

**THE EFFECT OF GOAL ORIENTATION AND LEADERSHIP
TOWARD MANAGEMENT ACCOUNTANT'S ROLE IN BUSINESS
DECISION MAKING AND ADOPTION OF NEW
MANAGEMENT ACCOUNTING TECHNIQUES**

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Abstrak

Penelitian ini bertujuan menguji interaksi kecenderungan *goal orientation*/orientasi tujuan akuntan manajemen dan kecenderungan gaya kepemimpinan atasan terhadap peran akuntan manajemen dalam pengambilan keputusan, serta melihat pengaruh kecenderungan *goal orientation*/orientasi tujuan akuntan manajemen dan kecenderungan gaya kepemimpinan terhadap adopsi teknik akuntansi manajemen baru.

Sampel penelitian yang diambil secara random, terdiri dari 110 akuntan manajemen perusahaan manufaktur besar yang terdaftar dalam *Hand book of The Top Companies and Big Group in Indonesia* yang diterbitkan PT Kompas tahun 1998. Pengujian hipotesis dilakukan dengan memakai analisis Anova 2 (dua) jalur untuk hipotesis pertama, dan analisis diskriminan untuk hipotesis kedua.

Hasil analisis data menunjukkan adanya interaksi kecenderungan *goal orientation*/orientasi tujuan akuntan manajemen dan kecenderungan gaya kepemimpinan atasan terhadap peran akuntan manajemen dalam pengambilan keputusan bisnis. Meskipun hasil analisis menunjukkan adanya pengaruh kecenderungan *goal orientation*/orientasi tujuan akuntan manajemen dan kecenderungan gaya kepemimpinan atasan terhadap adopsi teknik akuntansi manajemen baru, nilai *square canonical correlation* (CR^2) sebesar 0.335^2 atau sama dengan 0.112225, mengindikasikan bahwa variabel independen (*goal orientation* dan gaya kepemimpinan) hanya menjelaskan 11,22% variasi variabel dependen-adopsi teknik akuntansi manajemen baru.

Kata-kata kunci: *Goal Orientation*, Gaya kepemimpinan, Peran dalam Pengambilan Keputusan Bisnis, Adopsi Teknik Akuntansi Manajemen Baru.

A. Background

The roles of management accountants, which include the need for management accountant to become a skilled internal business consultant in designing and implementing an appropriate technique of management accounting

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and to be involved in the process of business decision making, is still a debatable issue today (Kaplan, 1995; Evans and Ashworth, 1996; Cooper, 1996).

Several previous studies on this issue had failed to show motivational and behavioral patterns required for management accountants to fulfill that expectation. Those studies only provided a little insight concerning how the expected behaviors could be encouraged at the work station (Coad, 1999).

Based on the perspective on human information processing, educational psychologists argued that the goals men pursued create a framework by which they interpret and respond to the events (Ames and Archer, 1988; Dweck and Legget, 1988). Studies on human information processing that had been conducted before had been criticized due to their lack of attention to the natural contexts of human behaviors. Those studies put the main causes of human behaviors within the human being themselves, and they predicted that individuals would behave in similar ways under different situations. Responding to such criticism, experts in human information processing theory began to pay their attention on multi-method studies aimed at developing their theories by incorporating motivational and environmental variables (Libby and Luft, 1993; Peters, 1993); and the goal orientation model could provide contributions to the further development of the study.

B. Problem Formulation

The problems in this study can be formulated as follows:

1. Is there an interaction *between* the tendency of goal orientation of the management accountant and the tendency of leadership *and* the role of management accountant in the process of business decision-making?
2. Is there an effect of the tendency of goal orientation of management accountant and the tendency of leadership toward adoption in new management accounting techniques?

C. The Purpose of the Study

The purposes of this study are:

1. To find out empirical evidences about the interaction *between* the tendency of goal orientation of the management accountant and the tendency of leadership *and* the role of management accountant in business decision-making.
2. To find out empirical evidences about the effect of the tendency of goal orientation of management accountant and the tendency of leadership toward adoption in new management accounting techniques.

