesting information for managers who operate in this distinct industry from the perspective of stakeholders and their perception and possible implication in crises.

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Moreover, the author proposes a valuable tool for managing crises in terms of possible tactics that can be implemented throughout the crisis management circle.

Bruwer and Smit wrote and published a research paper entitled '*Accounting Information Systems – A Value-Adding Phenomenon or a Mere Trend? The Situation in Small and Medium Financial Service Organizations in the Cape Metropolis*' which explains the impact of accounting information systems to South African SMMEs. The authors tackle the topic of the sustainability of an organization in terms of adding value to a business and offer an in-depth literature review of using certain accounting information systems to improve a business's performance. Nonetheless, their descriptive analysis proposes an informative outlook of the adoption and application of such information systems, with valuable implications for SMMEs managers.

In their article, Bóna and Lippert ask an important question right in their article's title '*What Do Companies in the Processing Industry Do in Order to Achieve Success?*' particularly after this recent economic crisis and they aim to answer this research question by establishing which effects of the components of the concept of strategic management system have an impact on an organization's success. The authors present a broad classification of success factors and investigate different hypotheses related to these success factors through a path analysis model. Their model is applied on a sample of Hungarian managers. Their findings show what routes of action and focus companies need to pursue to become more effective and more successful than their competitors.

A Final Thought

On behalf of the *Expert Journal of Business and Management* Editorial Board, I would like to thank our Authors for publishing their valuable research with us, our Reviewers for their incredible work ethic and commitment, and our Readers for advancing and disseminating the work we publish in their future articles!



The Usefulness of Cash Budgets in Micro, Very Small and Small Retail Enterprises Operating in the Cape Metropolis

Almaree KEMP, Anthea BOWMAN, Berenice BLOM, Charl VISSER,
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Sheri-Lee BROWN, Johan BORNMAN, and Juan-Pierré BRUWER*

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The concept of Small Medium and Micro Enterprises (SMMEs) were introduced by the South African government by way of the Small Business Act No. 102 of 1996. Here SMMEs are defined as small business entities that are managed by one or more owner(s) while operating in any sector or sub-sector of the national economy. The main roles of SMMEs are to alleviate poverty, reduce unemployment and uplift the South African economy. South African SMMEs are responsible for employing more than half of the national workforce and are believed to contribute up to 34.8% towards the national Gross Domestic Product. Unfortunately an estimated 80% of South African SMMEs fail within their first 5 years of existence; particularly due to the realisation of micro economic factors and macroeconomic factors. Included in micro economics factors which influence SMMEs is the utilisation of formal financial performance measures. For this research study the main objective of this paper was to establish the extent to which cash budgets (a formal financial performance measure) assist SMME leaders to make sound business decisions in the Cape Metropolis. The study was descriptive in nature and quantitative research methods were used to collect data from 51 SMME leaders. All respondents had to adhere to a set of pre-determined delineation criteria. From the analysed data it is evident that SMME leaders (managers and/or owners) regard cash budgets as important to make sound business decisions however, respondents made limited use thereof.

Keywords: cash budgets, budgets, financial performance measures, SMMEs

JEL Classification: M40

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1. Introduction

Small Medium and Micro Enterprises (SMMEs) were officially introduced by the South African government through means of the Small Business Act No. 102 of 1996 (South Africa, 1996) with the intention to address key socio-economic problems in the country. In this Act, SMMEs are defined as small business entities that are managed by at least one or more owner(s) while operating in any sector and/or sub-sector of the national economy. According to Joubert, et al. (1999) the focus of these entities have always been on reducing unemployment-levels, alleviating poverty and uplifting the South African economy.

The importance of SMMEs, in an international dispensation, is highlighted by the World Bank (2005) when making mention that SMMEs account for between 60% and 70% of the total employment in developing countries across the globe. From a South African perspective, SMMEs employ approximately 53.9% of the total South African workforce while making a significant contribution of up to 34.8% to the national Gross Domestic Product (Ntsika 2001). Therefore it is no surprise that SMMEs are often referred to as the “seeds of big businesses”, the “fuel of national economies”, “national economic engines” and “efficient and fertile job creators” (Abor and Quartey, 2010).

Albeit the importance of SMMEs in a socio-economic standing, prior research shows that South African SMMEs are not attaining their prescribed socio-economic objectives to a great extent. Bizbooks (2008) avers that approximately 80% of South African SMMEs fail within their first 5 years of existence while more recent studies show that close to 75% of newly created South African SMMEs have difficulty existing after 42 months of operation (Fatoki, 2012). The latter phenomenon has dire consequences for the South African economy as the failure of these entities, in turn, results in millions of Rand and possible business opportunities being lost (Van Eeden, et al., 2003).

Through international research it has been established that the major cause for the dismal failure rate of South African SMMEs can be attributable to economic factors. In essence Bruwer (2010) posits that economic factors, more often than not, have an adverse impact on SMMEs, particularly in terms of achieving sustainability (business objectives). This is especially the case since economic factors, if not managed effectively, can ultimately lead to the demise of any organisation. One of these economic factors which influence SMMEs greatly is the effective utilisation of financial performance measures.

According to research done by Du Plooy, et al. (2005) the sustainability (and existence rate) of businesses can be strengthened by utilising financial performance measures. Here it is argued that financial performance measures will indicate any ‘problems’ an organisation has in relation to its profitability, solvency, liquidity and/or efficiency before matters get out of hand (Bruwer and Holtzhausen, 2014). Financial performance measures generally take the form of financial statements (e.g. income statements, cash flow statements, balance sheets, etc.) and other financial instruments (ratio analyses and budgets).

Failure to plan often compromises the objectives of any business and, in turn, can lead to financial adversity. For this reason budgets are regarded as important tools for planning; specifically as they provide business leaders with a clearer lens to look at the future with (Abdurahman, et al. 2012). In fundamental nature Horngren (2002) avers that budgets focus primarily on the forecasting of the financial performance of a business and suggests how best to utilise a company’s resources to attain a certain level of financial performance (Stokes and Wilson, 2006). In addition to the afore-mentioned, Shpak (2014) highlights the fact that there are various types of budgets which can be utilised by business leaders, namely that of: operational budgets, financial budgets, static budgets, master budgets and cash budgets, just to mention but a few. According to Gartenstein (2014) a cash budget’s primary function is to be used by businesses’ decision-makers (management) in order to plan, monitor and control the cash inflows and cash outflows, in an organisation, all with the intent to aid in the attainment of organisational sustainability.

Notwithstanding the above, research conducted by Bruwer (2010) shows that South African SMME leaders do not make effective use of financial performance measures to make sound business decisions. As such, taking all of the above into account, the authors of this paper formulated the perception that South African SMME leaders do not make sound business decisions as they do not make effective use of cash budgets.

2. Literature Review

2.1. Overview of SMMEs

To formalise the concept of SMMEs, the Small Business Act No. 102 of 1996 was officially signed into legislation by the South African government (Bruwer, 2010). In this Act SMMEs are defined as follows:

“[SMMEs are] *separate and distinct business entities, including co-operative enterprises and non-governmental organisations, [which are] managed by one owner or more which is predominantly carried on in any sector or sub sector of the [national] economy*” (South Africa, 1996).

In core, SMMEs have been legally imposed upon with the main objectives of reducing the unemployment rate, eradicating poverty and boosting the South African economy as a whole (Joubert, et al. 1999). Furthermore these entities can be demarcated in terms of their respective sizes as either “micro”, “very small”, “small” or “medium” based on one or more of the following criteria: 1) the number of full-time employees employed, 2) the total annual turnover, 3) the gross asset value excluding fixed property (Watson 2004; South Africa, 1996). In Table 1 below the classification of SMME sizes, in the retail industry, is shown:

Table 1. Classification of SMME sizes in the retail industry

Size or class	Total full-time employees employed	Total annual turnover	Total gross asset value (fixed property excluded)
Micro	Between 0 and 5	Less than R150 000	Less than R100 000
Very small	Between 6 and 10	Between R150 000 and R3 000 000	Between R100 000 and R500 000
Small	Between 11 and 50	Between R3 000 001 and R15 000 000	Between R500 001 and R2 500 000
Medium	Between 51 and 100	Between R15 0001 and R30 000 000	Between R2 5001 and R5 000 000

Source: South Africa, 1996

From the table above it is apparent that SMMEs do play a critical role in the advancement of the South African economy to a large extent. This sentiment is validated by Tshabalala and Rankhumise (2011) who express the view that more than 80% of all South African businesses that exist are regarded as SMMEs, while Rootman and Kruger (2010) are of the opinion that approximately 91% of all South African businesses in existence can be viewed as SMMEs. The latter is placed in perspective by Swart (2011) who estimates that SMMEs provide 80% of all local employment opportunities in South Africa while simultaneously contributing roughly 30% to the national Gross Domestic Product. In layman’s terms South African SMMEs are believed to be responsible for contributing close to R1.21 trillion[†] to the South African Gross Domestic Product.

Regardless of the aforementioned Bisseker (2014) points out that 76% of SMMEs fail within their first 2 years of existence despite receiving substantial assistance in the form of government grants and numerous government support programmes (e.g. Small Enterprise Development Agency, Khula Enterprise, Ntsika Programme, etc.). The latter view is further substantiated by Fatoki and Smit (2011) when mentioning that an estimated 75% of South African SMMEs have had to ‘close shop’ after being in existence for 42 months. In core Van Scheers (2010) avers that in South Africa, on average, it is a common phenomenon that between 70% and 80% of retail SMMEs fail after being in operation for 3 years (Olawale and Garwe, 2010). Even more disconcerting is the research conducted by Uwonda, et al. (2013) which shows that more that 96% of SMMEs will never grow to become medium or large businesses.).

2.2. Factors Influencing SMMEs

More often than not the astronomical failure-rate of South African SMMEs is blamed on economic factors. Mohr and Fourie (2004) explain that economic factors are those factors which stem from economic events and can be demarcated into two categories, namely that of micro economic factors and macro economic factors:

- **Macro economic factors:** Those economic factors over which business leaders have little/no control over as they stem from outside a business. Examples of macro economic factors include: crime, exchange rates, fluctuating market conditions, political changes, taxation, legislative changes, inflation rates and interest rates, among other.
- **Micro economic factors:** Those factors over which business leaders have some/complete control over as they stem from inside a business. Examples of micro economic factors include: skills of management, skills of employees, access to information for decision making, access to finance and overhead costs, just to mention a few.

[†] The national Gross Domestic Product of South Africa was estimated at R4.064 trillion (Indexmundi, 2015)

Notwithstanding the above Brink, et al. (2003) are of the opinion that a major micro economic factor which has a direct influence on the overall existence of SMMEs include the utilisation of financial performance measures (Bruwer and Watkins, 2010)

2.3. Financial Performance Measures

The term “financial performance measures” can be deemed as a collection of financial ‘tools’ which provide SMME leaders with insight as to how their respective businesses are performing in terms of profitability, solvency, liquidity and/or efficiency (Bruwer, 2010). According to Bruwer and Holtzhausen (2014) financial performance measures take the form of financial statements (e.g. income statements, cash flow statements, balance sheets, etc.) and other financial instruments (ratio analyses and budgets).

Despite the usefulness of financial performance measures, research conducted by Bruwer (2010) found that the accounting resources (of which financial performance measures are part of) of SMMEs are ineffectively and inefficiently used by SMME leaders. The latter phenomenon is re-affirmed by Fisher (2009) who avers that SMME leaders are perceived to be ‘ignorant’ when trying to grasp the reasons behind their respective businesses’ financial performance.

For this very reason Nordmeyer (2013) expresses the view that cash management practices (e.g. bank statements, cash flow statements and cash budgets, etc.), are believed to be the core of SMME decision making, even if it is not optimally utilised. As such SMMEs are believed to be at risk to cash flow problems due to poor cash management initiatives; ultimately stemming from the lack of planning (Uwonda, et al. 2013).

2.4. Cash Budgets and SMMEs

In order to assist with financial planning inside any organisation, budgets are used. In a commercial dispensation, budgets are deemed as foundations of business plans which need to be regularly reviewed, updated and maintained to aid respective businesses to become sustainable (Macleod and Terblanche, 2004). This view is expanded on by Zions Business Resource Centre (2005) when raising the point that budgets serve as ‘roadmaps’ for business leaders to plan ahead and track businesses’ performance from one period to the next. Since the majority of SMME leaders largely prefer cash management initiatives as key financial performance measures, it is no surprise that most SMME leaders deem cash management initiatives as ‘lifelines’ for their respective businesses to remain in existence (Nordmeyer, 2013; Bobitan and Mioc, 2011).

One cash management initiative which can be implemented by SMMEs is that of a cash budget. In essence, a cash budget can be viewed as the plan of a business’ decision makers as to how the ‘cash on hand situation’ of the particular business should appear throughout a given financial period (Mungal and Garbharran, 2014). Furthermore, according to Gartenstein (2014), cash budgets places decision makers in the position of thinking about their respective businesses’ financial position and financial performance, while also providing decision makers with power to control and monitor the cash flow of their respective businesses. Albeit the vitality of cash budgets, it should be noted that they do not provide a permanent outlook on the financial situation of a business, but rather provide insight in the form of a ‘flexible blueprint’ which is available to assist in the tracking and limiting of the spending of funds (Gartenstein, 2014).

Albeit the afore-motioned Perry (2007) makes mention that many SMME leaders have limited knowledge of cash budgets and, as a result, they do not take into consideration plausible changes in the market which may directly impact their overall financial situation. In addition Mong (2011) makes mention that, in an international dispensation; only 28% of SMMEs make use of cash budgets. Nyamao, et al. (2012) affirms the latter when stating that SMME leaders, generally speaking, rarely prepare cash budgets and do not embrace cash budgeting as a tool to plan and control cash flows of their businesses.

3. Research Methodology and Design

According to Collis and Hussey (2009) any research study can be classified in terms of its purpose, process, logic and outcome. The research design for this research study took the following stance:

- **Purpose:** This research study was descriptive in nature as the main aim thereof was to describe a particular phenomenon at hand, while providing recommendations to help mitigate and/solve it.
- **Process:** This research study was regarded as quantitative research as quantitative techniques were deployed to collect data to solve and/or mitigate the identified research problem. The nature of the data collected was numerical and analysed by means of descriptive statistics. The data collected fell within the positivistic paradigm of research and data were collected through means of a questionnaire-tool comprising of mostly closed-ended questions.

- **Logic:** The authors made use of deductive reasoning as existing literature was consulted to formulate an initial perception in relation to the identified research problem. Subsequently this initial perception was tested by means of empirical observation to shift the focus of the research from a general understanding to a specific understanding.

- **Outcome:** This research study was regarded as applied research as the main intention of the authors was to solve and/or mitigate the identified research problem.

Moreover, the methodology used in this research study was that of a large-scale survey research as a questionnaire-tool was disseminated to a representative sample size of a particular population, from where responses were analysed. The authors wanted to obtain rich data for this research study and, as such, a total of 70 respondents (SMME leaders) were selected through means of non-random sampling; specifically that of purposive sampling.

In addition, all respondents who participated in this research study had to adhere to strict delineation criteria:

- All respondents had to be the leaders (owners and/or managers) of their respective SMMEs.
- All respondents should have been actively involved in the daily operational processes of their SMMEs.
- All SMMEs should have been regarded as sole traders or partnerships.
- All SMMEs should have adhered to the Small Business Act No. 102 of 1996.
- All SMMEs should have been situated in Cape Metropolis.
- All SMMEs should have been in operation for at least 1 year.
- All SMMEs should have operated in retail industry.
- All SMMEs should have employed between 0 and 24 employees
- All SMMEs should have been regarded as non-franchised enterprises.
- All SMME leaders should have had at least 1 year experience in their respective positions.

After matching respondents' responses to the delineation criteria it was found that only 51 responses could be used for this research study.

4. Ethical Considerations

Relevant ethical considerations were taken into account for this research study:

- Respondents were informed that their participation in this research study was completely voluntarily in nature.
- Respondents were informed that they may withdraw from this research study at any given time without any negative consequences.
- Respondents were informed that all information provided by them would be treated with the highest levels of confidentiality.
- Respondents were assured anonymity if they chose to participate in this research study.
- Respondents were thoroughly informed about what the research study entailed, prior to their agreed participation.
- The intentions of the authors were disclosed to respondents in the sense that all information provided by them would solely be used for this research purpose.

In core, all respondents were treated justly, were not to be exploited and were not to be misled regarding this research study.

5. Findings and Discussions

The data collected was analysed accordingly through means of a statistical programme, and are covered under the following headings: 1) delineation of respondents, 2) the utilisation of financial performance measures, 3) the usefulness of cash budgets as a decision making tool.

5.1. Delineation of Respondents

From the responses received it was evident that of all 51 SMME leaders, 50.98% of respondents were regarded as owners, 27.45% of respondents were regarded as managers, and 21.57% of respondents were regarded as owner-managers. Moreover, from the findings, it was clear that all respondents were actively

involved in the operation of their respective enterprises. When respondents were asked how long they have been in their respective positions, the following dispensation emerged in Table 2:

Table 2. *The experience of respondents (in years) in their respective positions in their SMMEs*

Value	Frequency	Percent	Valid Percent	Cum Percent
1	5	9.80	9.80	9.80
2	9	17.65	17.65	27.45
3	6	11.76	11.76	39.22
4	4	7.84	7.84	47.06
5	2	3.92	3.92	50.98
6	2	3.92	3.92	54.90
7	3	5.88	5.88	60.78
8	3	5.88	5.88	66.67
9	1	1.96	1.96	68.63
10	2	3.92	3.92	72.55
11	1	1.96	1.96	74.51
12	1	1.96	1.96	76.47
14	2	3.92	3.92	80.39
15	1	1.96	1.96	82.35
16	1	1.96	1.96	84.31
17	2	3.92	3.92	88.24
20	4	7.84	7.84	96.08
27	1	1.96	1.96	98.04
38	1	1.96	1.96	100.00
Total	51	100.0	100.0	

Source: Authors' fieldwork, 2015

From the table above it can be deduced that, on average, respondents have been fulfilling their respective role(s) as SMME leaders for 8.11 years with the minimum number of years of experience being 1 and the maximum number of experience, in years, being 38.

Respondents were also asked to provide insight as to how long their SMMEs have been in existence. From the data analysed it was found that a total of 25.49% of SMMEs have been in existence for 1 – 4 years, 37.24% of SMMEs have been in existence for 5 – 10 years, and 22.75% of SMMEs have been in existence for more than 10 years. Furthermore all enterprises belonging to respondents were classified as non-franchised, while a total of 34.92% of SMMEs were based in the Southern suburbs, 53.97% of SMMEs were based in the Northern suburbs and 11.11% of SMMEs were based in the Cape Business District.

Then, in order to test whether SMMEs adhered to the definition of the Small Business Act No. 102 of 1996 and to determine the actual size of enterprises that were operated by respondents, the following question was asked: "How many employees does your business employ on a full-time basis". The analysed data, for this question, are shown in Table 3 below:

Table 3. *The number of employees employed by SMMEs*

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Micro	0	3	5.88	5.88	5.88
Micro	1	6	11.76	11.76	17.65
Micro	2	8	15.69	15.69	33.33
Micro	3	9	17.65	17.65	50.98
Micro	4	5	9.80	9.80	60.78
Micro	5	5	9.80	9.80	70.59
Very small	6	3	5.88	5.88	76.47
Very small	8	4	7.84	7.84	84.31
Very small	10	1	1.96	1.96	86.27
Small	12	1	1.96	1.96	88.24
Small	13	1	1.96	1.96	90.20
Small	16	1	1.96	1.96	92.16
Small	17	1	1.96	1.96	94.12
Small	20	1	1.96	1.96	96.08
Small	21	1	1.96	1.96	98.04

Small	24	1	1.96	1.96	100.00
Total		51	100.0	100.0	

Source: Authors' fieldwork, 2015

From the table above one can presume that, on average, SMMEs employed 5.43 employees; rendering majority of these businesses as either “micro” or “very small” in nature. The latter presumption is validated by the cumulative percentages which show that 70.59% of SMMEs were regarded as “micro enterprises” in size, 15.68% of SMMEs were regarded as “very small enterprises”, and 13.73% of SMMEs were regarded as “small enterprises”.

Stemming from the above, the analogy can be drawn that the average respondent was a non-franchised retail micro enterprise owner with 8.11 years of experience, while his/her respective business employed 5.43 employees; existing for 10.74 years and operating in the Northern suburbs.