D. Theoretical Background and Hypothesis Development

1. Goal Orientation

Goal orientation is conceptualized as a mental framework of how the individuals interpret and respond to the situations/events that they are facing (Ames and Archer, 1988; Dweck and Legget, 1988). Specifically, there are two types of goal orientation, performance goal and learning goal.

Individuals with the performance goal orientation are concerned with the realization of positive evaluation (and avoid negative evaluation). A performance goal orientation implying an individual to convince that it is impossible to change competence, to evaluate his own competence against others, and to choose an assignment that can proof his competence and avoid failures.

Individuals with the goal orientation, on the other hand, are concerned with the improvement of their competence. In fact, they are concerned with their works, consider themselves as persons who always want to know, and choose challenging works that provide opportunity to learn. Individuals who

are oriented to learning do not bother too much with mistakes and consider them as the a part of a learning process. They tend to relate success or failure according to the level of efforts that they have given, and they believe that their quality and competence can be expanded, changed, and developed (Ames and archer, 1988; Dweck and Legget, 1988).

2. The Influence of Leadership Style

The concept of leadership style becomes crucial in connection with the purpose of this study because the perception of management accountants about the leader's behavior can encourage the adoption of learning goal or performance goal.

Leadership style is a consistent behavior pattern implemented by the leader with and through other people when he is trying to influence others. It is not the viewpoint of the leader about their own behavior, but how the perception of others, especially the subordinates, about the behavior of their leader (Hersey & Blanchard, 1984).

Studies on the leadership indicate that the leadership has two styles, transactional and transformational. Transactional leadership refers to two main factors, *contingent reward* and *management-by-exception*. In contrast, transformational leadership is based on charisma, inspiration, intellectual stimulation, and individualized consideration factors.

3. The Role in the Process of Business Decision Making

The role in the process of business decision-making is defined as the degree of the involvement, or, conversely, the independency of management accountants in the process business decision-making. An ideal type of the involvement of management accountants is the one that allows high emphasis on collaboration and input to the top manager that involved in the process of business decision making (Sathe, 1982, 1983 in Coad, 1999).

In another type of involvement, that is, independent management accountants, there is a high emphasis on the external financial report and the responsibility derived from guaranteeing loyalty to the internal control procedure. In such role, the objectivity and independency of the relationship with the management are evaluated, and management accountants rarely meet in the process of decision-making. As a result, the control tend to be more reactive instead of anticipative (Sathe, 1982, 1983 in Coad, 1999).

Management accountants, who are oriented towards performance goal, consider mistakes as a signal indicating poor competence. In order to anticipate it, they tend to avoid challenges, uncertainties, relatively high risk of failure that deals with the involvement in the process of decision-making. Moreover, as the qualification and training that they have received require competence in external report and internal control, management accountants who are oriented towards performance are more convenient to demonstrate such competence to others with the hope that they will receive favorable judgment in showing valued competence.

On the other hand, those management accountants who are oriented to learning tend to favor the opportunities to involve in the process of business decision-making because they consider a challenging situation as the opportunity to develop their competence and obtain new skills.

The findings of study by Coad (1999) who investigated the implications of motivation and goal orientation of management accountants provide strong supporting evidence that learning goal orientation which is strengthened by a

transformational leadership could encourage management accountants to be more involved in the process of business decision-making. While the transactional leadership style (management-by-exception) which concerned with one's mistake and competence is related to performance goal orientation that encourage management accountants to be more independent/not involved in the process of business decision-making.

Based on the explanations above, the hypothesis that researcher would like to test is:

H₁: There is an interaction *between* the tendency of goal orientation of the management accountants and the tendency of leadership and the role of management accountants in the process of business decision-making.