5.2. The Utilisation of Financial Performance Measures

In order to determine the type(s) of financial performance measures respondents made use of, the following question was asked: “How frequently do you make use of the following financial performance measures?” In order to answer this question, respondents had to choose an option, for each listed financial performance measure, from a 7 point likert scale. The likert scale options were as follows: 0 = never, 1 = daily, 2 = weekly, 3 = monthly, 4 = quarterly, 5 = bi-annually, 6 = annually. The analysed data for each financial performance measure is collaborated in Table 4 below:

Table 4. The frequency of use of financial performance measures by respondents

Financial performance measure	Never	Daily	Weekly	Monthly	Quarterly	Bi-annually	Yearly	St Dev.
Balance Sheet	35.29%	5.88%	3.92%	21.57%	9.8%	9.8%	13.74%	2.2012
Bank Reconciliation Statement	9.8%	5.88%	27.45%	45.1%	5.88%	5.89%	-	1.405
Capital Budget	56.86%	5.88%	5.88%	13.73%	9.8%	3.92%	3.93%	1.881
Cash Budget	49.02%	15.69%	7.84%	17.65%	3.92%	5.88%	-	1.631
Cash Flow Budget	49.02%	13.73%	15.69%	9.8%	3.92%	3.92%	3.92%	1.802
Cash Flow Statement	43.14%	7.84%	9.8%	25.49%	7.84%	5.89%	-	1.6449
Cost of Sales Budget	50.98%	13.73%	9.8%	17.65%	5.88%	1.96%	-	1.527
Current Ratio	66.67%	3.93%	1.96%	9.8%	7.84%	3.92%	5.88%	1.84
Days Receivable Ratio	70.59%	7.85%	1.96%	9.8%	5.88%	1.96%	1.96%	1.455
Debt Ratio	72.55%	1.96%	1.96%	13.73%	3.92%	3.92%	1.96%	1.552
Financial Budget	54.9%	7.84%	5.88%	13.73%	9.8%	5.88%	1.97%	1.891
Gross Profit Ratio	66.67%	-	1.96%	13.73%	9.8%	5.88%	1.96%	1.777
Income Statement	39.22%	1.96%	13.73%	27.45%	7.84%	7.84%	1.96%	1.803
Inventory Budget	35.29%	9.81%	23.53%	19.61%	1.96%	1.96%	7.84%	1.845
Inventory Turnover	76.48%	-	3.92%	9.8%	5.88%	-	3.92%	1.522
Liquidity Ratio	72.55%	1.97%	3.92%	11.76%	3.92%	3.92%	1.96%	1.534
Net Profit Ratio	68.64%	1.96%	-	11.76%	9.8%	5.88%	1.96%	1.76
Operating Budget	50.98%	11.76%	9.8%	11.76%	9.8%	1.96%	3.94%	1.827
Overhead Budget	50.98%	9.8%	9.8%	15.69%	11.76%	1.97%	-	1.642
Quick ratio	78.44%	3.92%	3.92%	3.92%	5.88%	1.96%	1.96%	1.377
Return on Assets	72.55%	3.93%	3.92%	7.84%	3.92%	5.88%	1.96%	1.576
Sales Budget	50.98%	7.84%	9.8%	19.62%	7.84%	1.96%	1.96%	1.715
Solvency Ratio	72.55%	1.97%	1.96%	7.84%	9.8%	1.96%	3.92%	1.68
Static Budget	60.78%	5.88%	7.85%	11.77%	7.84%	5.88%	-	1.698
Trial Balance	47.07%	5.88%	3.92%	23.53%	11.76%	3.92%	3.92%	1.848

Source: Authors' fieldwork, 2015

From the table above it is apparent that the top eight financial performance measures that were most used were the: 1) bank reconciliation statement – used by 90.2% of respondents, 2) balance sheet – used by 64.71% of respondents, 3) inventory budget – used by 64.71% of respondents, 4) income statement – used by 60.78% of respondents, 5) cash flow statement – used by 56.86% of respondents, 6) trial balance – used by 52.93% of respondents, 7) cash budget – used by 50.98% of respondents, and 8) cash flow budget – used by

50.98% of respondents. Moreover, it is also clear that all remaining financial performance measures were used by less than 50% of respondents. The latter statistics also leads to the assumption that the bank statement is widely used by respondents - supported by the utilisation rate of the bank reconciliation statement.

When emphasis was placed on the top five utilised financial performance measures that were used the most, in relation to the corresponding Likert scale options, the following was found in Table 5 below:

Table 5. The top five frequently utilised financial performance measures per frequency

DAILY UTILISATION		
Position	Financial performance measure	Used by percentage of respondents
#1	Cash Budget	15.69%
#2	Cash Flow Budget	13.73%
#3	Cost of Sales Budget	13.73%
#4	Operating Budget	11.76%
#5	Inventory Budget	9.81%
WEEKLY UTILISATION		
Position	Financial performance measure	Used by percentage of respondents
#1	Bank Reconciliation Statements	27.45%
#2	Inventory Budget	23.53%
#3	Cash Flow Budget	15.69%
#4	Income Statement	13.73%
#5	Cost of Sales Budget	9.8%
MONTHLY UTILISATION		
Position	Financial performance measure	Used by percentage of respondents
#1	Bank Reconciliation Statements	45.1%
#2	Income Statement	27.45%
#3	Cash Flow Statement	25.49%
#4	Trial Balance	23.53%
#5	Balance Sheet	21.57%
QUARTERLY UTILISATION		
Position	Financial performance measure	Used by percentage of respondents
#1	Trial Balance	11.76%
#2	Overhead Budget	11.76%
#3	Balance Sheet	9.8%
#4	Financial Budget	9.8%
#5	Capital Budget	9.8%
BI-ANNUAL UTILISATION		
Position	Financial performance measure	Used by percentage of respondents
#1	Balance Sheet	9.8%
#2	Income Statement	7.84%
#3	Cash Flow Statement	5.89%
#4	Bank Reconciliation Statements	5.89%
#5	Financial Budget	5.88%
YEARLY UTILISATION		
Position	Financial performance measure	Used by percentage of respondents
#1	Balance Sheet	13.74%
#2	Inventory Budget	7.84%
#3	Current Ratio	5.88%
#4	Operating Budget	3.94%
#5	Capital Budget	3.93%

Source: Authors' fieldwork, 2015

Stemming from the table above, one can deduce that key financial performance measures, on average, are mostly utilised on a monthly basis or on a weekly basis. What is interesting to note is that though literature points out the importance of financial performance measures, the analysed data show that financial performance measures which measure the 'cash on hand' situation of a business are only used on a daily basis by an average of 12.94% of respondents.

With the afore-mentioned in mind, respondents were asked to rate the following statement with options on a five point Likert scale: "In my personal opinion, the financial performance measures which I use help

greatly with business decision making”. The 5 options from which respondents could choose were as follows: 1 = strongly agree, 2 = agree, 3 = neither agree nor disagree, 4 = disagree, 5 = strongly disagree. A total of 37.25% of respondents strongly agreed to the latter statement, while 33.33% of respondents agreed to the latter statement (70.59% agreement). Also, 27.45% of respondents did not agree nor disagree with the statement, while only 1.96% of respondents disagreed with the statement.

5.3. The Usefulness of Cash Budgets as Decision Making Tools

Even though the cash budgets were only used by 50.98% of respondents, respondents were adamant that the financial performance measures which they use are of great assistance in relation to business decision making. As such, the authors wanted to ascertain the usefulness of cash budgets in terms of business decisions being made.

To achieve the above-mentioned, respondents were asked the following question: “How useful do you consider cash budgets to be when making business-related decisions?” Respondents had to choose one of 5 options on a Likert scale which were as follows: 1 = very useful, 2 = useful, 3 = undecided, 4 = useless, 5 = very useless. The summary of the responses are shown in Table 6 below:

Table 6. *The usefulness of cash budgets in terms of business-related decision making*

Usefulness	Responses	Mean	St Dev.
Very useful	33.33%	2.1	1.02
Useful	33.33%		
Undecided	27.45%		
Useless	1.96%		
Very useless	3.92%		

Source: Authors’ fieldwork, 2015

Majority of respondents (66.66%) indicated that cash budgets were quite useful when having to make business decisions, while only a minority (5.88%) of respondents indicated that cash budgets were useless. The remaining 27.45% of respondents were undecided on the usefulness of cash budgets in relation to business-related decision making.

Lastly, to understand exactly for what reason cash budgets are used, respondents were asked to rate four statements on a 5 point Likert scale, starting with the following sentence: “In my business, cash budgets are useful in making business decisions relating to ...?” The options from which respondents could choose from were as follows: 1 = strongly agree, 2 = agree, 3 = neither agree nor disagree, 4 = disagree, 5 = strongly disagree. Below in Table 7, a collaboration of the findings made is shown:

Table 7. *The specific reason(s) as to why cash budgets are useful to respondents*

Reason	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Mean	St Dev.
Efficiency	17.65%	13.73%	37.25%	13.73%	17.65%	3	1.31
Liquidity	21.57%	11.76%	33.33%	17.65%	15.69%	2.94	1.35
Profitability	17.65%	17.65%	33.33%	21.57%	9.8%	2.88	1.23
Solvency	13.73%	25.49%	37.25%	13.73%	9.8%	2.8	1.15

Source: Authors’ fieldwork, 2015

From the table above it is apparent that respondents do not really make use of cash budgets to measure their respective businesses’ solvency (mean of 2.80), profitability (mean of 2.88) and liquidity (mean of 2.94). The one aspect for which the cash budget may or may not be used is to measure business efficiency (mean of 3). The cash budget, in fundamental nature, should be used by business leaders to help plan, control and monitor liquidity. Hence, the above statistics suggest one of two things: 1) the cash budget of respondents does not contain enough information to assist in the adequate measurement of financial performance and/or financial position, or 2) respondents are not equipped with the skills to effectively utilise cash budgets. The authors are of the opinion that latter is the most adequate deduction to make.

6. Recommendations

After conducting this research study the authors strongly recommend that future research should be conducted in relation to ways in which to equip SMME leaders with relevant skills to help draw up, maintain and interpret cash budgets. If the afore-mentioned is attained, it will most likely result in better business-related decisions being made; pushing SMMEs towards the achievement of sustainability. In addition, the authors also recommend that national government strongly consider the prospect of investing in financial skill development programmes to equip SMME leaders with relevant financial skills to improve their businesses' overall sustainability; ultimately enhancing the economy of South Africa.

7. Conclusion

According to popular literature, it is imperative for any business to make use of financial performance measures to obtain a better 'overview' of what is happening in and around the organisation, from a financial stance. From the research conducted it is plainly evident that not all financial performance measures are considered to be important to all respondents; nor do all respondents make use of financial performance measures which are directly available to them.

Ultimately in the world of commerce 'cash is king'. The latter saying has been taken so seriously that prior research revealed that SMME leaders make use of bank statements (as issued by banks) as sole documents to make sound business decisions on. Stemming from the research conducted, the latter was confirmed with over 90% of respondents making use of bank reconciliation statements (a complimentary statement that goes hand in hand with the bank statement).

As SMMEs mostly make use of cash, this research study placed emphasis on understanding the usefulness of cash budgets when making business-related decisions. This was especially the case since cash budgets, in theory, at least, allow SMME leaders to plan, manage and control business cash flows. Unfortunately it was found that the cash budget was not effectively used by respondents, particularly due to respondents' lack of interpretation, understanding and utilisation of cash budgets.

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Firm and Auditor Characteristics, and Audit Report Lag in Manufacturing Companies Listed on Indonesia Stock Exchange during 2008-2012

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One of the qualitative characteristics of financial reporting is relevant. Its manifestation can be seen from the timeliness of reporting. Timeliness could be judged from the audit report lag, which is the length of time from the end of company's fiscal year to the date of auditor's report. This research aims to empirically examine the influence of firm size, operation complexity, auditor quality, and auditor's opinion on audit report lag of manufacturing companies listed in Indonesia Stock Exchange. The population of this research consists of manufacturing companies, listed on Indonesia Stock Exchange from 2008 to 2012 as many as 111 companies with the research's sample of 65 companies or 325 observational data, which were selected by purposive sampling method. The data are secondary data obtained from Indonesia Stock Exchange. The research proves that simultaneously, all variables significantly influence the audit report lag. Subsequently in partial, variables 'firm size', 'auditor's opinion' have a significant and positive effect on audit report lag, the 'auditor quality' has a significant and negative effect on audit report lag, while the variable 'operation complexity' has no significant effect on audit report lag. The coefficient of determination (R^2) in this study was 0.192 or 19.2 % and the remaining 80.8 % is influenced by other factors that were not examined.

Keywords: audit report lag, the size of the company, the operation complexity, auditor quality, auditor's opinion.

JEL Classification: M16, M10, M42

1. Introduction

The financial report is the final process in the accounting and financial reporting purposes, it is important as a medium to provide information regarding the financial position, performance, changes in the financial position of the company as well as one important instrument in supporting the survival of a company that is needed by the various parties especially companies that go public, potential investors, potential creditors,

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and other users of financial statements with an interest in decision making. To achieve these objectives, the financial statements must meet four qualitative characteristics: understandable, relevant and reliable, comparable, and useful information. The information contained in the financial statements referred is useful if presented accurately and timely. Halim (2000) mentions that the timeliness of financial statements is an important factor for the benefit of the financial statements and the audit report become the main requirements for an increase in a company's share price. On the other hand the audit is an activity that takes time so sometimes the earnings announcement and financial statements are pending. Delaying of financial statements can have a negative impact on the market's reaction. The longer the delay, then the relevance of financial statements are increasingly doubtful and present inaccurate financial information to users, especially to investors who make the investment decisions and to these investors a financial reporting delay is a bad sign for the health of the company.

The length of time of the completion of the audit by the auditor is often referred to as the audit report lag (Kartika, 2009). Audit Report Lag is the delay in the completion of the audit of annual financial statements, which is measured by the length of the days needed by the auditor to complete the audit of the annual financial statements of the company. A particular delay can be caused because the company may not be on time (December 31) in providing the annual financial statements to the auditor and then the auditor will require a longer time to perform the audit and the audited statements cannot be presented on time (end of March) and delivered to the users of financial statements. Obligations of a publicly-listed company imply publishing its financial statements that have been prepared with the financial accounting standards and audited by a public accountant registered with the Capital Market Supervisory Agency. Auditors have a great responsibility and of course this makes the auditor to work more professionally. One of the criteria of auditors' professionalism appears to be the timeliness of reporting auditors (Subekti and Wulandari, 2004).

Delayed submissions of audited financial statements of a company can be caused by the auditor to extend the audit period by delaying the completion of the audit of the financial statements due to certain reasons, e.g. to improve the quality standards compliance audit by an auditor who eventually demanded more time. As stated in the Public Accountants Professional Standards of the Indonesian Institute of Accountants on the standard procedures governing the work in progress of the field work for the auditor, the auditor needs to have a design of the activities to be performed. Also need an adequate understanding of the structure of internal control, evidence collection incompetent obtained through inspection, observation and confirmation as the basis for an opinion regarding the financial statements. Audit in accordance with the increasing standards require more and more time, otherwise they will not be in accordance with the standards of the shorter time required anyway. Also, delays of audited financial statements' delivery of the company can be caused by the inclusion of new or consolidated financial statements as well as the turn of a public accountant. Indonesia Stock Exchange suspended the trading stock of six companies that have not submitted the audit of financial statements in 2011. Out of the six suspended companies, four of them were suspended for a limited period, namely:

Table 1. Suspended Companies

Company	Code
PT Buana Listya Tama, Tbk	BULL
PT Mitra Internasional Resource, Tbk	MIRA
PT Katarina Utama, Tbk	RINA
PT Truba Alam Manunggal Engineering, Tbk	TRUB

Source: http://www.vivanews.com_Diakses_pada_13-11-2013

Research on the factors that cause delay in the delivery of audited financial statements has been widely studied by previous investigators. As research conducted by Hossain and Taylor (2010), Rachmawati (2008), Kartika (2009), and Wirakusuma (2004) regarding company size as one of the factors that influence the audit report lag. Firm size is measured by the amount of total assets of the company. Companies that have greater total assets will take longer time to complete audits, because the number of samples to be taken into consideration is increasingly larger and there is also a growing number of audit procedures to be followed. This aspect is in contradiction to the research outcomes discovered by Shulthoni (2012), Lianto (2010) and Subekti (2004) that show that companies that have larger total assets tend to quickly complete the audit process due. The large companies are monitored by investors, the regulatory capital, and the government so that there is a tendency of reducing the audit report lag, also larger companies have an adequate internal control system. Other factor that led to the audit report lag is the complexity of the business. The business's complexity indicated by the number and location of its branches as well as the diversification of the product lines and

markets are likely to affect the time required auditors to complete the audit work. Research conducted by Saputri (2012) found that there is a relationship between the operation complexities with the audit report lag. A number of subsidiary companies represent the complexity of the audit services rendered which are a measure of whether or not the transaction is complex and has repercussions on the firm for the audit client. Halim (2000) stated that if the company has subsidiaries in others country it is more complicated because there are reports that need to be consolidated and audited by the auditors. In addition, if the company has subsidiaries in foreign countries that need the additional report of the audit as a way to re-assure and the transactions that further prolong the audit process. Companies that have operating units (branches) will require more time for the auditor to perform the audit, unlike the case with Widosari's research (2012) that shows that the operation's complexity has no significant effect on the audit report lag.

Hossain (2010) states that auditors affiliated with the Big Four gained greater incentives and have more resources. Thus an auditor affiliated with the Big Four auditing can run processes more efficiently and effectively, and has high flexibility. Widosari (2012) showed the quality of auditors has a significant effect on the audit report lag length in companies listed in Indonesia Stock Exchange since the company already uses public accounting and audit firms that the big four audit can perform quickly and efficiently. In addition, the public accounting firm issued an opinion regarding Big Four firms and growing concerns of the company's association with non-Big Four public accounting firms. However, the results of research Kartika (2009) obtained different results where quality auditor does not have a significant impact on audit report lag. It is indicated that both accounting firms large and small have the same standards of the appropriate Public Accountants Professional Standards in implementing their work. Utami (2006) proved that the audit report lag will be longer if the company receives a qualified opinion than if it obtains an unqualified opinion. This occurs because the process involved in giving a qualified opinion of negotiations with clients, consulting with more senior audit partners or other technical staff, extension of the audit environment, and this phenomenon may occur due to the development of the audit process procedures by the auditor's that aims to eliminate the uncertainty in the results' audit. This research is not in line to Yulianti (2010) and Rochimawati (2008) who found that there was no significant effect of the type of public opinion on delayed reporting of audited financial statements.

On the basis of the number of such cases, the Capital Market Supervisory Agency (CMSA) issued regulation No.80/PM/1996, which requires that every issuers and public companies to submit annual financial statements and independent audit report to CMSA in no later than 120 days after the date of the company's annual report. Since 30 September 2003, CSMA regulations tighten the attachment to the issuance of the Decree of the Chairman of Bapepam Number: No. Kep-36/PM/2003 were stating that the annual financial statements accompanied by an accountant's report to the prevalent opinion must be submitted to CMSA no later than the end of the third month (90 days) after the date of the annual financial statements. Securities and Exchange Commission also issued a wide range of penalties and sanctions for companies that are late to submit reports, realization of the use of funds, annual financial statements, and annual reports. Sanctions imposed to issuers or public companies are the first warning for delaying up till 30 days, second warning for delaying up till 60 days and a fine of Rp50 million, third warning for delaying up till 90 days and a fine of Rp150 million and for delaying more than 90 days the company stock will suspend or terminate the trading stock activity. Therefore every issuer should report the results of an audit of financial statements in a timely manner.

Based on this presentation, this study intends to examine the factors that influence the length of the audit report lag. Some research on audit report lag has previously been conducted. This study is a modification of a variety of references or previous studies that have obtained conclusions about the factors that affect the audit report lag. Some previous studies showed that factors affecting the audit report lag are different and some of the results are not yet conclusive. Therefore, the variables that will be used in this research are company characteristics (size and complexity of the company's business) and auditor characteristics (auditor quality and auditor's opinion). Characteristics of the companies and auditors are examined only for the classification of the simplification of writing the title and do not have an actual meaning. The variables: quality of the firm, the auditor's opinion, and the size of the company were chosen because of the results of previous studies that were mixed and inconclusive. The 'business complexity' variable is added in this research because of the small number of researchers who examine these variables, and therefore this study would like to develop more complexity to this variable of any operating company. The observation period used in this study is of 5 years (2008-2012) and the number of firms in the sample is as many as 65 companies. In addition, we aim to research different aspects from previous studies that are not lifted from the financial variables (solvency, profitability, DER) because the results were conclusive that they did not affect the audit report lag. Selection of manufacturing companies because they have the audit report lag period that is long enough to cause physical

calculations led to the calculation of the longer audit report lag, mostly in the form of physical assets such as inventory, fixed assets and intangible assets.

2. Literature Review and Hypotheses Development

2.1. Signaling Theory

Signals are actions taken by the management where management is aware of information that is complete and accurate on the company's internal and prospects of the company in the future rather than the investor. Therefore, the manager shall provide a signal about the state of the company to stakeholders. Given signal can be done through the disclosure of accounting information such as the publication of the financial statements. Signaling theory is rooted in the pragmatic accounting theory that focuses on the influence of information on changes in user information behavior. One of the information that can be used as the signal is the announcement made by an issuer. This announcement will be able to influence the rise and fall of the price of company stock of the announcements. The manager publishes the financial statements to provide information to the market. Generally, the market will respond to that information as a signal of good news or bad news. Any signal will affect the stock market, especially the stock price of the company. If the signal indicates good news, it can increase the stock price. On the contrary, if the signal indicates bad news, it can lead to a decrease in the company's stock price. Therefore, the signal of the company is important for investors to help on decision making. In this study, a high quality company will give a signal by way of conveying its financial statements in a timely manner, while poor quality companies will tend to not deliver financial statements in a timely manner. The main benefit of this theory is the accuracy and timeliness of the financial statements to the public is a signal of the company that there is useful information in their decision-making needs of investors. A longer audit report lag causes uncertainty in the stock price movement. Investors can define the length of the audit report lag because the company has bad news that do not want to publish immediately its financial statements, which will then result in a decrease in the company's stock price.

2.2. Compliance Theory

Compliance comes from the word obedient, obey the orders or rules and discipline. Compliance means to be obedient, obedience, submissive, obedient to teachings or rules. Demands for compliance with timeliness in the delivery of the annual financial statements of public companies in Indonesia have been regulated in Act 8 of 1995 regarding the Capital Market, and subsequently arranged in CMSA No. XK2, Annex Decision of Chairman of CMSA No Kep-36/PM/2003 of the Obligation to Submit Periodic Financial Statements. Such legal regulations indicate the existence of any compliance behavior of individuals and organizations (public companies) involved in the Indonesian capital market for the company's annual financial reports submission in a timely manner. This is consistent with the theory of compliance.

According to Sulistiyo (2010) there are two basic perspectives on legal compliance, namely instrumental and normative. The instrumental perspective assumes the individual is driven by self-interest, responses to changes in incentives, and the penalties associated with the behavior. The normative perspective relates to what people consider to be moral and contrary to their personal interests. An individual tends to obey the laws that they deem appropriate and consistent with their internal norms. Normative commitment through personal morality is to obey the law because the law is regarded as a necessity, whereas normative commitment through legitimation means obeying the rules because the legal constituent authority has the right to dictate behavior (Sulistiyo, 2010). Compliance theory can lead one to comply with applicable regulations, as well as companies that are trying to submit financial statements on a timely basis because part of a company's obligation is to submit financial statements on time, and it will also be very beneficial for the users of financial statements.

2.3. Audit Report Lag

Audit report lag is defined as the length of time measured from the completion of the audit closing date of the fiscal year, up to the date of completion of the independent audit report (Halim, 2000). Timeliness of the audit of financial statements is very important, especially for public companies who use capital markets as a source of funding. Based on the basic framework of the preparation and presentation of financial statements (GAAP: 2012), financial statements must meet four qualitative characteristics that are necessary in making information useful to financial statement users. These four characteristics are understandable, relevant, comparable, and reliable. On time is one obstacle that is relevant and reliable information. Timeliness is related to the availability of qualitative information when it is needed. The time between the date of the financial statements and audit report reflects the timeliness of the delivery of the financial statements. Actual valuable

information can be irrelevant if it is not available when it is needed. Timeliness of information implies that information available before losing its ability to influence or make a difference in the decision. Information should be submitted as early as possible to be used as a basis for economic aid in decision making and to avoid delays in the decision making. In performing the audit, auditors typically perform a planning with budgeting time that sets guidelines for the amount of time of each audit activity. The budget is a guideline, but it is not absolute. If the auditors deviate from the program due to a condition of the audit, the auditor also may be forced to deviate from the budget time. There is pressure for the auditor in this case, between meeting budget and time to show the efficiency of the performance evaluation and pressure in accordance with the Standard on Professionalism Public Accountant (SPPA), which states that the audit should be carried out with great precision and accuracy as well as the means of collecting sufficient adequate evidence. When not in accordance with the principal purpose of the audit, the information submitted is also not good and can be detrimental. The audit process is in need of time that results in the audit report lag that will affect the future of financial reporting inaccuracies. Wirakusuma (2004) used three criteria for delays in financial reporting: (1) Preliminary lag: the interval number of days between the date of the financial statements until the report was accepted by stock exchanges; (2) Auditor's report lag: the interval of the number of days between the date of the financial statements until the date of the auditor's report was signed; and (3) Total lag: the interval of the number of days between the date of the financial statements until the date of the report was published on the exchange.

2.4. Auditor Quality

Auditors' quality can be seen from the affiliate Public Accounting Firm and classified as the Big Four and the Non-Big Four. The Public Accounting Firm is a form of organization that has licensed a public accountant in accordance with legislation that seeks the provision of professional services in the field of public accounting practices (Rachmawati, 2008). The public accounting firm's structure that got the job of auditing the financial statements which requires great responsibility, then the job requires a professional public accounting firms and high competence, independency anyway. Independencies enable the auditor to draw conclusions without bias on the audited financial statements. Competency allows the auditor to perform the audit efficiently and effectively. The existence of trust over independency and competence of auditors, causing the user to rely on the report made by the auditor. Therefore, because of the numerous public accounting firms, it is not possible for the user to assess the independence and competence of each public accounting firm. Therefore, the structure of the public accounting firm will be greatly affect by this, although this aspect is not fully guaranteed. To enhance the credibility of financial statements, companies use the services of a public accounting firm that has the good reputation. This is usually indicated by a public accounting firm that is affiliated with a major public accounting firm that is universally known as the Big Four Accounting Firm Worldwide (Big 4). Selection of a competent public accounting firm could potentially help the audit completion in time. Completion time of the audit in a timely manner can increase the possibility of improving a public accounting firm's reputation and maintain the trust of the client to use its services again in the future. Thus the quality of the public accounting firm may affect the completion time of the audit of financial statements.

H1: Auditor Quality has an effect on audit report lag

2.5. Auditor Opinion

Opinion of the auditor is based on the results of the audit. Auditor stated his opinion rests on the audit conducted by the auditing standards and on its findings. Auditing standards shall include four reporting standards. The auditor's report must include a statement of opinion on the financial statements as a whole or an assertion that such statements cannot given. If the overall opinion cannot be given, then the reason must be stated. In case the name of the auditor is associated with financial statements, the auditor's report should contain a clear indication of the nature of the audit work performed, if any, and the degree of responsibility assumed by the auditor. To declare a good opinion, auditor needs a long time in the audit process.

H2: Auditors Opinion affect the audit report lag

2.6. Company Size

Firm size is the size of a company that is determined based on the nominal size, for example the amount of assets (Nugraha, 2012). Decision of the Chairman of CMSA Kep. 11/PM/1997 mentions small and medium-sized enterprises based on asset (property) are the legal entity that have total assets of not more than one hundred billion, while large corporations are legal entities that have total assets over a hundred billion. Firm size also uses total assets of the company as a proxy for firm size.

H3: The size effect on the Company's audit report lag

2.7. The Complexity of the Business

The level of complexity of a business depends on the number and location of its branches as well as the diversification of product lines and markets, as they are more likely to affect the time required by auditors to complete the audit work. So, this aspect may affect the audit report lag. The relationship is also supported by Saputri's (2012) research who found that there is a positive relationship between the complexity of the company's operations and audit report lag.

H4: The complexity of business affect the audit report lag

2.8. Theoretical Framework

Widosari (2012) examined the relationship between audit report lag by several independent variables consisting of complexity, quality auditors, the audit committee, the auditor's opinion, and the size of the company. The results showed that the average time interval between the closing date of the financial year and the date of the audit report is 76 days with significant variables that influence the extent of the audit report lag, qualified opinion, and quality auditor.

Shulthoni (2012) conducted a study on the factors that affect the timeliness of annual financial reports to the public on companies listed on Indonesia Stock Exchange. The independent variables used in Shulthoni's (2012) study included size of company, type of industry, size of the firm, the debt ratio, financial performance. The results of the Phase I of the analysis showed that the span of completion of the audit of financial statements is affected by the type of industry, financial performance, and the size of the firm. Based on descriptive statistical analysis, showed that the average time required to complete the audit process up until the independent auditor's report is 72 days. Subekti and Widyanti (2004) examined the factors that affect the audit report lag. Independent variables used in this study included size of company, type of company, opinions, profitability, and auditor reputation. The results of this study indicate that the size of the company, type of company, the auditor's opinion, the level of profitability, and auditor reputation are variables that significantly affect the audit report lag. Descriptive statistics show that the average audit report lag that occurred in Indonesia in 2001 was 98 days. Utami (2006) aimed to empirically examine some of the determinants of audit report lag. The variables used in this study is the ratio of debt to equity, type of industry, company size, the length of a client-auditor, the type of opinion, profit/loss, and auditor reputation. The population used in the study consisted of a public company listed on the Jakarta Stock Exchange, and the samples were selected using cluster's random sampling method. There are ninety companies selected in the period 2000-2002. The results showed that the audit report lag was significantly longer in the company that reported a loss, in addition to obtaining an unqualified opinion and was significantly shorter in the company became a public accounting firm client for more than two years. This research can help investors get a picture of the causes of the audit report lag that affects the delay in publication of the financial statements. Kartika (2009) investigated the factors that affect the audit report lag in companies listed on the Jakarta Stock Exchange. These factors include the size of the company, earnings or losses of the business, solvency, profitability, auditor's opinion, and auditor reputation. The results showed that the variable size of the company, the auditor's opinion and reputation of the auditor have significant effects on audit report lag while solvency, and profitability did not have any significant effect on audit report lag.

Saputri (2012) examined the factors that affect the audit report lag in public companies on the Indonesia Stock Exchange in 2009 by investigating 200 companies. This study uses six variables: company size, type of industry, the profit/loss of the Company, the auditor's opinion, the reputation of the firm, and the complexity of the company. The results showed that simultaneous independent variables affect the dependent variable at 24.9 percent. Partial test shows that there are 4 of the 6 factors that affect the audit report lag, i.e. profit or loss, the auditor's opinion, the reputation of the firm, and the complexity of the company.

Rachmawati (2008) examined the effect of internal factors (profitability, solvency, internal auditors, and company size) and external factors (CPA Firm) on audit report lag and timeliness in companies listed on the Jakarta Stock Exchange. From the results of multiple regression processing on audit report lag the author obtained a coefficient of determination $R^2 = 0.123$. This means that all the independent variables (profitability, solvency, internal auditors, company size, and firm's accounting) explain the variation of the dependent variable (the audit report lag) in a proportion of 12.3 percent. All the other independent variables (profitability, solvency, internal auditors, company size, and CPA Firm) can explain the variation in the dependent variable (timeliness) is 7.9 percent. The results of this study can help the public accounting profession in an effort to improve the efficiency and effectiveness of the audit process by controlling the dominant factors that cause the audit report lag and timeliness. Yuliyanti (2010) empirically studied the effect of firm size, the auditor's opinion, the size of the firm, solvency, and profitability on audit report lag of manufacturing companies listed

on the Indonesia Stock Exchange in the period 2007-2008 by exploring 126 companies. Simultaneous testing concluded that the size of the firm and the firm size significantly affect the audit report lag. While the auditor's opinion, solvency, and profitability had no effect on audit report lag. The average length of the audit report lag in Indonesia is 72 days.

Based on a literature review as well as some previous studies, the researchers indicated that the factors affecting the audit report lag seen from the quality of public accounting firm, the auditor's opinion, firm size, and complexity of the company's operations. The proposed framework of this research is as follows:

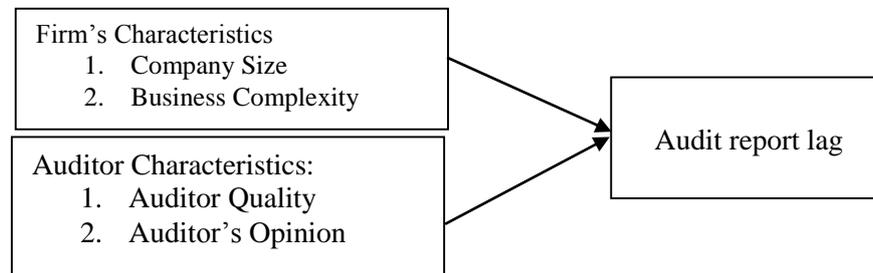


Figure 1: Theoretical Frameworks

3. Research Methodology

3.1. Population and Sample

The population of this study are all public companies listed on the Indonesia Stock Exchange (IDX) during the 2008-2012 timeframe. Manufacturing companies were chosen because they have longer periods of time of their audit report lag. The sample was selected using purposive sampling method, the researcher hopes to get information from specific target groups (Sekaran, 2005). Based on the sampling technique to be performed, we obtained 65 samples for 5 years.

3.2. Operational Definition and Measurement of the Study's Variables

3.2.1. Audit Report Lag

Regarding the audit report, a long lag time is measured from the date of completion of the audit of the annual financial statements provided to the auditor to the date of publication of the independent auditors. The measurement is quantitatively.

$$ARL = \text{Date of the Financial Statements} - \text{Date of the audited and issued financial statements}$$

3.2.2. Auditor Quality

Auditor quality is the level of auditor's reputation. In this study, companies audited by the Big Four Firms were coded (1), while the companies audited by other companies were coded (0).

3.2.3. Auditor Opinion

Auditor's opinion is the type of opinion obtained by the company from the previous periods of activity or operations as well as the auditor's opinion is the statement given by the independent auditors on the financial statements presented by the company. Auditor's opinion in this research proposal is measured by looking at the type of opinions given by the independent auditor of the financial statements of companies listed on the Indonesia Stock Exchange in the timeframe of 2008-2012. There are five types of opinions expressed by the auditor to the company. In this research, auditor's opinion can be divided into two groups: companies that received an unqualified opinions were coded (1) and others' opinions were coded (0).

3.2.4. Company Size

Firm size is using the natural log of total assets. Total assets in question is the amount of the client's assets held by the company listed in the financial statements at the end of the audited period. The use of the natural logarithm (Ln) in this study is intended to reduce excessive fluctuations in the data (Sulistiyo, 2010). The total value of assets used directly for granting the value of the variable will be huge, billions even trillions. By using the log, the value of billions and even trillions can be simplified, without changing the proportion of the value of the actual value. The assets are all the assets measured as both current and fixed assets at end of period (one year) mentioned in the audited financial statements.

$$\text{Firm Size} = \log TA$$

3.2.5. The Complexity of the Business

The complexity of the business with more operation units (subsidiaries) will require more time for the auditor to perform the audit work. The complexity of the company's operations is expressed by the number of wholly owned subsidiary companies, either directly or indirectly.

Table 1. Variable Measurement

Variable	Indicator	Scale
Audit report lag	Audit report lag= Date of Audited Financial Statement Publish – Date of Financial Statement	Ordinal
Quality of CPA Firm	CPA Firm Reputation	0 = non Big Four CPA Firm 1 = Big Four CPA Firm
Auditor Opinion	Opinion was Declared by Auditor	0 = Non Unqualified Opinion 1 = Unqualified Opinion
Company Size	Company Size = \log (total asset)	Ratio
Complexity Operation	Numbers of Branches/Units	Ordinal

3.3. Methods of Data Analysis

In this study, the analysis and testing was conducted with a multiple linear regression analysis, a statistical method that is commonly used to examine the relationship between a dependent variable with multiple independent variables. The regression model used is as follows:

$$ARG = \beta_0 + \beta_1 Size + \beta_2 AO + \beta_3 AQ + \beta_4 CO + \varepsilon$$

4. Analysis and Discussion

4.1. Descriptive Analysis

Based on the results of the descriptive statistical analysis of 325 observational data derived from the multiplication of the 65 sample companies listed in IDX within the 5 year period of observation, between 2008 and 2012. Table 2 shows the values of the variables used in this study, i.e. number of samples (N), minimum value, maximum value, average value (the mean), and standard deviation for each variable.

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Size	325	13.7551	34.2324	2.775325E 1	2.3351557
Complexity	325	0	84	5.85	10.667
Audit Quality	325	0	1	.40	.491
Opinion	325	0	1	.48	.500
ARL	325	30	141	76.54	14.923
Valid N (list wise)	325				

Data analysis shows that the number of observations of the manufacturing firms in this study were 325 inputs. Based on the data analysis, we find that the value of Audit Report Lag (ARL) is between 30 days to 141 days with an average of 76.54 days and a standard deviation of 14.923. It appears that the average audit report of the sample of firms still lag below the 90-day calendar which is the limit set by Bapepam in the delivery of the financial statements on March 31 each year. We see also that there are companies that are late because they have their audit report lag above the 90 days threshold. The audit report lag that was experienced the fastest, namely as much as 30 days, happened in 2008 by PT. Cahaya Kalbar Tbk. While the audit report with the longest lag experienced recorded as many as 141 days in 2011 and 2012 by PT. Searad Produce, Tbk. The average audit report lag in this study is smaller than the one identified in Utami's (2006) research who obtained the average result of 84.16 days, while Subekti and Widyanti (2004) obtained 98.38 days. However, the average audit report lag in this study is greater than the one reported in Widosari's research (2012) who 76

days, while Shultoni (2012) obtained 72 days. The difference is understandable because of the various factors affecting of audited financial statements that can be reported sooner or later.

The descriptive statistical analysis of the inputs of the variable firm size is calculated using the natural logarithm of total assets and we obtained a minimum value of 13.7551, a maximum value of 34.2324, an average value of 2.77, and the standard deviation of 2.3351557. The manufacturing company with the lowest amount of assets, of 13.7551 is PT. Multi Bintang Indonesia, Tbk in 2008, while PT. Arwana Citra Mulia, Tbk, also 2008, recorded the highest asset value of 34.2324. Companies that have higher asset values will undergo a longer audit report lag due to having a more complex system that corrects intense activities that tend to take a longer time.

The results that measured the complexity of the business of the descriptive statistical analysis show that the manufacturing companies have a minimum value of 0, a maximum value of 84, an average value of 5.85, and a standard deviation of 10.667. Saputri (2012) and Halim (2000) found that the complexity of the operations of the company may affect the audit report lag because the company has many operating units (branches) that were require a longer time for the auditor to perform the audit work. Furthermore, the variable 'auditor quality' after observation of the obtained 40% input companies were audited by Big Four companies and 60% audited by non-Big Four. With a minimum value of 0 and a maximum value of 1. Value 0 represents the companies is audited by non-Big Four, while a value of 1 represents the companies that were audited by the big four. The average value generated from the descriptive analysis of these variables showed that auditor quality has an influence on the audit report lag which is in line with the results of the analysis conducted by Hossain (2010), Widosari (2012), and Wirakusuma (2004) which states that CPA Firm has an influence on the quality of the audit report lag and research shows that it affects the quality of the audit report lag because it is a part of the firm responsibility to give a statement. Management's reluctance to contract qualified auditors and to accept the results of auditing can occur in environments that do not have legal structure and professionalism too well established. In other words, quality affects the firm's management ability to present its financial statements in a timely or not timely manner and companies that use the services of the Big Four firms would require a shorter time in the delivery of audited financial statements than small auditors.

Based on the data acquisition, we can see that the minimum value of the auditor's opinion is 0 and the maximum value is 1. With an average value that is 48% of acceptance of an unqualified opinion and 52% acceptance of another opinion. Companies that receive faster unqualified opinions than companies that receive a qualified opinion, because it is seen as bad news and the company will slow down the process of auditing.

4.2. Multiple Regression Analysis

Based on table 3, the equation resulted of the multiple regression analysis is:

$$Q = 63,252 + 0,766 \text{ SIZE} - 0,42\text{CO} - 10,829\text{AQ} + 7,062\text{AO}$$

Table 3. Coefficient of regression

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	63.252	9.704		6.518	0.000		
SIZE	0.766	0.362	0.120	2.118	0.035	0.779	1.283
OPERA	-0.042	0.080	-0.030	-0.516	0.606	0.754	1.326
AUD	-10.829	1.618	-0.356	-6.691	0.000	0.881	1.135
OPINI	7.062	1.573	0.237	4.491	0.000	0.897	1.115

a. Dependent Variable: AURLG

The total of 63.252 shows the ratio of ARL (Table 3). If all the independent variables are considered constant, then the value of the company will be 63.252. Size has a positive coefficient of 0.766, which indicates that 'Size' has a positive influence on ARL (Audit report lag). Assuming other variables remain constant, if Size increases by 1 unit, the ARL will increase by 0.766. The operation's complexity has a negative coefficient of 0.42. Assuming the other variables are constant, then the value of the ARL illustrates that complexity operation has a negative effect on ARL, if complexity operation increases by 1 unit, it will lower the ARL by 0.42. Auditor's opinion has a negative coefficient, or a negative effect on ARL of 10.829. This means, there is a difference of audit report lag between the company that received a good opinion (qualified opinion) and a bad opinion (unqualified opinion). The indication, for the company that got a good opinion, ARL to be shortly with assuming other variables remain constant. Auditor opinion has a positive coefficient of 7.062 on ARL.

This means, there is difference of audit report lag between companies that were audited by Big Four and non-Big Four firms. This indicates that if a company was audited by one of the big four firms, the auditor needs a longer time to the audit process and ARL will be increased, with the assumption of other variables remaining constant.

The coefficient of determination (R^2) (Table 4) was used to measure the ability of the model to explain variation in the independent variable. From data analysis, it can be seen that the coefficient of determination adjusted R Square is 0.192. This indicates that the variable size of the company, the complexity of the company's operations, the quality of the firm, and the auditor's opinion together have an influence on the contribution of audit report lag of 0.192 or 19.2% and the remaining 80.8% is influenced by other factors that were not examined in the study.

Table 4. Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.449 ^a	.202	.192	13.415
a. Predictors: (Constant), OPINI, OPERA, AUD, SIZE				
b. Dependent Variable: AURLG				

4.3. Testing of Hypotheses

4.3.1. Simultaneous Significance Results

The simultaneous significance test (Table 5) aims to measure whether all the independent variables included in the model have a joint influence on the dependent variable. Based on Table 5, company size, the complexity of business, the auditor's quality, and the auditor's opinion simultaneously significant affect the audit report lag, this is because the value of F count > F table (20.227 > 2.397). Furthermore, the significant value of 0.000 was well below the 0.05 significance level (5%), therefore the size of the company, complexity of business, auditor quality, and auditor's opinion jointly affect the audit report lag. Value of the F table can be seen in table 5 as the df statistics on the number of variables-1 or 5-1 = 4 and df 2 = nk-1 or 325-4-1 = 320 (n is the number of data inputs, k is the number of independent variables). Results obtained at a significance level of below 0.05, F table = 2.400.