4. **Adopting New Technique of Management Accounting**

The adoption of new technique of management accounting is defined as an intentional introduction of new and useful technique into one's work: idea, product, process and procedure.

During 1980s, several writers had questioned further relevance of management accounting in an environment which, in their opinion, reflected an intensifying global competition and the presence of revolutionary changes in operational management (Johnson and Kaplan, 1987 in Coad, 1999). Later, the criticism was followed by a series of "prescriptions" to improve the relevance of management accounting in a new environment. Some management accounting techniques that were frequently recommended for the improvement of management accounting relevance with the new environment include: Activity-based Costing (ABC), Activity-based Management (ABM), Throughput Accounting, Life-cycle Costing, Value-chain Approaches to Strategic Cost Management, The Accounting Assessment of Competitive Position, Qualitative Performance Measure, The Balance Scorecard, Target Costing, "Kaizen" Cost Management (formal, regular cost reduction programmes) (Bromwich and Bhimani, 1994; Macintosh, 1994; and Cooper 1996).

Sange (1990) asserted that one of the most important factors that influence learning orientation and performance is the climate created by the leader within an organization. The concept of transactional and transformational leadership could encourage the adoption of goal orientation which is potential to affect the changes in the accounting system. The findings of Coad's study (1999) also indicated that goal orientation of the management accountants provided a strong and supporting evidence that the learning goal orientation strengthened by a transformational leadership could encourage management accountants to make more experiments with new techniques of management accounting. Such evidence could also demonstrate that learning goal orientation was not encouraged by a transactional leadership style (management-by-exception). Although it was weak, the evidence was statistically significant, that the transactional leadership style which had relative concern to one's mistakes and competence and performance goal orientation encourage the management accountant to be more independent. Transactional leadership style (management-by-exception) has a significant negative correlation with the transformational approaches so that it does not encourage management accountant to make more experiments with the new technique of management accounting.

In line with the explanation above, the hypothesis to be tested is:

H₁: There is an effect of the tendency of goal orientation of the management accountant and the tendency of leadership toward adoption in new management accounting techniques.

E. Research Method

The samples for this study were selected from management accountants of large manufactures listed in the *Hand Book of The Top Companies and Big Group in Indonesia* published by PT Kompas in 1998. These samples were randomly selected. The criteria of the selected samples as respondents were management accountants who have been working at least one year. This criterion was made with the purpose that selected respondents had had enough experience in their work as the company's internal accountant. Data were collected through mail survey using the structured questionnaire instrument of the type used in Coald's study (1999).

F. Method of Data Analysis

The questionnaire used in this study has been tested for its validity and reliability by the previous researcher. However, validity and reliability tests were still carried out due to the consideration of the time and the situation of this study as compared to the previous one.

The first hypothesis testing technique of this study used 2-way ANOVA. According to Ghozali (2005), the 2-way ANOVA analysis is a method to test the relationship between one dependent variable (metric scale) and one or more independent variable(s) (nonnumeric or categorical scale with two or more variables). Before conducting a hypothesis testing, a test for the requirements of 2-way ANOVA analysis must be made to find out whether the collected data fulfilled the analysis requirements or not, that is, in the form of normality and homogeneity tests.

The second technique of hypothesis testing used discriminant analysis, that is, an analysis that relates a dependent variable of nominal scale with one or more independent variable(s) of interval or ratio scales (Cooper, 2003). If the discriminant equation is found, that equation can be used to predict the classification of a new observation.

G. The Findings of Study and Discussion

The purpose of analysis requirement test is to find out whether or not the collected data have fulfilled the analysis requirements. Several requirements that must be fulfilled are normality and homogeneity tests. Based on the results of normality test above, the value of 2-side p-test, $KS > 0.05$. It can be concluded that the variable of management accountant's role in business decision making (0.725) and the adoption of new technique of management accounting (0.753) derived from normal distribution of population. Homogeneity test is aimed at finding out whether or not the sample obtained from the population has the same variance or indicates a significant difference each other. In order to test the homogeneity of variance, paired F-test is made. Based on the results of homogeneity test, the results of p side test $> 0,05$. Therefore, it can be concluded the role of management accountant in business decision-making (0.987), and the adoption of new technique of management accounting (0.466) has homogenous distribution.