Table 5. Simultaneous Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14560.639	4	3640.160	20.227	.000 ^a
	Residual	57590.050	320	179.969		
	Total	72150.689	324			
a. Predictors: (Constant), OPINI, OPERA, AUD, SIZE						
b. Dependent Variable: AURLG						

4.3.2. Individual Testing

Basically, the individual parameter significance test aims to measure how far the influence of the independent variables is used in explaining the variation of individual dependent variables. Based on Table 6, the conclusion can be made that the testing of 'firm size' variable gains coefficient value t variable firm size is larger than the table t 2.118 > 1.967, therefore H1 is accepted. In line with the significant value of the company size smaller than 5 per cent (0.035 < 0.05), thus the variable firm size has an effect on audit report lag. The size of the companies has a partially significant effect on the audit report lag, and the effect is positive. The complexity of business derived a variable t calculation that is smaller than the table-t -0.516 < -1.967, therefore H2 is rejected. In line with the significant value of the complexity of the business which is greater than 5 percent (0.606 > 0.05), then the variable 'complexity of the business' does not affect the audit report lag. The variable 'complexity of the businesses has no significant effect on audit report lag.

Table 6. Partial Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	63.252	9.704		6.518	0.000
	SIZE	0.766	0.362	0.120	2.118	0.035
	COMPLEXITY	-0.042	0.080	-0.030	-0.516	0.606

AUDIT QUALITY	-10.829	1.618	-0.356	-6.691	0.000
OPINION	7.062	1.573	0.237	4.491	0.000
a. Dependent Variable: AURLG					

Auditor quality obtain t calculation is greater than the quality of the auditor t table $-6.691 > -1.967$, the H3 is accepted. This is consistent with the significant value the quality of the firm that is smaller than 5 percent ($0.000 < 0.05$), then the variable quality of the firm affect the audit report lag. Variable complexity of operations partially significant effect on audit report lag with negative influences. Auditor Opinion obtain t value variable firm size is larger than the table t $4.491 > 1.967$, then H4 is accepted. In line with the auditor's opinion the significance value is less than 5 percent ($0.000 < 0.05$), then the variables affect the auditor's opinion on the audit report lag. Variable auditor's opinion partially significant effect on audit report lag, and its influence is positive.

5. Discussion of Results

From the results of simultaneous testing, it is known that the size of the company, the complexity of the company's operations, the quality of the firm, and the auditor's opinion has an influence on the time of the delivery of inaccuracies in the audited financial statements of a company. This is indicated by the presence of the audit report lag that often occurs in the company. The level of disclosure of audit report lag assessed by investors over the period between the closing date of the financial year until the date of completion of the independent audit report, with the rapid information on the published audited financial statements, the greater the reaction of stakeholders to make informed decisions and invest in a stock transaction. However, the length of the delivery of information about audited financial statements that are published for the stakeholders and the market's reaction will cause negative outcomes (bad news) to the health of the company's financial statements so that the stakeholders will be looking for a better company of a higher quality.

5.1. The Effect of Company Size on Audit Report Lag

The relation between firm size and audit report lag, according to the results of the study, is positive since firm size (measured by total assets) has a total value of major assets that will have a more complex system which further corrects the intense activities that tend to require a long time. This aspect is especially true for industrial companies that have complex segments. Besides, if it takes a longer time to make corrections or audit the company's financial statements this will imply a signal of bad news. It can be concluded for the sample of this study, that processed the data from years 2008-2012, the variable firm size significantly affects the audit report lag.

In accordance with the signaling theory and the theory of compliance that states that investors will react quickly and think positive about the company's financial statements if the company can publish audited financial statements on a timely basis. Otherwise, companies that do not publish their financial statements in a timely manner could experience negative reactions from investors. With timely information on the financial statements the stakeholders or investors will be able to think and make decisions to buy, sell, or retain their shares. Furthermore, the rapidly published information for all investors will reduce the asymmetry of bad news on the condition of the company's financial statements.

Companies that have the value of the total assets in a large complex will have to be audited. The total value of the assets will also result in a large company that will have this level of audit report lag quite long compared to the value of the total assets of a smaller company. This study focuses on a range of timeliness in the delivery of audited financial statements that will spur the market reaction to the sale and purchase of shares. In addition, this study demonstrated that companies that have a large value of total assets and reported audited financial statements from year to year could trigger an audit report lag frequency of trading of its shares to a negative trend, due to old information published in the financial statement reports or if the information is not timely will make the candidate investors think longer to react to new information relating to the condition of the financial statements of the reporting enterprise. New information that is quickly accepted by the prospective investors about the company's financial statements will make it easier for potential investors to make investing-related decisions to and assess the extent to which the risk of the investment can be minimized.

Thus this study is in line with research conducted by Hossain and Taylor (2010), Rachmawati (2008), Kartika (2009) and Wirakusuma (2004) regarding the size of the company as one of the factors that influence the audit report lag. Firm size is measured by the amount of total assets of the company. Companies that have greater total assets will have completed audits in longer periods of time than the company with fewer total

assets because the number of samples to be taken into consideration is increasingly larger and a growing number of audit procedures need to be followed.

5.2. Complexity of Business on Audit Report Lag

The relationship of the business's complexity and audit report lag according to the results of this study were negative and the calculated values of t are smaller than t -table and there is no significant effect on the audit report lag because of the complexity of the company's operation variables can be seen from the number and location of its operating units (branches), as well as from the diversification of product lines and its markets. Such a company certainly has a planning and internal control system that is good enough to overcome the problems facing in the business environment, especially in the timeliness of audited financial statements of the company. Therefore, it does not trigger an audit report lag and investors will think positively about the condition of the company's financial statements. In accordance with the signaling theory and the theory of financial statement reporting of compliance in a timely manner to reduce the negative asymmetry potential for investors in relation to the company's financial statements. Published information of the financial statements can quickly lead to a huge benefit for companies to corporate sustainability, which is a growing concern. Reporting and disclosure of financial statements in a timely manner will cause the parties involved to make decisions in an easy manner for the sale or purchase of shares. Disclosure of financial statements in a timely manner can create a higher value of corporate compliance. Corporate compliance in delivering the company's financial statements may attract the attention of potential investors and other users of financial statements. Thus, it can be said that publishing financial reports in a timely manner will cause potential investors to obtain information about the condition of the relevant financial statements in quick time. This will make the prospective investors react more quickly or take action against a company's stock and move stock prices more quickly which automatically enhances the continuity and the company's operations can increase. This study proved that any company that has a branch will have a lot of planning and internal control systems are quite necessary so that the audit report will not experience lag in the delivery of audited financial statements. With the rapid publication of audited financial statements, the company will make the prospective investors to assess the company that it has a good performance and that it can be profitable in the future. This is in line with the research from Widosari (2012) which states that the complexity of the operations have no significant effect on audit report lag. However, this study is not consistent with the research conducted by Saputri (2012) who found that there is a relationship between the complexity of a company's operations and the audit report lag. A number of subsidiaries of a company add to the complexity of audit services also in terms of the transactions between the firm and the audited client. Additionally Halim (2000) said that if the company has subsidiaries in the country owned by the client, the transaction is further complicated because there are audited reports that need to be consolidated by the auditors. In addition, if the company has subsidiaries in foreign countries that need the additional report on the audit as a report or reports of guarantee and these transactions take a long time to carry out the audit process. Companies that have operating units (branches) will require longer time for the auditor to perform the audit work.

5.3. Auditor quality and Audit Report Lag

The relationship between the quality of the auditor with the audit report lag according to the results of this study were negative but the t -value is larger than the value of the t -table so there is a significant effect on audit report lag. Here, auditor quality can be measured through a company that uses auditor quality as non-Big Four and Big Four firms. This research shows that companies that use the services of Big Four Firms will require a shorter time in the delivery of audited financial statements than by contracting the services of smaller auditors. The difference is due to the fact that Big Four companies are backed by the quality and quantity of human resources which affect the quality of the services produced by the firm. Also, the Big Four audit of financial statements can happen effectively and efficiently so that the company can present reports of audited financials in a timely manner and the audit report lag does not occur. This is consistent with the signaling theory and the theory of compliance where the company should present the financial statements accurately and timely for helping the user in making decisions and this may provide good news for users and companies because the company's users can assess the quality of human resources, performance management which is positive aspect for the company because it can provide information regarding the company's financial statements in a timely and accurate manner. This study is consistent with research conducted by Hossain (2010), Widosari (2012), and Wirakusuma (2004) which state that the quality of the firm has an influence on the Big Four's audit report lag because the working environment is a well-established structure of law and professionalism and the audit quality of Big Four firms can be run more efficiently and effectively.

Nonetheless, even though these Big Four firms have more flexibility, the auditor quality is still a growing concern and there are various opinions that need to be considered.

5.4. Auditor Opinion and Audit Report Lag

For the latter variable of the study, the relationship between the auditor's opinion and the audit report lag led to results that exhibited positive and significant effects on audit report lag. Auditor's opinion in this study is observed from the company's perspective, which received an unqualified opinion and non-qualified opinion. This study suggests that companies that received an unqualified opinion showed a faster time of delivering the audited reports than the companies that received a qualified opinion. This result is due to the fact that if a company receives a qualified opinion from an auditing firm, that particular firm will attempt to negotiate with clients, consult with more senior audit partners, and to expand the audit environment, and thus it would require a longer time, which may further lead to an audit report lag, and this is bad news for the users and the company. Certain companies want to accept an unqualified opinion because it would lead users believe it has a good quality due to its rapid publication of the audited financials. This is in line with the research conducted by Utami (2006) which states that an unqualified opinion may lead to a longer lag, which is bad news for the company. Furthermore, unqualified opinions need to be granted a tedious process which will involve negotiations with the company and consultations with senior audit partners, so the process will be extended.

6. Conclusions and Recommendations

6.1. Conclusion

Based on the results of multiple regression analysis which was conducted to examine the effect of variables, such as firm size, the complexity of the company's operations, the quality of the firm, and the auditor's opinion on the audit report lag in companies listed on the Indonesia Stock Exchange in 2008-2012, it can be concluded that:

1. The results of multiple regression analysis on manufacturing companies from 2008 to 2012 show that the variables: size of the company, the complexity of the company's operations, the quality of the firm, and the auditor's opinion simultaneously exhibit significant effects on audit report lag.
2. The results of multiple regression analysis indicated that the independent variables company size and auditor's opinion have a partial, significant, and positive impact on audit report lag, the variable that examined the quality of the firm is partially significant and has a negative effect on audit report lag, while the variable 'complexity of the company's operations' has partially significant effect on audit report lag.

6.2. Suggestions

Based on the conclusions from the above analysis, some suggestions can be submitted as follows:

1. The study further adds to the examination of companies from all types of industrial categories that exist listed on the Indonesia Stock Exchange. Thus, considering the entire category of industry, the results of future research may generalize companies listed on Indonesia Stock Exchange.
2. There is a need to add more appropriate meaning for the definition of audit report lag with respect to time of the audit engagement.
3. Expansion of variables and observations over an extended number of years is welcomed to see the trend of changes in the audit report lag in the long run.

6.3. Limitations of the Research

As with any empirical study, the results of this study also contain some limitations, which are:

1. Using the selected inputs of the research as only companies listed on Indonesia Stock Exchange and therefore we cannot describe the state of any particular company, as a whole.
2. The present study refers to the definition of audit report lag that exists in the literature review based on the results of previous studies, however the literature is not sufficient enough in explaining the definition of the audit report and does not take into account the time lag for the audit engagement which are very different in each sample of companies for every examined year.
3. The ability of the independent variables in explaining the variance of the dependent variable in our model was only 19.2 percent, which means that 80.8 percent represents an unexplained variance factor.

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The Role of Stakeholder Relationship Management – Crisis Management Processes within the Hotel Industry in a Tourism Context

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Rates of worldwide environmental, social, technological and other crises are perceived to be constantly increasing - if nothing else due to almost instant broadcasting by media and internet. The Tourism Industry is especially vulnerable to such crises as numerous Stakeholder Groups on the one hand and large numbers of travelers on the other hand are or might be affected. Therefore, Tourism Industry Stakeholder Groups' claims regarding transparency can't be denied. This Research Paper focuses on Crisis Management processes from the aspect of the Hotel Industry in a Tourism Context considering a variety of Tourism Market Players. Theoretical foundations combined with empirical research reveal prerequisites, Status Quo as well as opportunities and challenges towards an integrated Crisis Management Model. Finally, key success factors for a Stakeholder Relationship Management based approach are introduced.

Keywords: stakeholder relationship management, crisis management, hotel industry, tourism, destination management

JEL Classification: M100

1. Introduction

As a matter of fact, a company crisis which does not affect any Stakeholder is hard to imagine. On the contrary, typically multiple Stakeholder Groups are affected and involved – to a varying extent. Stakeholders' needs and demands have to be balanced and prioritized wherever applicable. One aspect which can never be neglected is the importance of “true engagement” as stated by McEuen (2011) in her paper “The Game has Changed: A New Paradigm for Stakeholder Engagement”: A company may never forget about what its Stakeholders value and view as important. For establishing a sustainable partnership with Stakeholders it is therefore not sufficient to consider the company's needs for generating profit but placing equal attention on the Stakeholders' needs. Sautter and Leisen (1999) even go a step further by underlining the philosophy that

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the entire purpose of an organization is the co-operation of Stakeholder interests. This seems to be especially true in a Tourism Context.

Henderson (2007, p. 8) summarizes very clearly the reason for the vulnerability of the Tourism Industry to crises: “It has a complex structure and sells experiential products which are the collective work of several suppliers, leading to possible problems of fragmentation and control. Relationships of mutual dependence among components also mean that a crisis for one may spread to another.” In other words: “Organizations within the service sector are faced with a wide array of potential crisis issues and this is due to both the nature of the service sector itself and the extent of interactions between elements of the industry.” (Smith, 2005, p. 310)

The Tourism Market is currently undergoing a fundamental change: standardized products are being replaced by a broad range of individualized products inspired by market dynamics, change in values and breaks in trends. This leads to an increase of vulnerability. (Kreilkamp, 2005) Therefore no standardized Crisis Management Procedure can be established – individualized procedures based on specific crisis situations have to be developed.

Apart from population growth, increased urbanization and global economic pressures as reasons for our environment apparently having become increasingly turbulent and crisis prone, Faulkner (2001) brings more powerful technology and associated computer failures into play. These days, it is also undeniable that modern communication brings even most distant crises to our attention. (Hystad and Keller, 2008) In addition, sensationalistic media coverage “may mislead public concerning the actual magnitude of a disaster (crisis) and its consequences” (Murphy and Bayley, 1989, p. 38). On the one hand this more and more interdependent and connected world implies that a small-scale crisis in one part of the world may have a significant impact on other parts of the world. (Ritchie, 2004) But on the other hand this lays the ground for learning from others’ experiences.

A Tourism-related crisis classification scheme set up by the author (Zech, 2014a) lays a foundation for subsequent source-based scenarios. The focus of this research paper is set on macro-level crises which affect various Tourism Market Players. Stakeholder (Relationship Management) specifications for the focused Industries were investigated. These prerequisites led to the subsequent empirical analysis of the status quo as well as perceptions and expectations of Stakeholders. Three Stakeholder Groups (Hotel Guests, Internal Stakeholders and Destination Management Organizations/DMOs) were surveyed *ceteris paribus*. Among others, findings were achieved in the fields of Stakeholder cooperation in pre-/acute/post-crisis stages. The primary data analysis reveals that all Stakeholder Groups surveyed are convinced that the cooperation of several or all Stakeholder Groups in Tourism-related crises may lower its impact.

As a conclusion based on the theoretical and empirical findings, key success factors of professional Crisis Management within the Hotel Industry focusing on the Tourism Context and its Stakeholder Relationships are introduced. Over the course of the further and final development of the author’s dissertation, an Integrated Crisis Management Model for the Hotel Industry based on a Stakeholder Relationship Management Approach will be developed on this basis.

2. Literature Review

The Tourism Industry “consists of all the commercial and non-commercial enterprises and agencies which make Tourism possible, encourage it and deal with the consequences. (...) Core industry sectors are Tourism administration and development, passenger transportation, hospitality, attractions, tour operation and retail travel.” (Henderson, 2007, p. 7) This implies that the “hospitality and tourism industry is a fragmented, complex mix of mix of Stakeholders. [Furthermore,] in times of crises, only a cooperative and concerted effort by these entities will help mitigate the adverse effects” (Racherla and Hu, 2009, p. 562).

Tourism as an industry sector differentiates notably from other industries due to its lack of homogeneity and standardization. Numerous producers (of goods and services) representing a variety of company sizes as well as management maturity levels are involved in the production service. Consumers tend to see the final product and its features undifferentiated. This indicates that the individual services provided have to be seen as complementary. For managing crisis situations, Tourisms’ unique characteristics play a decisive role:

- Intangibility – products cannot be tested or touched prior to purchase
- Perishability – inventory cannot be carried or stored away for later use
- Volatility – depending on a wide range of external factors. (Ritchie 2009)

Notably the aspect of volatility respectively the dependence on external factors (e.g. electrical; Communication and other critical infrastructure failures) makes the Tourism industry extremely vulnerable to crises and disasters. (Ritchie, 2009) All of these unique characteristics apply particularly to the Hotel product.

An individual to be considered a tourist has to be on travel including at least on overnight stay. In general, tourists are classified based on their motivations or purpose of visit:

- Leisure Travelers - sightseeing or visiting friends and relatives
- Business Travelers
- Other Travelers – students or people traveling for medical reasons (Ritchie, 2004)

These tourist classifications have one aspect in common: They are persons away from home, confiding in Tourism companies – specifically Hotels – and with limited information, communication and action alternatives in crisis situations. Generally, crisis management focuses on the needs and demands of permanent residents, “but in an increasingly mobile and service-oriented society, the requirements of visitors and the Tourism industry should be incorporated into the process. Because they may be relatively unfamiliar with an area and its local emergency plans, tourists are often at greater risk than are local residents. (Murphy and Bayley, 1989)

Considering a destination and the associated Destination Management Organization (DMO), no upper or lower limits of the respective geographical limits exist. It is more linked to the market segmentation as well as the consumer’s perception. Therefore, the considered geographical area can even be component of more than one destination. E.g. a beach resort may be administered as a destination itself and be part of the country or continental destination at the same time. (Glaesser, 2006) A DMO is mostly referred to as a convention and visitor bureau in metropolitan areas which coordinates efforts to attract tourists (Business and Leisure) to their geographic area (Destination). Numerous DMOs are predominantly financed by public funds thought of as an investment in accordance with an estimated ROI. (Sheehan and Ritchie, 2005)

According to McDonald et al. (2010, p. 264) two major determinants of Stakeholders’ reactions to a company crisis have been identified: “the company’s crisis communication and the crisis cause. Among others, both aspects will be considered in detail in the course of this paper. Pearson and Clair (1998) found out that generally organizations building alliances, achieving coordination, and sharing accurate information with its Stakeholders may be able to benefit from early detection of warning signals, minimal downtime, effective containment of damage, and positive effects on corporate reputation.

Conclusively it can be determined that so far a lack of research on Crisis Management within the Tourism Industry and especially the Hotel Industry exists. (Faulkner, 2001; Pennington-Gray et al., 2011; Ritchie, 2004) Furthermore, there are only few authors considering the importance of Stakeholder Relationship Management before, during and after Tourism crises. (Ritchie, 2009)

3. Research Premises

3.1. Tourism-related Crisis Management Specifics

In common business, a crisis can be defined as an “undesired, extraordinary, often unexpected and timely limited process with ambivalent development possibilities” (Glaesser 2006, p. 14). Fink (2002) considers a crisis as not necessarily being bad but as merely being characterized by a certain degree of risk and uncertainty. Commonly, a crisis is characterized by the following conditions:

- Time constraint
- Limited information (both in quality and quantity)
- Decision load constraint (Cosgrave, 1996)

All of these aspects seem as true for Tourism crises as the notion that all (Tourism and other) companies and institutions have to deal with crises at varying extents at some stage. Remark: In this paper no clear distinction between crisis and disaster (as some authors do) has been conducted. A disaster is interpreted as a large-scale and more intensive crisis.

In a crisis situation the above mentioned multiple Tourism Industry entities are forced to coordinate “within organizations, between Stakeholders, both within the Tourism Industry and between the Tourism Industry and external Stakeholders, such as emergency services personnel” (Ritchie, 2009, p. 145).

Crisis Management is predicted to be among the top 3 challenges for the Tourism Industry in the future. Not only the vulnerability of the Tourism Industry has to be considered but also the Industry’s position as early warning indicator for other Industries. (Glaesser, 2005) In addition, tourists nowadays seem to be exposed to even greater levels of risk due to an increased level of global Tourism activity as well as the attractiveness of high-risk exotic destinations. (Faulkner, 2001; Murphy and Bayley, 1989) Hotels – however

– seem still not aware enough of the imminent risk of severe crisis situations. Surveys of selected Stakeholder groups revealed that the perception of crisis awareness and preparedness of Hotel companies are perceived to be below average. For most, a “crisis” was linked to fire or an economic crisis. Other crisis categories are rarely considered. In addition, crisis detection is realized much more professionally by Tour Operators. For that reason a majority of the Hotel companies relies on the early warning systems of Tour Operators and their associated partners (e.g. A3M). (Zech, 2013a)

The following crisis classification focuses on Tourism-related macro-level Hotel crises:

- Economic crisis
- Environmental crisis
- Health crisis
- Structural crisis
- Political crisis
- Sociocultural crisis
- Technological crisis (Zech, 2014a)

This macro-level crisis classification may serve as a foundation for further scenario-based Crisis Management procedures.

Fig 1. reveals that while a Hotel for sure has to suffer most from an expected decline in tourist arrivals and its associated decline in accommodation and possible extra expenditure, a crisis will never only hit a Hotel but all market players to a certain extent.

LR = (ETA * ADS * ADE) – MC		
LR	=	Loss of revenue for the destination
ETA	=	Expected change of tourist arrival
ADS	=	Average duration of stay
ADE	=	Average daily expenditure
MC	=	Material cost

Figure 1. Estimation of the loss of revenue
Source: Glaesser (2006, p. 181)

3.2. Tourism-related Stakeholder Relationship Management in Crisis Situations

The Stakeholder approach for Tourism crises is closely linked to the “need of an interdisciplinary, systematic and holistic approach” as to managing change in the field of the complex phenomenon of Tourism as proposed by Keller and Bieger (2010, p. 2). Interpreting “Tourism Crisis Management” as stated by Henderson: “Planning for and managing Tourism crises in order to protect the interests of the industry, tourists and other Stakeholders involved and contain any long-term damage” (Henderson, 2007, p. 13), no Hotel company can or should for logical reasons try to solve crisis situations as an isolated business unit. Fig. 2 displays major Hotel Stakeholders focusing on the most important ones during Tourism crises:

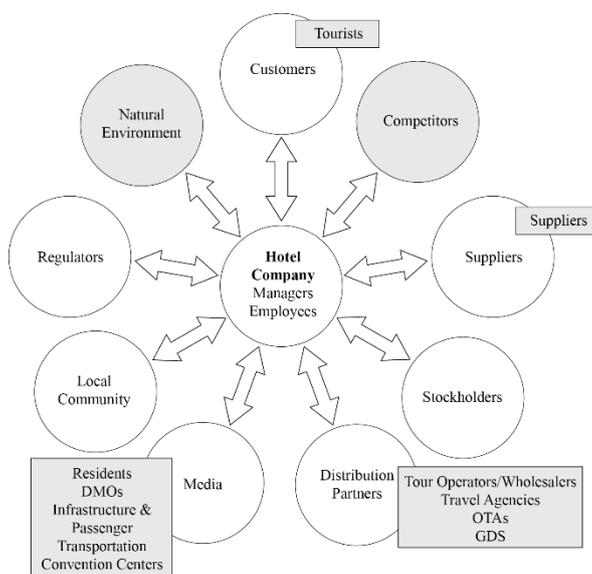


Figure 2. Hotel Company Stakeholder Map focusing the Tourism context
Source: author’s construction

One major Stakeholder group which might change dramatically in crisis situations is that of “Tourists”. They have been customers prior to the crisis but now some or all of them might have become victims. (Stephens et al., 2005) This implies a fundamental change in need and demands.

While DMOs have predominantly do not have formal, contractual, or official relationships with Hotels, they still consider them being their most important Stakeholders. (Sheehan and Ritchie, 2005) Harrison (2003, p. 144) stresses in his article “Strategic Analysis for the Hospitality Industry” that “powerful Stakeholders are attractive candidates for partnerships” as these partnerships may reduce uncertainty or even stabilize an organization. In this sense, “power” has to be divided into economic and political power. This implies a regular review of Stakeholders’ power and influence – especially for crisis situations. (Harrison, 2003)

According to Rousaki and Alcott (2006, p. 31), “research supports that the size of the organization is a variable that is likely to influence crisis readiness”. E.g. still more mid-sized and large Hotel categories work closely with DMOs. (Yu et al. 2005) Obviously, as the majority of Hotel companies are SME (small and medium sized enterprises), they lack financial, knowledge and staffing background necessary for establishing professional Crisis Management procedures. They could compensate this lack by bonding with cooperation partners. However, one of the main reasons for Hotels conducting active Crisis Management is crisis experience. “An organization which has experienced a crisis is more likely to invest in the development of a plan.” (Pennington-Gray et al., 2011, p. 314) Transferring this aspect to the Stakeholder approach this implies that the chance that at least one or several members have already experienced a crisis and the associated willingness of the network as a whole to embed active Crisis Management is comparatively high. Key questions regarding Stakeholders in Crisis Management are:

1. “Which Stakeholders affect Crisis Management?”
2. Which Stakeholders are affected by Crisis Management?
3. How can the Stakeholders be systematically analyzed and anticipated for any crisis?” (Pearson and Mitroff, 1993, p. 50)

It has to be considered that all Stakeholder Relations are two-way processes with Stakeholders possibly influencing crisis policy either explicitly or implicitly. Nevertheless, this aspect has largely been ignored to day. (Ritchie, 2009; Zech, 2014b) In this context however, two conditions are of major importance:

- Stakeholder awareness and claims may vary in the course of a crisis
- Crisis impact and duration may be dependent on Stakeholders actions

All Crisis Management actions considering the Stakeholder Relationship approach have to start with the internal Stakeholders (Managers and Employees). According to Rousaki and Alcott (Rousaki and Alcott, 2006, p. 28), the first facet of Crisis Readiness is “the internal functionality of the organization”. This implies, that Stakeholder-related Crisis Management does not imply transferring own duties to others. But in order to set up a promising network, all participating entities have to do their homework first.

At best, DMOs are coordinating Tourism crisis response and recovery. They take the “coordinating role between industry associations, industry Stakeholders and the central government” (Ritchie, 2009, p. 149). In this context, major industry Stakeholders are represented by local Hotels and their respective employees and guests one the one hand. On the other hand, Hotels usually play an important role in housing and feeding people affected by a crisis as well as emergency workers. (Ritchie, 2009) Sheehan and Ritchie analyzed the Stakeholder Relationship von DMOs and Hotels closely. They found out that Hotels and Hotel associations are a DMOs most important Stakeholder group. But in contrast, less than half of the 91 DMOs (from U.S., Canada and abroad) surveyed via a self-administered questionnaire reported of formal, contractual, or official relationships with them. A reason for still considering them as most import may be seen in the Hotel’s attraction of high-yield events to the destination. (Sheehan and Ritchie, 2005)

As crisis situations signify little information, time pressure and psychological stress, a predefined Crisis Management Team may ensure response and reaction. (Ritchie, 2009) Generally, the intensity of time pressure can be broken down into three components:

- “Limitation on the time available, i.e. the decision time;
- Individual sensitivity of the participants towards external pressure;
- The magnitude of the problem.” (Glaesser, 2006, p. 13)

Especially within the Tourism context, the component of external pressure plays an essential role: External pressure is intensified not just by persons directly affected but also by tour operators, incoming agencies, airlines, embassies and not least the media. If nothing else, this external pressure reduces the time to reach a consensus of opinions or to hold a debate. The “top down”-approach has proved to be successful in

many occasions. But – this is only true for organizations in which the senior executives take crisis management and its consequences to the organization, its environment and Stakeholders serious. Considering a Crisis Management Manual the ultimate evidence of Crisis Readiness might not be enough in this context. (Rousaki and Alcott, 2006; Arbel and Bargur, 1980) Instead, “it is generally recognized that prepared businesses are in a more competitive and advantageous position to negative events, and that decisions made before a crisis or disaster will enable a quicker and more organized response by providing a clear direction to follow.” (Hystad and Keller, 2008, p. 152) A Crisis Management Manual will always represent only one facet of Crisis Management Readiness. Additional exemplary facets would be regular scenario-based Trainings, pre-definition of a Crisis Management Team, a Crisis Communication Plan including determination of a spokesperson or incorporation of lessons learned from previous crises.

Yu et al. (2005, p. 104) propose three aspects which shall be considered by Hotels while developing a Crisis Management Plan:

1. “A rich understanding of how specific crises affecting the tourist industry and other organizations have been responded to and recovered from;
2. A state of mindfulness about conditions that may lead to future crises deeply and pervasively throughout its membership;
3. A carefully defined crisis response and recovery which is networked with the larger community crisis management plan.”

The complete external communication should be coordinated and conducted by one designated spokesperson by a simultaneous ban on speaking for all other persons involved. According to Ritchie, poor communication strategies can make a crisis even worse. Especially, if the response takes too long (and the media have deadlines to work to and are looking for quick sources of information) someone else will answer – maybe not in the way and with the details the organization itself would have preferred. (Ritchie, 2004) A key success factor in Crisis Communication is targeting Stakeholders with different – appropriate – messages regarding content, extent and channel. (Stephens et al., 2005)

For realizing a structured and strategic implementation of the concluded Crisis Management procedures, “Regular meetings (perhaps even daily) are required to assess the effectiveness of strategies, the response of various Stakeholders to strategies and to review the development of the crisis or disaster as it evolves over its lifecycle.” (Ritchie, 2004, p. 675)

4. Research Methodology

Three crucial Hotel Stakeholder Groups were surveyed (time-frame October 2013 – January 2014) *ceteris paribus*:

- 81 Internal Stakeholders
- 70 Hotel Guests
- 84 DMOs

The survey was conducted in form of a semi-structured questionnaire. In order to achieve comparability, the key questions were either the same or only slightly adjusted to the respective Stakeholder Group specifics.

Hereinafter, a quantitative evaluation of some particular research results displays the individual Stakeholder Groups’ as well as the general attitude towards Tourism-related Crisis Management within the Hotel Industry.

5. Analysis and Results

First of all, the survey aimed for assessing the Stakeholders’ general perception both of the Hotel Industry’s Crisis Awareness and Crisis Preparedness. Hereinafter the results of the two introductory questions are displayed tabularly at first and graphically after that:

Table 1. Survey results for question “How would you rate the Crisis Awareness within the Hotel Industry in general?”

	Not at all 1	In need of improvement 2	Neutral 3	Good 4	Excellent 5	Average
Internal Stakeholders	1,23 %	32,10 %	48,15 %	18,52 %	0 %	2,84

Hotel Guests	0 %	24,29 %	41,43 %	31,43%	2,86 %	3,13
DMOs	2,38 %	29,76 %	21,43 %	41,67 %	4,76 %	3,17

Source: author's construction

Table 2. Survey results for question “How would you rate the Crisis Preparedness within the Hotel Industry in general?”

	Not at all 1	In need of improvement 2	Neutral 3	Good 4	Excellent 5	Average
Internal Stakeholders	2,50 %	46,25 %	40,00 %	10,00 %	1,25 %	2,61
Hotel Guests	1,45 %	40,58 %	24,64 %	30,43 %	2,90 %	2,93
DMOs	1,20 %	38,55 %	26,51 %	32,53 %	1,20 %	2,94

Source: author's construction

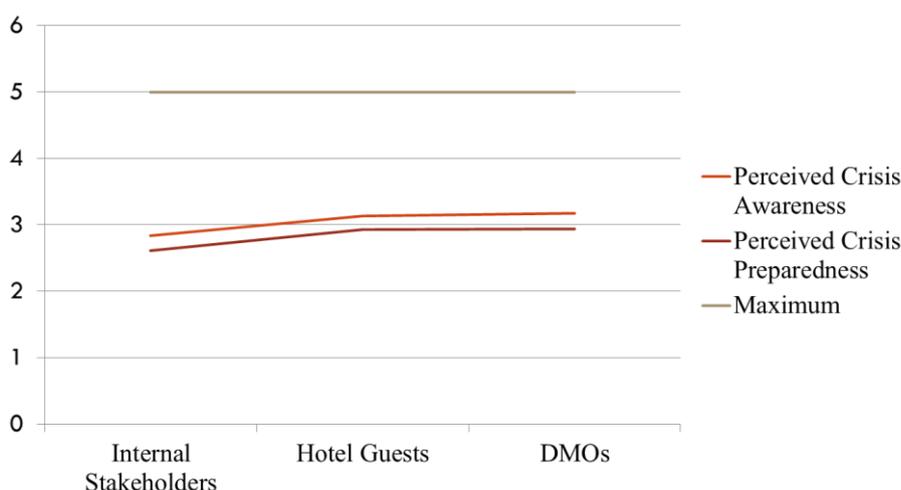


Figure 3. Stakeholder Groups' perception of Hotel Industry Crisis Awareness and Crisis Preparedness.

Source: author's construction

Tables 1 and 2 in detail and Fig. 3 considering the average ratings reveal that the perception of Crisis Awareness is rated slightly higher than that of Crisis Preparedness. However, both perceptions are clearly rated as being neutral or even in need of improvement compared to the maximum possible. An additional finding of the question is that internal Stakeholders who are expected to have more insight into a Hotel's Crisis Management setup than external Stakeholders (Hotel Guests and DMOs) are valuating both Crisis Awareness and Crisis Preparedness lower than the other Stakeholder Groups. This fact might be an indicator for either indeed poor crisis management efforts or poor information respectively lack of an image campaign regarding crisis management efforts.

The more specific survey question with reference to this paper was the following “Do you think that the active involvement of Stakeholders might help reducing the impact of crises?” Table 3 shows the survey results:

Table 3. Survey results (average ratings) for question “Do you think that the active involvement of Stakeholders might help reducing the impact of crises?”

	Internal Stakeholders	Hotel Guests	DMOs	Maximum
pre-crisis	3,89	3,50	3,57	5
acute crisis	3,84	3,69	3,99	5
post-crisis/ learning process	4,12	3,72	3,99	5

Source: author's construction

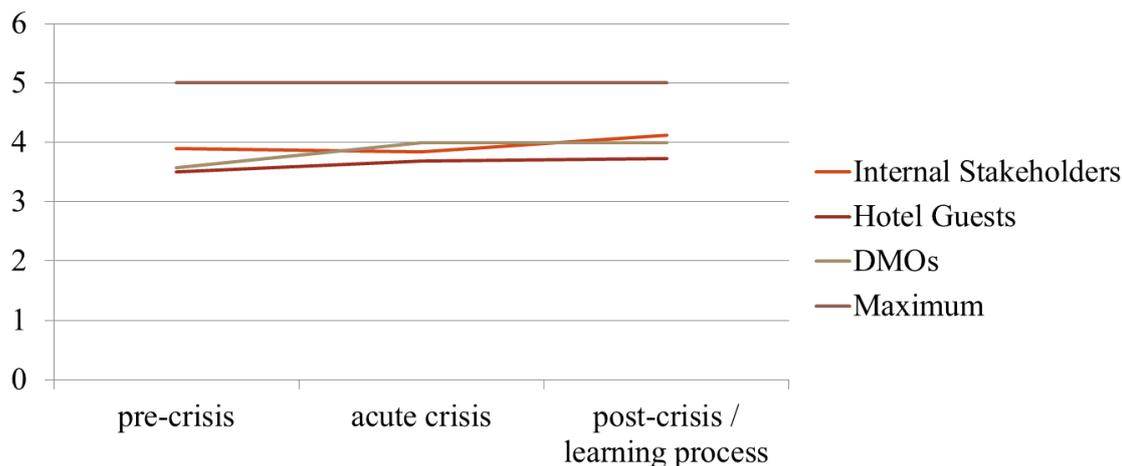


Figure 4. Stakeholder Groups' evaluation of the possibility of active Stakeholder Engagement helping to reduce possible crisis impacts
Source: author's construction

Comparing the results of Table 3 resp. the average ratings of Fig. 4 to the previous Fig. 3 it becomes apparent that all Stakeholder Groups value active Stakeholder Engagement throughout the Crisis Management process as helpful in order to reduce possible crisis impacts. In this context all three surveyed Stakeholder Groups value the effect of active Stakeholder Engagement in the post-crisis/learning-phase highest.

6. Discussion and Conclusion

The following illustration (fig. 5) displays a compilation of the Theoretical and Empirical Findings with reference to possible Stakeholder Engagement in the respective Crisis Management Phases. In an adapted Crisis Management Circle, phases in which Tourism-Industry Stakeholders might successfully and supportingly be implemented are marked:

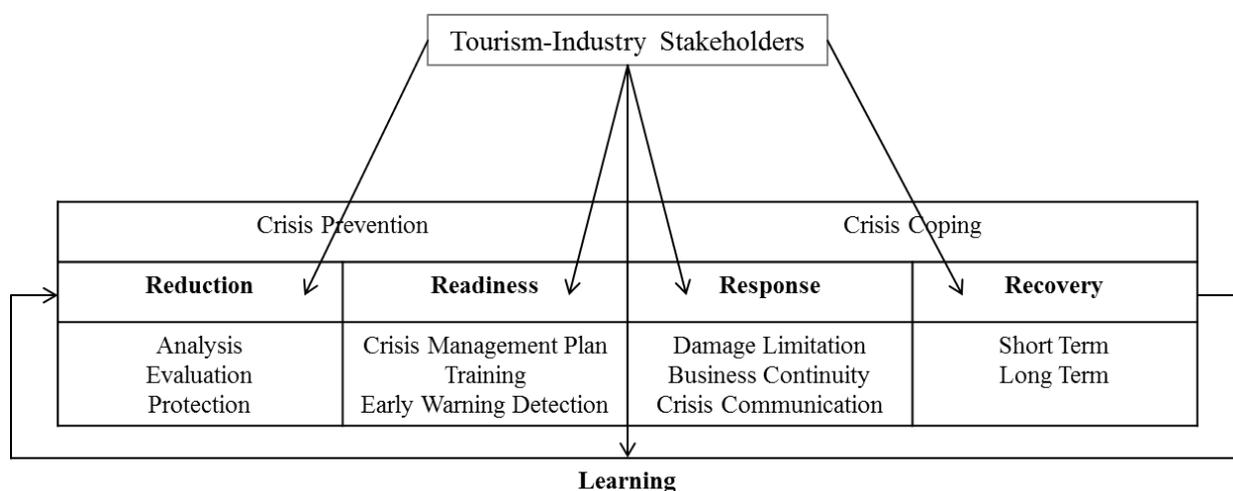


Figure 5. Hotel Industry's Crisis Management Circle including Tourism-Industry Stakeholder Engagement
Source: author's construction

Conclusively, Table 4 offers a more detailed option to plan the tactics for the decisive Tourism-related Stakeholder Relationships in the different steps throughout the Crisis Management Circle. It seems advisable that Hotel companies – after identifying all (Tourism-related) Stakeholders – prepare and fill-in this matrix for each Tourism-related macro-level Hotel crisis scenario. Stakeholder Classification as well as prioritization or power and influence may differ significantly based on the respective crisis scenario. Some Tactics might already be established as a crisis reduction or readiness tools, others might support the response or recovery phases.

Table 4. Tactics Matrix for Managing Tourism-Industry Stakeholders in Crisis Situations within the Hotel Industry

Stakeholders	Tourism-related Stakeholders	Classification	Prioritization in crisis situation	Economic/ Political Power	Influence	Partnering Tactics	Communication Tactics
Employees							
Managers							
Customers	Tourists						
Competitors							
Suppliers	Attractions						
Stockholders							
Distribution Partners	Tour Operators/ Wholesalers Travel Agencies OTAs GDS						
Media							
Local Community	Residents DMOs Infrastructure & Passenger Transportation Convention Centers						
Regulators							
Natural Environment							

Source: author's construction based on Bourne (2009), Harrison and St. John (1996), and own empirical findings

There exist only few very good practical examples of professional, structured, and planned cooperation between Tourism Industry Stakeholders worth mentioning. These exemplary cooperation are mainly located in especially vulnerable geographical areas where the necessity of crisis preparedness as well as fast crisis response seems even more obvious:

1. PATA = Pacific Asia Travel Association; www.pata.org; establishment of a “Rapid Recovery Taskforce” (PRRT)
2. NEMO = National Emergency Management Organization of Saint Lucia; www.nemo.gov.lc; Publication of “The Saint Lucia Hospitality Industry Crisis Management Plan” (Government of Saint Lucia, 2007) and establishment of the “Hospitality Industry Crisis Management Committee” (CMT)

The Checklists of both Organizations mention “Stakeholders” explicitly taking their needs and demands into consideration on the one hand and involving them actively into the Crisis Management Process on the other hand.

Based on general instructions evolved in the research paper “Stakeholder Relationship Management in the context of Crisis Management” (Zech, 2013b) and supplemented by the specifics of the Tourism context, conclusions regarding a Tourism-related Stakeholder Relationship Management approach to Crisis Management within the Hotel Industry are:

1. A Stakeholder Relationship Management approach to Crisis Management cannot be seen as a once only tactic but has to be implemented into the companies’ General Management as a paradigm shift.
2. All crucial Stakeholders of the Hotel Company need to be identified and a Stakeholder map focusing on the Tourism context has to be drawn. Both formal and informal agreements have to be considered. Networks and cooperation have to be established before and tightened in a crisis situation. It is too late to establish them in a crisis situation!

3. A pre-crisis audit including interviews with both internal and external Stakeholders should be conducted in order to determine the crisis-preparedness of an organization.
4. A Tactics Matrix as proposed in Table 4 has to be filled-in for different Tourism-related macro-level crisis scenarios in order to determine respective Stakeholder prioritizations as well as partnering and communication tactics. Non-Tourism companies and Stakeholders (e.g. police, fire department, medical authorities, media, etc.) may be of crucial importance in crisis situations as well and have to be considered where applicable.
5. For testing the Crisis Management Plan, it seems advisable to prepare a detailed crisis scenario for each crisis type defined. Best case and worst case scenarios shall be implemented.
6. Training shall include general training, table-top exercises, workshops and real time and live simulations including flexible elements with the aim to test the organization, communications and the teamwork of those concerned and the ability of individual actions.
7. Crisis management audits and training have to be implemented into business activity plans and reiterated on a regular basis.
8. The learning process of the own crisis history has to be extended by the learnings of the Stakeholders' crisis histories.

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Accounting Information Systems – A Value-Adding Phenomenon or a Mere Trend? The Situation in Small and Medium Financial Service Organizations in the Cape Metropolis

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Small Medium and Micro Enterprises (SMMEs) are of grave importance to the South African economy as they are legally obliged to support in the alleviation of poverty, the diminution of unemployment and the equal dissemination of wealth throughout the country. Despite the importance of these entities, prior research suggests that these entities are not mainly sustainable as between 70% and 80% of South African SMMEs fail after being in operation for five years. More often than not the latter dispensation is believed to stem from the realization of risks which, in turn, is cultivated by the ineffective management of economic factors. Among the economic factors which have a direct influence on the existence of South African SMMEs is the effectiveness of accounting information system(s). Here it is argued that a small organization is more likely to attain sustainability if its accounting information system(s) provide relevant, reliable and recent information, to management, for better business-related decision making. From a SMME dispensation, prior research justifies that accounting information systems can be regarded as critical 'decision-making-tools'. In fundamental nature, this research study was conducted to determine the actual value which utilized accounting information systems add to South African SMMEs. This research study was descriptive in nature and fell within the positivistic research paradigm. Data were purposively collected from 32 SMME owners and/or managers, in the Cape Metropolis, who had to adhere to strict delineation criteria. It was found that although SMMEs have informally implemented accounting information systems, they add extreme value to SMME leaders when having to make sound business decisions.

Keywords: SMMEs, accounting information systems, accounting

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1. Introduction

During the course of 1996 the South African government signed the National Small Business Act No. 102 into law whereby Small Medium and Micro Enterprises (SMMEs) were defined as follows:

“[SMMEs are] *separate and distinct business entities, including cooperative enterprises and non-governmental organizations, managed by one owner or more which, including its branches or subsidiaries, if any, are predominantly carried on in any sector or subsector of the economy*” (South Africa, 1996, pp. 2).

In the same Act, SMMEs are classified as micro entities, very small entities, small entities or medium entities (Ngubane, et al., 2015, pp. 384) and are demarcated through means of: 1) the number of full-time employees employed, 2) the annual turnover made, and 3) the fixed-asset value of SMMEs. The latter is condensed in Table 1 below:

Table 1: The classification of SMME size in the financial services industry

Size of entity	Number of full-time employees employed	Annual turnover made	Fixed asset value (excluding fixed property)
Micro	Between 0 and 5	Between R0 and R150 000	Between R0 and R100 000
Very small	Between 6 and 10	Between R150 001 and R2 000 000	Between R100 001 and R400 000
Small	Between 11 and 50	Between R2 000 001 and R10 000 000	Between R400 001 and R2 000 000
Medium	Between 51 and 100	Between R10 000 001 and R20 000 000	Between R2 000 001 and R4 000 000

Source: South Africa, 1996, pp. 16

Regardless of their size, South African SMMEs are required, by law, to add value to the national economy by decreasing the unemployment rate, decreasing poverty and help spurring the national economy as a whole (Gordon, et al., 2014, pp. 38). The aforementioned is supported by research conducted by Abor and Quartey (2010) who found that South African SMMEs contribute up to 57% of the national Gross Domestic Product (Salie, et al., 2014, pp. 26) while simultaneously providing up to 80% of all local employment opportunities in the country (Swart, 2011, pp. 10). Apart from adding value to the national economy, South African SMMEs also need to strive towards sustainability at the same time.

The term “sustainability” can be viewed as the long-term continuation of an organization through means of attaining relevant business objectives (Buys, 2012, pp. 10). These business objectives, in turn, can comprise of a mixture of “economic objectives”, “environmental objectives” and “social objectives”. The latter is depicted in Figure 1 below for the sake of clarity:

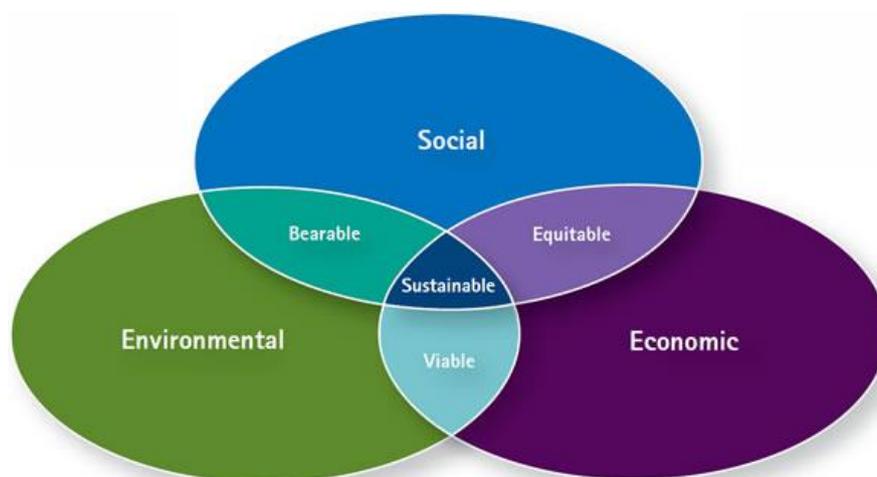


Figure 1: The depiction of the term “sustainability”

Source: Canadian Government, 2010

Notwithstanding the above, Fatoki and Smit (2011, pp. 1413) aver that South African entities have great difficulties to achieve their legally imposed objectives to a great extent as they struggle to become sustainable (in their personal capacity). This sentiment is further supported when taking into consideration the astronomical failure rate of South African SMMEs (Ngary, et al., 2014, pp. 910).

Prior research shows that since 2010 approximately 70% of South African SMMEs have had to close down after being in operation for a maximum of 5 years (Siwangaza, et al., 2014, pp. 165; Fatoki, 2014, pp. 72). In addition Mazanai and Fatoki (2011, pp. 208) posit that close to 75% South African SMMEs cease to exist after operating for only 42 months. Hence it is of no surprise that the current SMME failure rate, from a South African dispensation, is regarded as one of the highest in the world (Olawale and Garwe, 2010, pp. 730).

More often than not the SMME failure rate, regardless of the country in which these entities operate, is 'blamed' on the realization of unmanaged risks in and around SMMEs (Smit & Watkins, 2011, pp. 6328) – i.e. events which may or may not occur that, if realized, may adversely influence the attainment of an organization's objectives in the nearby future (Smit, 2012, pp. 45-46). In quintessence, risks are cultivated by the existence of economic factors which, in most cases, adversely influence the economic objectives of organizations (Bruwer, et al., 2013, pp. 1003). Economic factors are generally categorized into two distinct groups, namely that of macro economic factors and micro economic factors (Gordon, et al., 2014, pp. 39; Bruwer, 2010, pp. 8-9; Ngary, et al., 2014, pp. 912).

- **Micro economic factors:** These factors cultivate in and around an organization and can be controlled to a large extent by an organization's management. Examples of micro economic factors include the competence of staff, the quantity of internal financial resources, the morale of staff, the infrastructure of an organization, the financial position of an organization, and the financial performance of an organization, just to mention a few.
- **Macro economic factors:** Such factors cultivate from outside an organization and can only be controlled to some extent by an organization's management. Examples of macro economic factors include laws and regulations, taxation rates, inflation rates, interest rates, crime, exchange rates, and supply and demand trends, among other.

Another economic factor which is critical to the overall sustainability of SMMEs is the effectiveness of its relevant accounting information system(s). Prior research suggests that accounting information systems that provide relevant, reliable and recent information to an organization's management will allow such an organization to be more sustainable (Allah, et al., 2013, pp. 262). Hence it is believed that accounting information systems that are deployed inside an organization should add value to the organization, ultimately resulting in the organization to become more sustainable.

2. Literature Review

With the introduction in mind, the literature review places focus on an array of aspects under the following three headings: 1) accounting information systems defined, 2) the use of accounting information systems and integration into business processes, 3) accounting information systems in SMMEs, and 4) the value of accounting information systems in SMMEs:

2.1. Accounting Information Systems Defined

Accounting information systems refer to manual systems, computerized systems or a hybrid of manual and computerized systems that are used in the recording and reporting of business transactions, as well as generating reports and financial statements to aid in the planning and controlling of a business' operations (Gutierrez, et al., 2011, pp. 26). Taking technological advances into account, accounting information systems today refer primarily to computerized systems. In a more recent dispensation Tokic, et al. (2011, pp. 106) are of the opinion that accounting information systems can be defined as the sum of equipment, people, computer programs and stored data (resources), which includes communications and network connections along with organizational procedures, that enables the collection, sorting, recording, summarizing and storing of data and information. Ultimately accounting information systems are of paramount importance in the preparation and presentation of the accounting related information to relevant users thereof. The view above is substantiated by Salehi et al. (2010, pp. 187) who note that accounting information systems are primarily responsible for collecting, capturing, processing, storing and reporting data and information. Hence, accounting information systems can be viewed as tools which assist management of organizations to manage and control organizational economic activities which occur in and around the relevant organization (Dalci & Tanis, 2011, pp. 47; Grande, et al., 2011, pp. 26; Soudani, 2012, pp. 136).

Generally speaking, accounting information systems are categorized into four ‘sub-systems’ (Xu, 2003, pp. 18). These sub-systems are briefly elaborated upon below:

- **The transaction processing system:** This system is directly responsible for the recording daily organizational operations (transactions) by means of capturing, storing, retrieving and processing business events and generating information and supporting documentation for the organization.
- **The general ledger/financial reporting system:** This system helps produce financial statements, tax returns and other reports, as required by legislation. In core, this system is built on the foundation which comprises of the transaction processing system.
- **The fixed asset system:** This system is responsible for handling transactions related to acquiring, maintaining and disposing fixed assets – on which the general ledger/financial reporting system is built on too.
- **The management reporting system:** This system’s main priority is to provide applicable information, comprising of the financial performance and the financial position of the organisation, to management in order to make relevant business decisions. Here, the general ledger/financial reporting system is required as foundation.

Gelinas, et al. (2011, pp. xv) affirm the composition of the ‘sub-systems’ of accounting information systems. From an ‘information technology’ perspective, an accounting information system should comprise of various functions, namely: 1) collecting information, 2) providing information, and 3) adjusting/controlling information. The latter is graphically depicted in Figure 2 below.

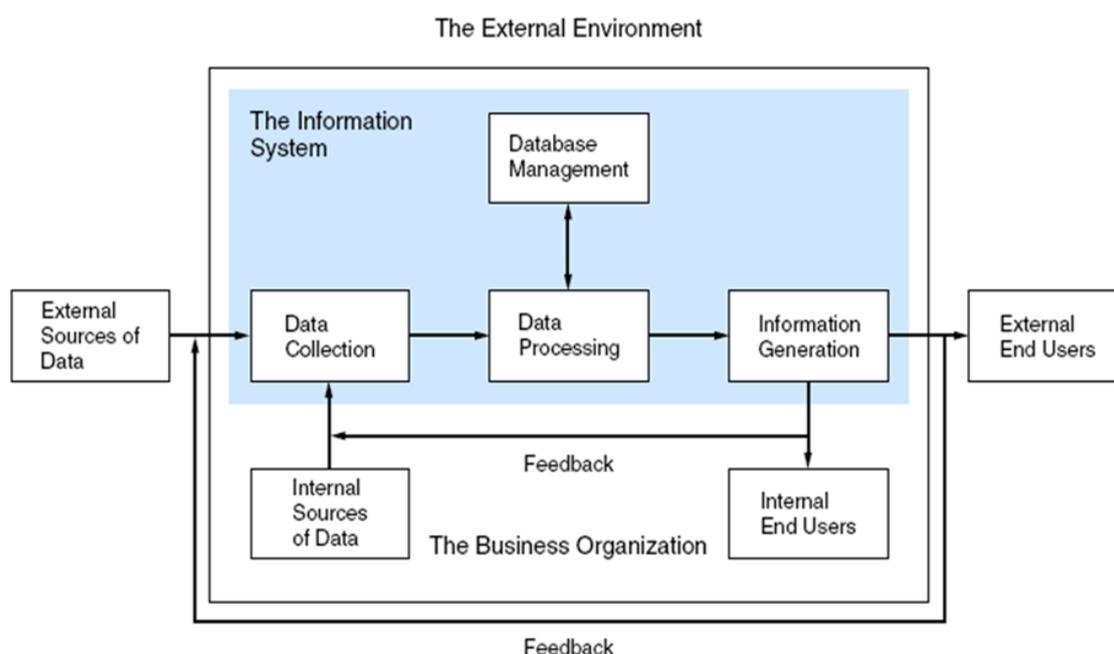


Figure 2: Functions of a generic accounting information system

Source: Hall, 2012, pp. 9

2.2. The Use of Accounting Information Systems and Integration into Business Processes

With the rapid development in technological changes Soudani (2012, pp. 136) is of the opinion that accounting information systems, for any organization, is regarded as ‘non-negotiable necessity’ (Grande, et al., 2011, pp. 35). The latter is particularly the case since accounting information systems provide valuable information pertaining to decision-making to organizational stakeholders across all industries (Maseko & Manyani, 2011, pp. 1). More often than not, the various uses of accounting information systems include, but do not limit to (Hall, 2008, pp. 38):

- Produce external reports (used by external stakeholders).
- Provide internal reports (used by internal stakeholders).
- Provide support pertaining to routine activities.
- Provide decision making support.
- Aid in planning activities and controlling activities.

- Aid in the implementation of sound internal controls.

In addition to the above Grande et al. (2011, pp. 27) make mention that accounting information systems are also used for transaction tracking, analyzing of reporting data (internal and external data), producing of financial statements and the analysis of trends (budgeting and forecasting). Therefore it can be argued that accounting information systems should be designed an ‘assurance-providing-measure’ in relation to the accomplishment of economic objectives (i.e. profitability, liquidity, solvency and efficiency). For this reason Soudani (2012, pp. 137) avers that the optimal use of accounting information systems, by organizational management, should result in an improved adaptation to a changing environment and improved management of arm's length transactions. By combining applicable methodologies, control techniques and a sound accounting information system, it will cultivate in the enhancement of decision making to be made by decision-makers.

Notwithstanding the above Monk and Wagner (2009, pp. 23) share the view that accounting information systems should be custom made for smaller organizations. Justification for this sentiment is that by doing so, it will improve their operating efficiency and allow for a more ‘cost-saving-approach’ to operations. The most simplistic manner in which this can be done is by recording all operational transaction in a common database that, in turn, is used by relevant users throughout the organization. As a result, business decisions can then be based purely on performance indicators derived from the data in the communal database. Regardless of the complexity of accounting information systems, a well-designed accounting information system should assist organizational management in processing and producing reliable, timeous, prudent, useful, comparable, relevant and valid financial information to make sound business decisions on (Fadhil & Fadhil, 2011, pp. 21; Gwangwava, et al., 2012, pp. 1129; Tóth, 2012, pp. 93; Hall, 2012, pp.12; Stanković, et al., 2012, pp. 660). To effectively achieve the above, accounting information systems can be integrated into internal business processes and/or external information systems (Butkevičius, 2009, pp. 150). This is expanded on below:

- **Integration of accounting information systems with the internal business processes:** Due to the fact that majority of organizations prefer to automate and improve business processes (Juozapavičius, et al., 2009, pp. 107) it is vital that financial reports are generated as close to real-time as possible. As such, relevant information on sales made, human resource management, quality control, contract management, documentation management, among other, can be accessed which will, in turn, provide relevant users with applicable decision making information.
- **Integration of accounting information systems with external information systems:** By following this route, the integration of accounting information systems with external information systems can be analyzed in the context of business models - unique configuration(s) of elements comprising the organization’s goals, processes, technologies and structure (Osterwalder 2004, pp. 25). This approach will enable enhanced value for stakeholders and higher probable gains in relevant market segments.

2.3. Accounting Information Systems in SMMEs

A significant contributor to how well businesses perform, in a financial manner, is the relevance and timeliness of information influencing the quality of decision making. In quintessence, access to relevant and timeous information is best achieved by embedding technologies within systems which, in turn, generates the required information (Butkevičius, 2009, pp. 144). Organizations should therefore adopt and embed technology within their operations which should provide for improvement in business processes. Regardless of an organization’s size, organizations and their respective management should coordinate and control applicable business activities (Chen & Wu, 2005, pp. 35), especially since all organizations should be encouraged to use integrated technologies to support their respective business through pressure exerted on them by relevant stakeholders (Chen & Wu, 2005, pp. 3).

To remain competitive, and ultimately to ensure business sustainability, SMMEs, in particular, should become profitable through quality competitiveness and price competitiveness of products sold and/or services rendered (Ismail, et al., 2003, pp. 21). This is especially the case due to technological changes taking place in the globalized trading environment – as a result of their size, SMMEs can arguably remain competitive and counter business failure by being innovative in their approach to technology, which includes the use of accounting information systems. With the above in mind however, Chiware (2008, pp. 1) posits that one of the major constraint to the development and growth of SMMEs can be attributed to the insufficient access to business information. This is quite disconcerting, taking into consideration that research conducted by Modiba (2010, pp. 3) found that the most important resource for an organization is access to its information as it enables

decision makers to make economic decisions which, in turn, will influence the overall well-being of the organization (Ismail & King, 2005, pp. 241; Shokane, 2001, pp. 26; Stanković, et al., 2012, pp. 660).

2.4. The Value of Accounting Information Systems in SMMEs

Marcella and Illingworth (2012) state that the effective use of information are beneficial to any organization, regardless of its size, as it reduces administrative costs, increase the effective collaboration with external parties and improve customer service through greater efficiency. Furthermore Namani (2009, pp. 3) states that SMMEs need effective information systems to support and deliver information for decision making purposes (especially economic decisions which take financial information into account). Such an information system include technologies that support decision making, provide effective interface between users and computer technology and provide information to management to improve the daily business operations.

According to Wang and Huynh (2013, pp. 13-21) computerized (technological) accounting information systems should be designed to automate and integrate all business operations. The value that such accounting systems add, according to Wang & Huynh (2013, pp. 13-21) and Agnes (2011, pp. 6) include, but do not limit to:

- Better cost-effectiveness relating to the planning of business processes.
- Better cost-effectiveness relating to the organizing of business processes.
- Better cost-effectiveness relating to the controlling of business processes.
- Better cost-effectiveness relating to the leading of business processes.
- Enhanced timeous processing of financial information for decision making.
- Enhanced timeous analyzing of financial information for decision making.
- Enhanced accuracy of financial information for decision making.
- Allow for a 'bigger picture' overview of business processes.
- Better access to critical performance indicator(s) information for decision making.
- Enhanced processing of large volumes of information with great precision.
- Enhanced analyzing of large volumes of information with great speed.

Albeit the above Hall (2015, pp. 3-30) makes mention that accounting information systems can contribute to the improvement of information management and knowledge management within the organization - particularly as transaction costs are reduced, while speed and reliability of transactions for both business-to-business (B2B) and business to-consumer (B2C) transactions are improved. Sam, et al. (2012, pp. 13) add that computerized accounting information systems provide: 1) accurate and comprehensive results of operations, 2) allow for quick comparisons between current and previous years data, 3) generate financial statements to be used by an array of users, and 4) disclose record keeping error, waste, theft, and employee misconduct (Nawaz, 2012, pp. 21)

Purely from a SMME perspective, the main advantages derived from the optimal use of accounting information systems include the improved adaptation to changing environments (economic environments mostly), improved management of arm's length transactions, and the providence of a higher degree of competitiveness (Grande et al., 2011, pp. 27). In addition to the latter, the effective use of accounting information systems can provide SMME leaders (i.e. owners and/or managers) with important information to monitor and control both long-term and short-term matters which may include profitability, solvency, liquidity and efficiency (Ismail & King, 2007, pp. 241; Alia, et al., 2012, pp. 256; Bruwer & Holtzhausen, 2015, pp. 124-128). Despite the theoretical perspective above, prior applied research as conducted by Ismail and King (2005, pp. 246), Sajady, et al. (2008), Kharuddin, et al. (2010), Kouser, et al. (2011) and Grande et al. (2011) show that accounting information systems, if implemented correctly, does improve an organization's performance, profitability, liquidity and operational efficiency.

3. Research Design and Methodology

Based on the work of Collis and Hussey (2009) and Leedy and Ormrod (2010), any research study can be designed in terms of its purpose, process, logic, and outcome. In addition, the design of any research study is physically executed through means of proper methodological procedures. For the sake of this article the research design and research methodology will be discussed under separate headings.

3.1. Research Design

The research design that was evident for this study was as follows:

- **Purpose:** This research study was regarded as descriptive research. The main intention for conducting this research study was to describe a certain problem at hand – i.e. whether accounting information systems deployed by SMMEs actually add value towards the sustainability of these entities.
- **Process:** This research study was deemed as positivistic research. For this research study, quantitative data were gleaned to help solve and/or mitigate an identified research problem. This was done purely through means of deploying a questionnaire-tool.
- **Logic:** This research study followed deductive reasoning as the initial perception of the author stemmed from existing literature, which was further tested through means of empirical research.
- **Outcome:** This research study was regarded as applied in nature as this study provides recommendations as to how to possibly mitigate and/or solve an identified research problem.

3.2. Research Methodology

The research methodology that was deployed for this study was survey research. In core, survey research was used to obtain the perceptions of respondents, which are not easily measurable by making use of physical observations only, in a textual manner. To do so effectively a questionnaire-tool was used which consisted of 10 major closed-ended questions. A total of 4 major questions had 58 sub-questions, all of which took the form of 5 point Likert-scale questions.

In order to obtain responses from a representative sample size, a non-random sampling method was used (purposive-convenient sampling). This was especially the case since all targeted respondents had to adhere to strict delineation criteria. In a fundamental nature, 50 SMME leaders (owners and/or managers) were approached to complete the relevant questionnaire, of which only 40 completed it. Of the 40 completed questionnaires, only 32 responses were valid as all respondents had to adhere to strict delineation criteria. The delineation criteria are shown below:

Respondent delineation:

- All respondents had to be SMME leaders (owners and/or managers)
- All respondents had to have at between 1 and 8 years of experience as owners and/or managers.
- All respondents should have been actively involved in their respective SMMEs.

SMME delineation:

- All SMMEs should have employed between 11 and 100 employees
- All SMMEs should have been regarded as financial service providing businesses.
- All SMMEs should have been regarded as non-franchised organizations.
- All SMMEs should have adhered to the definition of a “SMME” as per the Small Business Act No. 102 of 1996.
- All SMMEs should have operated within the perimeter of the Northern Suburbs of the Cape Metropolis.
- All SMMEs should have been regarded as sole traders or partnerships.
- All SMMEs should have been in existence for at between 1 and 10 years
- All SMMEs should have made use of at least one accounting information system (formal or informal).

3.3. Limitations

It is important to note that this research study could not be broadened beyond its current scope (refer to the geographical delineation) due to time constraints and money constrains. The authors had no formal budget to conduct this research study as it was self-funded, while the authors only had 4 weeks at their disposal to collect data pertaining to this research study.

4. Findings and Discussions

The findings made from the analyzed data are both stated and discussed below under the following headings: 1) delineation criteria, 2) accounting information systems used by respondents, 3) accounting

information used by respondents, and 4) the value of accounting information systems as a decision making tool.

4.1. Delineation Criteria

As previously mentioned, all respondents had to adhere to a strict set of delineation criteria before their responses were regarded as valid. A total of 32 SMMEs owned and/or managed by respondents were regarded as non-franchised sole traders or partnerships, operating in the financial service providing organizations, all of which were situated in the Northern Suburbs of the Cape Metropolis (56.25% were situated in Bellville, 15.63% were situated in Durbanville, 9.37% were situated in Goodwood, 9.37% were situated in Parow and 9.38% were situated in Tyger Valley).

When respondents were asked what position they held in their respective SMMEs, a total of 21.88% of respondents indicated that they were owners, while 65.63% of respondents indicated that they were managers. The remaining 12.5% of respondents indicated that they were owner-managers of their respective SMMEs. In addition, respondents were also asked how long they have been fulfilling the role of owners and/or managers in their respective SMMEs. A summary of responses received are shown in Table 2 below:

Table 2: *The number of years that respondents have been owners and/or managers in their respective SMMEs*

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Number of years in existence	1	3	9.38	9.38	9.38
	2	8	25.00	25.00	34.38
	3	5	15.63	15.63	50.00
	4	4	12.50	12.50	62.50
	5	6	18.75	18.75	81.25
	6	3	9.38	9.38	90.63
	7	1	3.13	3.13	93.75
	8	2	6.25	6.25	100.00
Total		32	100.0	100.0	

Source: Authors' fieldwork, 2015

From the table above it is evident that majority of respondents (71.88%) had between 2 to 5 years of experience as owners and/or managers with a calculated mean of 3.78 years.

To have a better understanding as to the size of respondents' SMMEs (and to test whether SMMEs adhere to the definition of the Small Business Act No. 102 of 1996), respondents were asked to indicate the number of full-time employees they employ. The results of the latter question are shown in Table 3 below:

Table 3: *The number of full-time employees employed by respondents' SMMEs*

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Number of full-time employees employed	11	2	6.25	6.25	6.25
	12	1	3.13	3.13	9.38
	20	5	15.63	15.63	25.00
	25	4	12.50	12.50	37.50
	26	1	3.13	3.13	40.63
	30	2	6.25	6.25	46.88
	35	1	3.13	3.13	50.00
	40	1	3.13	3.13	53.13
	41	1	3.13	3.13	56.25
	50	5	15.63	15.63	71.88
	55	2	6.25	6.25	78.13
	60	3	9.38	9.38	87.50
	70	1	3.13	3.13	90.63
	100	3	9.38	9.38	100.00
Total		32	100.0	100.0	

Source: Authors' fieldwork, 2015

Stemming from the data in Table 3 above, it is clear that all SMMEs adhered to the definition of a SMME as per the Small Business Act No. 102 of 1996 as all respondents employed between 10 and 100 employees on a full-time basis. The calculated mean for the statistics above amounted to 42.03. Furthermore, based on the definition of a SMME, the statistics in 71.88% of SMMEs were regarded as "Small Enterprises"

(employed between 11 and 50 full-time employees) while the remaining 28.12% of SMMEs were regarded as “Medium Enterprises” (employed between 51 and 100 full-time employees).

Lastly, respondents were asked to indicate how long their respective SMMEs have been in existence. The results show that 56.25% of SMMEs existed between 1 and 3 years, while 31.26% of SMMEs existed between 4 and 6 years, and the remaining 12.49% of SMMEs existed between 7 and 10 years. In terms of averages, the calculated mean score for the latter statistics amounted to 3.69 years.

In fundamental nature, it can be argued that the average respondent was deemed as a manager of a small, non-franchised financial service providing business, in the form of a sole trader or partnership, while situated in Bellville, with an average of 3.78 years of experience. Furthermore, the respective “Small Enterprise” employed an average of 42.03 employees on a full-time basis while having been in existence for an average of 3.69 years.

4.2. Accounting information systems used by respondents

Since all respondents’ SMMEs should have made use of at least one accounting information system, respondents were asked to provide insight as to the accounting information system(s) that is used in their respective SMMEs. To do so, respondents had to make use of a 5 point likert scale (1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree, 5 = strongly agree) to rate 10 statements starting with the following sentence: “In my business, the following accounting information system is used ...” A summary of the responses are shown in Table 4 below:

Table 4. *The accounting information system(s) used by SMMEs*

Accounting information system	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Mean	Std Dev
Freshbooks	100%	-	-	-	-	1	0.00
Kashoo	90.63%	9.38%	-	-	-	1.09	0.30
Outright	90.63%	9.38%	-	-	-	1.09	0.30
Quick Books	90.63%	9.38%	-	-	-	1.09	0.30
SAP	90.63%	9.38%	-	-	-	1.09	0.30
SMEasy	90.63%	9.38%	-	-	-	1.09	0.30
MS Access	71.88%	21.88%	-	3.13%	3.13%	1.44	0.91
Pastel	50%	12.5%	-	3.13%	34.38%	2.59	1.86
Manual (by hand)	28.13%	6.25%	6.25%	40.63%	18.75%	3.16	1.55
MS Excel	15.63%	3.13%	-	21.88%	59.38%	4.06	1.48
Average	71.88%	9.07%	0.63%	6.88%	11.56%	1.77	0.73

Source: Authors’ fieldwork, 2015

From the statistics evident in Table 4 the two most used accounting information systems were “MS Excel” (used 81.2% of the time) and “Manual (by hand)” (used 63.2% of the time). Though their overall utilization are both favorable, the latter accounting information systems are very informal. Although “Pastel” was the third most utilized accounting information system, a formal accounting information system, it was only used 51.8% of the time. All other listed accounting information systems were not used by SMMEs to a great extent.

As such, one can infer that possible reasons for the latter include: 1) formal accounting information systems are too expensive to implement by SMMEs, 2) respondents have are not familiar with formal accounting information systems that are on the market, 3) respondents are not ‘skilled enough’ to make proper use of formal accounting information systems, and/or 4) there is no ‘need’ for respondents to make use of formal accounting information systems.

4.3. Accounting Information used by Respondents

To formulate a better understanding as to ‘why’ respondents mostly make use of informal accounting information systems, respondents were asked to rate 22 statements on a 5 point likert scale (1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree, 5 = strongly agree), starting with the following sentence: “I require the following financial instrument when making business decisions ...” The findings made are shown in Table 5 below:

Table 5. Financial instruments used by respondents to make business decisions

Financial instrument	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Mean	Std Dev
Balance sheet	21.86%	34.38%	-	15.63%	28.13%	2.94	1.61
Creditors allowance journal	25.00%	21.88%	3.13%	21.88%	28.11%	3.06	1.63
Debtors allowance journal	25.00%	21.88%	3.13%	21.86%	28.13%	3.06	1.63
Trial balance	25.00%	21.87%	6.25%	12.50%	34.38%	3.09	1.67
Operational budget	9.38%	37.50%	3.13%	9.38%	40.61%	3.34	1.56
Purchases budget	9.38%	34.38%	3.13%	9.38%	43.73%	3.44	1.56
Sales budget	9.38%	34.38%	3.13%	9.38%	43.73%	3.44	1.56
Master budget	6.25%	34.38%	9.38%	3.13%	46.86%	3.50	1.52
Petty cash journal	3.13%	37.50%	-	18.75%	40.62%	3.56	1.44
Debtors reconciliation statement	15.63%	18.75%	-	15.62%	50%	3.66	1.62
Creditors reconciliation statement	6.25%	28.13%	-	18.74%	46.88%	3.72	1.46
Statement of changes in equity	12.50%	12.50%	3.13%	18.74%	53.13%	3.88	1.50
Bank reconciliation statement	6.24%	18.75%	3.13%	21.88%	50%	3.91	1.38
Creditors journal	9.38%	9.38%	-	18.74%	62.50%	4.16	1.37
Debtors journal	9.38%	9.38%	-	18.74%	62.50%	4.16	1.37
General journal	9.38%	9.38%	-	3.13%	78.11%	4.31	1.40
Cash flow statement	-	9.37%	-	28.13%	62.50%	4.44	0.91
Cash payments journal	3.13%	-	3.13%	28.13%	65.61%	4.53	0.84
Cash receipts journal	3.13%	-	3.13%	28.13%	65.61%	4.53	0.84
Income statement	-	3.13%	3.13%	21.86%	71.88%	4.63	0.71
Cash flow budget	-	-	3.13%	18.75%	78.12%	4.75	0.51
Bank statement	-	-	-	-	100.00%	5.00	0.00
Average	9.52%	18.04%	2.28%	16.48%	53.69%	3.87	1.28

Source: Authors' fieldwork, 2015

From the statistics shown in Table 5 above it is clear that respondents, on average, made use of 'cash measurement instruments' more than any other financial instrument. In particular, the top 10 financial instruments used by respondents were as follows:

1. "Bank statement" (used 100% of the time).
2. "Cash flow budget" (used 95% of the time).
3. "Income statement" (used 92.6% of the time).
4. "Cash receipts journal" (used 90.6% of the time).
5. "Cash payments journal" (used 90.6% of the time).
6. "Cash flow statement" (used 88.8% of the time).
7. "General journal" (used 86.2% of the time).
8. "Debtors journal" (used 83.2% of the time).
9. "Creditors journal" (used 83.2% of the time).
10. "Bank reconciliation statement" (used 78.2% of the time).

In core, one can therefore start to make sense of the statistics evident in the Table 4 above as respondents do not really have a need for formal financial statements as 'cash only' instruments are predominantly used to make business decisions (evident in Table 5).

Although respondents were 'cash orientated' when making business decisions, the authors decided to ask respondents what information they make use of (stemming from their accounting information systems) apart from 'cash items'. This was done by asking respondents to rate a total of 10 statements on a 5 point likert scale (1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree, 5 = strongly agree), which started with the following sentence: "The following financial information (other than cash) stems from my accounting information system and is used to help make business decisions ...". A summary of the responses received are shown in Table 6 below:

Table 6. Financial information (other than cash) which stems from implemented accounting information systems and used by respondents to help make business decisions

Financial information	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Mean	Std Dev
Depreciation	15.62%	31.25%	-	9.38%	43.75%	3.34	1.66
Inventory	3.11%	28.13%	-	15.63%	53.13%	3.88	1.41
Telephone	3.11%	28.13%	-	15.63%	53.13%	3.88	1.41
Competitor pricing	-	-	-	-	100.00%	5.00	0.00
Cost of sales	-	-	-	-	100.00%	5.00	0.00
Gross profit	-	-	-	-	100.00%	5.00	0.00
Net profit	-	-	-	-	100.00%	5.00	0.00
Salaries	-	-	-	-	100.00%	5.00	0.00
Sales	-	-	-	-	100.00%	5.00	0.00
Wages	-	-	-	-	100.00%	5.00	0.00
Average	2.19%	8.75%	0.00%	4.06%	85.00%	4.61	0.45

Source: Authors' fieldwork, 2015

From the table above it is interesting to note that apart from information pertaining to 'cash', respondents also took into consideration financial information which may have a direct impact on its overall existence – specifically its profitability and liquidity. Along with information pertaining to 'cash', it was evident that in 100% of cases, respondents made use of "Competitor pricing", "Cost of sales", "Gross profit", "Net profit", "Salaries", "Sales" and "Wages" to make business decisions.

4.4. The Value of Accounting Information Systems as a Decision Making Tool

In order to understand whether accounting information systems deployed in SMMEs did add value in business decision making processes, the authors asked respondents to rate 9 statements on a 5 point likert scale (1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree, 5 = strongly agree), starting with the following sentence: "The financial information that are provided through the implemented accounting information system(s), in this business, provide to management with information to make decisions relating to ..." The following dispensation emerged in Table 7 below:

Table 7. The use of financial information stemming from accounting information systems implemented in SMMEs

Business decision	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Mean	Std Dev
Business expansion	-	-	-	-	100%	5.00	0.00
Discontinuation of products/services	-	-	-	-	100%	5.00	0.00
Forecasting	-	-	-	-	100%	5.00	0.00
Budgeting	-	-	-	-	100%	5.00	0.00
Purchases from suppliers	-	-	-	-	100%	5.00	0.00
Offering of new products/services	-	-	-	-	100%	5.00	0.00
Physical layout of the business	-	-	-	-	100%	5.00	0.00
Markup on goods/services	-	-	-	-	100%	5.00	0.00
Writing off of bad debts	-	-	-	-	100%	5.00	0.00
Average	0.00%	0.00%	0.00%	0.00%	100.0%	5.00	0.00

Source: Authors' fieldwork, 2015

From the statistics in Table 7 above, it is clear that all of the 9 listed business decisions were directly impacted by the utilization of financial information stemming from accounting information systems used.

5. Conclusion

Prior research shows that accounting information systems are crucial in commerce today as time is money. The quicker, cheaper and more accurate financial information can be processed and analyzed, to help generate decision making information, the more probable it is for a business to become economically sustainable. Regardless of the accounting information systems used, it is clear that such implemented systems should aid in the generation of relevant, reliable, understandable, timeous, comparable and valid information to aid in economic decision making by decision makers.

Though a magnitude of accounting information systems exist for South African SMMEs to make use of, from the research conducted it is evident that majority of respondents did not make use of formal accounting information systems (MS Excel and/or by hand). Although the latter accounting information systems were regarded as 'customized', the authors believed that the value that deployed accounting information systems added was not as great as that of formal accounting information systems. As such deductions were made that 1) formal accounting information systems are too expensive to implement by SMMEs, 2) respondents have are not familiar with formal accounting information systems that are on the market, 3) respondents are not 'skilled enough' to make proper use of formal accounting information systems, and/or 4) there is no 'need' for respondents to make use of formal accounting information systems.

When respondents were asked the exact financial instruments they use, stemming from their deployed accounting information system(s), it was found that instruments which measure 'cash' were greatly used to make business decisions (e.g. "Bank statement", "Cash flow budget", etc.). Although the predominant use of instruments which measure 'cash' is of great assistance to respondents when making business decisions, the reality is that these instruments can never provide a true reflection of a business' financial performance (profitability) and financial position (liquidity and solvency).

When respondents were asked which financial information, other than 'cash aspects', they made use of to make business decisions, it was found that they did make use of critical information which directly impacts the profitability and liquidity of their respective businesses (e.g. "Sales", "Gross profit", "Net profit", etc.).

All in all, although respondents did not make use of formal accounting information systems, it is clearly evident that the accounting information systems that were deployed by respondents did add a lot of value in terms of making sound business decisions. The downside to the latter is that if 'cash-only' information is predominantly considered to make business decisions, SMMEs face the risk of a decrease in profitability (the measurement of income vs. expenses), a decrease in solvency (the measurement of assets vs. liabilities), and/or a decrease in efficiency (the measurement of duration for a business to generate money).

6. Managerial Implications

From the research conducted, the authors are of the opinion that since SMME leaders made use of predominantly 'cash-only' information to make business decisions, their respective SMMEs face the risk of decreased levels of profitability (the measurement of income vs. expenses), decreased levels of solvency (the measurement of assets vs. liabilities), and/or decreased levels of efficiency (the measurement of duration for a business to generate money). As such, SMME leaders should strive to adjust their relevant accounting information systems to show a 'balanced view' of their respective SMMEs' financial performance and financial position.

7. Avenues for Further Research

The authors of this paper suggest that further research is conducted on providing a better understanding as to how informal accounting information systems, as implemented by SMMEs, work in great detail. By doing so relevant stakeholders, professional bodies and academic institutions, among others, may glean more insight into how SMMEs can effectively evolve to established organizations.

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What Do Companies in the Processing Industry Do in Order to Achieve Success?

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Borders of countries and continents have become more and more blurred by now, while distances have turned out to be less important. Markets of continents or countries are not separated anymore therefore competition between companies has gotten fiercer and much faster than earlier. What kind of instruments may companies in the processing industry use to maintain their existence and to remain competitive in the fragile system following the economic crisis in 2008? This research aims at finding out how the effects of components belonging to the concept of strategic management system influence outstanding achievement and success. It primarily analyses, in what ways instruments considered being the most determinative, i.e. strategic a structural success factors affect the processing industry. In order to do that the research defines the factors having an influence. Thereafter it explains successful operation of companies with factors emerging via the use of regression models. It uses the balance scorecard as a tool for success criteria describing success. The research tackles the issue of sustainability with a high priority in this system as a success component: the fifth perspective among the other four classic ones. Thus the results of the research will show how strategic and structural success factors can make a company successful and the satisfaction of which groups of interest they affect the most.

Keywords: success, balanced scorecard, success factors, strategy, structure

JEL Classification: M10, M12, M14

1. Introduction

Instruments necessary for effective operation depend remarkably on the current age and the environment surrounding the organisation. Various ages have had their different keys to success. This key has become more and more complex and complicated due to the continuous acceleration of world economy and

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the fact that distances have become negligible. While geographical barriers were more significant earlier, the time factor was not as determinative as it is today. Nowadays globalisation has become almost unstoppable.

Following the economic crisis of the past years it has been playing a more significant role how to remain existent and how opportunities can be better exploited in the current fragile system. The race between organisations is in fact on for competitiveness and to preserve it. Consequently the primary task of companies is to be competitive. Their success depends principally on that.

The instruments applied in the current situation differ from those used earlier, since companies have to maintain their position and achieve success in a different type of economic and social environment that has changed compared to the period preceding the crisis. The research provides an opportunity to bring the deliberate use of instruments in order to achieve success into focus, depending on the current environmental conditions.

2. Literature Review

The book of T. J. Peters and R. H. Waterman published in 1982 represents the first significant step in the analysis of reasons leading to the success of a company (Peters and Waterman, 1982). Their work was followed by research projects such as the study of Kotter and Heskett in 1992, in which they analysed how organisational culture affects the success of a company (Kotter and Heskett, 1992). Collins and Porras tried to find the answer to the question what permanently successful companies do (Collins and Porras, 2000), whereas Eisenhardt and Brown identified time pacing as a main instrument (Eisenhardt and Brown, 1998). Following them Foster and Kaplan brought the importance of transformation into focus (Foster and Kaplan, 2001) and Collin analysed what turns a good company into an excellent one (Collins, 2001). During the Evergreen Project Joyce and his colleagues explored what organisations assessed by them as successful do (Joyce et al., 2003). It is worth mentioning Spitzer from this period, according to whom the main issue is measurement so as to achieve the most productive operation. In his opinion a company may never be better than its own measurement system. He considers the appropriate measurement system to be the basis of the whole operation (Spitzer, 2007).

One of the most important periods in the course of identifying success factors was the end of the first decade of the 2000s following the economic crisis. Research projects conducted on the exploration of successful operation at that time are of key importance, because the latest results can provide the most information. The study of Beer in 2009 is one of these, which associates excellent performance with outstanding commitment (Beer, 2009). The analysis of Szabó and Csepregi draws attention to creativity and entrepreneurial attitude (Szabó and Csepregi, 2009). Breene and Nunes realised that companies able to renew again and again pay close attention to market relevance, distinctiveness and talent care. These aspects mature faster than financial performance (Breene and Nunes, 2011). Rumelt, however, puts the emphasis exclusively on strategy concentrating on what makes a strategy good and what does not. Effective strategy often occurs unexpected, but by filtering general mistakes and by monitoring activities related to successful companies the chances for it significantly increase (Rumelt, 2011).

3. Research Premises

3.1. Research Objectives

This research aims at finding out what kind of effects components of the concept of strategic management system have on success and to what extent they influence it. How do companies operating in the processing industry in Hungary validate their strategy and reach their long-term goals? The objective of the research is to develop a model, which shows in what ways success factors affect performance.

Questions denoting the focus of the research are, as follows:

- Based on which criteria of success may the success of a company be defined?
- Which success factors determine the outstanding achievement, success of a company?
- What kind of correlations may be pointed out between the particular success factors and success criteria, as well as their respective groups?

3.2. Variables of the Research

The research is looking for answers to the emerging questions within the scope of strategic management. Instruments used in the operation of a company can be basically classified in the three cornerstones of strategic management (Barakonyi, 2000). Beside them, leadership instruments play an important role; how those entitled to lead coordinate, motivate and develop participants to bring out the best

performance from themselves. This research raises the issue, what kind of success factors can be found within the defined groups and in what ways these instruments affect the performance, success of a company. Hence success factors will be the independent variables of the research, whereas success will be the dependent variable. The results of research projects on success concluded in the past years will formulate the basis for identifying success factor variables. In case of success criteria it is the balanced scorecard, which offers a consistent measurement system.

The research will look for success factors in the earlier determined four sections. In strategy, which is the tool of companies for the future, the challenges and the attitude to the environment. In solutions originating from cultural idiosyncrasies, which have an influence on the actions and ways of thinking related to a community. In the developed structure, which defines the formal and informal transmissions of information and actions. And finally in leadership solutions, with which those entitled to lead coordinate and motivate their co-workers to bring out the best in themselves. Success factors identified following the study of literature related to the subject are, as follows:

Strategic success factors

- Fine-tuning: Slight modification of ongoing strategy due to changes in the environment.
- Time pacing: Choreographed procedures for changes and the company's pacing for changes follows a well-definable rhythm.
- Long term plans: Company has set up objectives for longer periods of time.
- Slower growing businesses: Businesses growing slower than expected or sale or termination of divisions.
- Related businesses: Development and exploitation of unique skills in the central division of the company. Strong expansion to related industries.
- Responsibility: Integration of social and environmental aspects in the business operation and in the relationships with stakeholders at one's own will, on a voluntary basis.
- Proactivity: Company takes action typically ahead of its competitors.
- Communication of strategy: Clear communication of strategy for everyone involved.

Structural success factors

- Distribution: Simple, flat organisational structure.
- Relationship with customer: Endeavour to build up a relationship with the customers deeper than transactions. Setting up an internal system as if everyone was in a direct contact with the customer.
- Measuring system: Deep assessment measuring system working with numerical data.
- Proposal handling: Company has an organisational solution for considering and implementing improvement proposals submitted by co-workers.
- Decision-making: Important decisions are close to customers.

Cultural success factors

- Honour: Honour of performance and motivating others to perform.
- Teamwork: Cohesion, teamwork based on mutual help.
- Management breeding: Company breeds its own management.
- Common values: Mentality defining the whole company, the awareness concerning principal expectations and common values raised at all levels among employees.
- Core values vs. development: Company is able to preserve its own core values and objectives, while its strategy and internal processes adapt to changes in the world.
- Multi-skill labour force: Employment of co-workers deployable in several areas.

Leadership success factors

- Human relationships: Daily contact of management with colleagues working on lower levels.
- Intuitivity: Leadership is conducted not only with systematic methods and well-established practices, but also intuitively based on inner instinct.
- Senior management: Small number of management, simple structure in accordance with the possibilities.
- Talent care: Senior management takes part in breeding talent.
- Delegation: Involving employees in decision-making and preparation.

Success presupposes outstanding performance; therefore the basis for formulating success criteria is performance measurement. The research will apply the balanced scorecard developed by Robert S. Kaplan and David P. Norton. The authors basically differentiate four perspectives in order to measure the performance of a company (Kaplan & Norton, 2000; Kaplan & Norton, 2002). However, currently a prominent role has been given to sustainability. As a result of that, it is necessary to tackle this issue separately as a fifth perspective. Unlike previous practice this empirical research will analyse the performance of companies – as one of the pioneers – by taking five perspectives into account. Thereby new, yet unidentified correlations may be explored as opposed to earlier research.

During the inclusion of sustainability it is important that it – not being a market aspect – affects the other four factors and thus the whole system as far as direct and indirect effects are concerned (Figge et al., 2002). Success criteria as the indicators of success have been outlined based on perspectives:

Success of Financial Perspective

- Changes in profit
- Changes in revenue
- Changes in costs

Success of Customer Perspective

- Customer satisfaction
- Prizes awarded
- Changes in number of customers
- Customer complaints
- Timely deliveries

Success of Internal Processes Perspective

- IT investment
- Number of deliveries
- Patents
- Flawless supplier deliveries
- R&D&I expenditure

Success of Learning and Growth Perspective

- Co-worker satisfaction
- Labour force fluctuation
- Hours of training
- Improvement proposals submitted

Success of Sustainability Perspective

- Charity donations
- Graduate starting salary
- Environmental fines
- Environmental investments
- Recycled waste
- Renewable energy
- Ratio of women in management

3.3. Hypotheses of the Research

The research is looking for answers to the emerging questions within the scope of strategic management. Instruments used in the operation of a company can be basically classified in the three cornerstones of strategic management (Barakonyi, 2000). Beside them leadership instruments play an important role; how those entitled to lead coordinate, motivate and develop participants to bring out the best performance from themselves.

Hypotheses set up as a result of explorative research are, as follows:

Hypothesis No.1: Factors having an influence on the successful operation of a company can be identified and my assumption is that they can be categorised in four groups: strategic, cultural, structural, and leadership factors.

Hypothesis No.2: We presume that the group of strategic success factors is primarily in correlation with the customer success component.

Hypothesis No.3: We presume that the group of structural success factors is primarily in correlation with the internal processes success component.

4. Research Methodology

Success factors determined by earlier research projects formulate presupposed groups. The research analyses in details how explored instruments affect the whole operation of a company and its objective performance. This is shown in the logic model of the research (Figure 1). How do they become more effective and successful than their competitors based on the particular aspects?

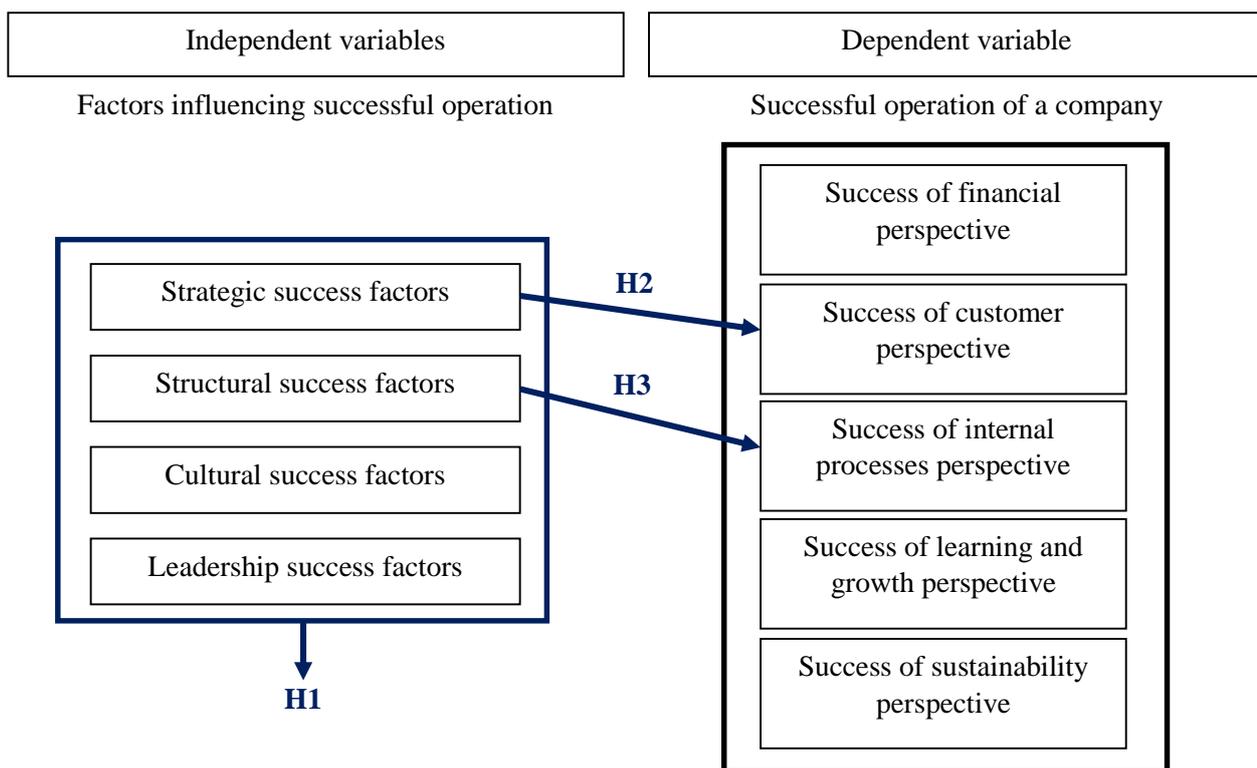


Figure 1. The Logic Model of the Research

4.1. Measurement and Research Instrument

During the practical analysis of the research the inspection of success factor groups was carried out with factor analysis, whereas the definition of the success component via principal component analysis. The examination of correlations was conducted by path analysis, since the linear regression analysis could not be accomplished because of the internal effects due to the balanced scorecard. Via the application of linear regression models indirect and direct effects have been identified.

4.2. Data Collection and Sample

The survey of the research has been prepared based on the model of the research. Knowledge acquired via the literature on the subject formed the basis for the compilation of the content, which was accompanied by further characteristics and results of companies to be scanned. 109 company leaders helped by filling in the survey and it has been modified based on their observations and suggestions.

Companies having more than 50 employees operating in the processing industry in Hungary have been brought into the focus of the research. Markets are dominated mostly by these businesses; therefore most of the labour force available in Hungary is employed by them. In order to let the research provide new useful information and correlations to the widest number of people it is necessary to examine and concentrate on the instruments used by these organisations as a consequence. The finalised survey was handed over to employees having a managerial role in the targeted companies. Data collection took place between August and November 2014. Altogether 4,411 managers received the survey, out of which 464 were sent back. 230 of them could be used for the research. That means a 5.21 % response rate.

The analysed aspects may bring important results in case of other types of organisations too. Accordingly further research directions may be opened, such as the analysis of effective success factors related to the public sector or to small and medium-sized companies.

5. Analysis and Results

5.1. Factor Analysis

The examination of success factors identified as a result of the theoretical research was carried out via factor analysis. The analysis showed how the suspected variables and their respective groups appear. Conditions have been fulfilled both the Kaiser-Meyer-Olkin (KMO=0.792) test and the Bartlett test (Sig.=0.000) showed conformity. The analysis resulted in five factors (Table 1).

Table 1. Variables of Success Factors

Name of Factor	Name of Variable
1.External success factors	Fine-tuning
	Time pacing
2.Internal success factors	Long term plans
	Communication of strategy
3.Structural success factors	Relationship with customer
	Proposal handling
4.Cultural success factors	Teamwork
	Multi-skill labour force
	Intuitivity
5.Leadership success factors	Talent care
	Delegation

Thus factors facilitating successful operations in a company may be grouped in five factors. It is true that five groups have emerged instead of the presupposed four, but this only means that strategic success factors have been separated into two parts: external and internal success factors. The first factor is the ‘external strategic success factors’ (SSe), which brings changes into focus. The ‘internal strategic success factors’ (SSi) include long-term plans and raising awareness to them internally. ‘Structural success factors’ (SuS) includes organisational solutions for services and maintenance improvement. ‘Cultural success factors’ (CS) mean organisational standards and values, according to which work organisation takes place. ‘Leadership success factor’ (LS) comprise in what ways managers develop their co-workers and divide the tasks.

It was only ‘Intuitivity’, which was not positioned in accordance with the earlier categorisation. The classification of this factor proved to be questionable already during the theoretical identification, because it is greatly dependent on culture. Finally the practical analysis made it evident that it needs to be taken into account not at leadership, but rather at culture as a success factor influenced by culture.

5.2. Path Analysis

Based on the correlations among variables the following five linear regression models could be outlined, where letters of the Greek alphabet denote partial regression coefficients and the RESID_i is the i-th error term of the regression equation:

$$PNS = \alpha_1 \times CS + \alpha_2 \times VNS + \alpha_3 \times IPPS + \alpha_4 \times LGPS + RESID_1$$

$$VNS = \beta_1 \times SSe + \beta_2 \times SuS + \beta_3 \times LS + \beta_4 \times IPPS + \beta_5 \times LGPS + \beta_6 \times SPS + RESID_2$$

$$MNS = \gamma_1 \times SSe + \gamma_2 \times LS + \gamma_3 \times LGPS + RESID_3$$

$$TFNS = \delta_1 \times LS + RESID_4$$

$$FNS = \varepsilon_1 \times SSe + \varepsilon_2 \times SSi + \varepsilon_3 \times SuS + RESID_5$$

According to the significance test related to the validity of the regression models each model is significant. The examination of conditions concerning variables and error terms has been conducted and it showed conformity in each and every case. The heteroskedasticity of error terms was tested with the White-test. The inspection of the effects of success factors on success criteria was conducted by path analysis due to the relationships between dependant variables set by the balanced scorecard. First relationships have been determined based on the correlations among factors, with the help of which linear regression models used for the path analysis could be outlined, thus defining the internal effects. With the results identified paths can be laid down (Figure 2).

Factors influencing successful operation

Successful operation of a company

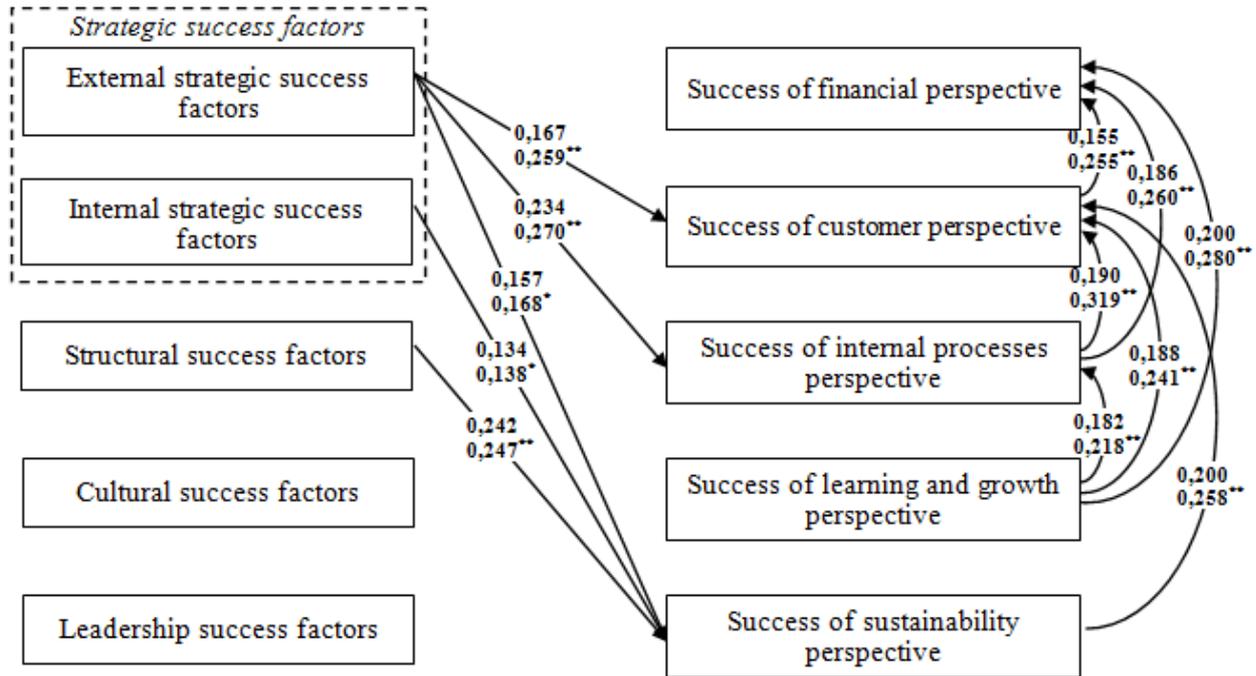


Figure 2. Path Model Evolved via the Analysis

The numbers in the higher position on the arrows in the figure show the β value indicating the slope of the regression line, whereas the numbers below them are the values of the Pearson product-moment correlation coefficient related to the strength of correlation. In case of correlation the double asterisk following the numbers indicates 1 percent significance level, while single asterisk denotes 5 percent significance level.

The generally presupposed correlations can be found between the four ‘classic’ perspectives. The sustainability perspective has, however, a direct effect only on customer perspective and via that an indirect effect on financial perspective. This shows that sustainability in Hungary is rather a marketing aspect for the time being. It has a value generating effect for customers; it increases their satisfaction and they prefer to choose services and products of the company.

External strategic and structural success factors affect the financial performance indirectly in a positive way, though the effect of the latter is practically zero. However external strategic success factors already have a direct effect on customer satisfaction in a positive way. Accordingly the fine-tuning and pre-planned time pacing of strategy envisages a higher customer satisfaction. The effect can be traced in the internal processes perspective too, because the analysed success factor has a direct positive effect on what results internal processes show. The relationship is also positive here, which defines that the operational efficiency of the organisation will be thereby better and more successful. In case of customer perspective internal strategic and structural success factors have less effect in an indirect and positive way. Three factors have direct positive effect on the success of sustainability perspective: external, internal strategic success factors and structural success factors. Direct and indirect effects can be summarised in tables (Table 2-4).

Table 2. The Effect of Success Factors on the Financial and Customer Perspectives

Independent variables	Success of financial perspective			Success of customer perspective		
	Direct	Indirect	Total	Direct	Indirect	Total
External strategic success factors	-	0,081	0,081	0,167	0,076	0,243
Internal strategic success factors	-	-	-	-	0,027	0,027
Structural success factors	-	0,008	0,008	-	0,048	0,048
Cultural success factors	-	-	-	-	-	-
Leadership success factors	-	-	-	-	-	-

Table 3. *The Effect of Success Factors on the Internal Processes and Learning and Growth Perspectives*

Independent variables	Success of internal processes perspective			Success of learning and growth perspective		
	Direct	Indirect	Total	Direct	Indirect	Total
External strategic success factors	0,243	-	0,243	-	-	-
Internal strategic success factors	-	-	-	-	-	-
Structural success factors	-	-	-	-	-	-
Cultural success factors	-	-	-	-	-	-
Leadership success factors	-	-	-	-	-	-

Table 4. *The Effect of Success Factors on the Sustainability Perspectives*

Independent variables	Success of sustainability perspectives		
	Direct	Indirect	Total
External strategic success factors	0,157	-	0,157
Internal strategic success factors	0,134	-	0,134
Structural success factors	0,242	-	0,242
Cultural success factors	-	-	-
Leadership success factors	-	-	-

6. Discussion and Conclusion

The first hypothesis concentrates on the success factors as well as on their identification and classification. It may be stated about success factors identified with the help of factor analysis that they verified the presuppositions of the research model. Factors having an influence on the successful operation of a company can be identified and comprised with the groups of strategic, cultural and leadership factors, where strategic success factors can be further subdivided into external and internal success factor sections. The success factors emerging this way are, as follows:

- Strategic success factors:
 - External strategic success factors: Fine-tuning of strategy, pre-planned time pacing of operations.
 - Internal strategic success factors: Long term plans, clear communication of strategy to everyone involved.
- Structural success factors: Creation of a Service providing – customer system within the company, organisational unit for the consideration and implementation of improvement proposals.
- Cultural success factors: Cohesive team, multi-skill co-workers deployable in several areas, not only systematic, but also intuitive work organisation.
- Leadership success factors: Participation of leaders in talent care and involvement of employees in decision-making as well as the creation of operational mechanisms.

The second hypothesis analyses the effect of strategic success factors on the customer success component. Based on the results of the analysis it may be stated that not the effect related to customer perspectives is the strongest.

In case of strategic success factors the application of fine-tuning and time pacing has a greater effect on customer, internal processes and sustainability results and it affects financial success less in an indirect way. Accordingly if a company immediately takes new social trends into account, prepares itself for transitions and moves with the market, customers will be more satisfied, the number of customers will increase, the internal processes will improve and the sustainability prospects will be on the rise too. It is also shown that raising awareness of long term plans and strategy on all levels and its clear communication helps to improve sustainability perspectives in a direct way and thus it indirectly improves customer results too.

The third hypothesis analyses the effect of structural success factors on the internal processes success component. The analysis did not confirm the presupposition. The results show that structural success factors primarily have an effect on the sustainability success component rather than on internal processes. Thus it may be assessed that the development of an internal system clearly motivating innovations based on customer-oriented aspects has the greatest influence on sustainability. This shows that employees consider environmental and social issues of a very high importance concerning development and improvement proposals. It also has an indirect effect on the customer perspective revealing that because of a system built up this way customers will be more satisfied, which generates an increase in the number of customers.

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