The test of alternative hypothesis (H₁) used two-way ANOVA. The following is the summary of two-way ANOVA analysis for management accountant role's variable in business decision making.

Table 1.
The Role in Business Decision Making

Variable	Jumlah Kuadrat	Df	Rerata Kuadrat	F _{hit}	p(sig)
<i>Goal Orientation</i> *Gaya Kepemimpinan	82.951	1	82.951	4.807	0.031
Error	1829.205	106	17.257		
Total	68371.000	110			

Source: Processed Primary Data

Interaction of between the tendency of goal orientation of the management accountant and the tendency of leadership *and* the role of management accountant in business decision making based on the analysis was that the value of F count is 4.807 with $p = 0.031$, p-count was found to be smaller than p-critical. It can be concluded that there is an interaction *between* the tendency of goal orientation of the management accountant and the tendency of leadership *and* the role of management accountant in business decision-making.

The results of this study are consistent with the results of study by Coad (1999) revealing that the learning goal orientation which is strengthen with the transformational leadership would encourage management accountant to be more involved in the process of business decision making. While the transactional leadership style (management-by-exception) that concern one's mistake and competence is related to the performance goal orientation that encourage management accountant to be more independent/not involved in the process of business decision making.

Management accountant who has learning orientation tend to favor the opportunity to be involved in the process of business decision-making because they consider the challenging situation as the opportunity to improve their competence and obtain new skills. Individuals who are oriented towards learning do not bother too much with the mistakes, and they consider mistakes as the part of learning process. They tend to put success or failure attribution at the level of contributed efforts, and believe that their quality and competence can be expanded, changed, and developed (Ames and Archer, 1988; Dweck and Legget, 1988).

Management accountants, on the other hand, are oriented to performance goal who consider mistakes as a signal that indicates poor competence. Individuals with such orientation expect positive evaluation (and avoid negative one) among the important things other than their current competence and performance. In anticipating them, they tend to avoid challenge, uncertainty, high risk of failure which is related to the involvement in the process of decision making.

The technique for alternative hypothesis test ($H=2$), employs discriminant analysis. Function at group centroids is used to determine the cutting point of case grouping. The optimal cutting point value is the weighted average of the paired value. The cutting point value provides a discriminant range score to classify the management accountants who are “not involved” and “involved” in the adoption of new technique of management accounting.

Table 2
Eigenvalues

Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	.126 ^a	100.0	100.0	.335

Source: Processed Primary Data

Table 3
Wilks' Lambda

Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	.888	12.711	2	.002

Source: Processed Primary Data

Discriminant function with two variables (X_1, X_2) turns out to be significant as shown from the chi-square value of 12.711 with $P=0.0002$ (this p-value is smaller than critical p-value of 0.005). With the canonical correlation value of 0.335, whose squared value (0.335^2) is 0.1122, it can be concluded that 11.22% variations of the variable of adopting new technique of management accounting can be explained by independent variable (goal orientation and leadership).

Table 4
Canonical Discriminant Function Coefficients

	Function
	1
Orientasi Tujuan	.096
Gaya Kepemimpinan	.032
(Constant)	-9.851

Unstandardized coefficients

Source: Processed Primary Data

Based on the value of unstandardized coefficient, an equation of discriminant function can be written as: $D = -9.851 + 0.032X_1 + 0.096X_2$

Notes: D is the score value on the discriminant equation

X_1 is the value of discriminant variable-leadership

X_2 is the value of discriminant variable-leadership

Standardized coefficient of discriminant function indicates partial contribution of each variable on the discriminant function. In other words, standardized coefficient of discriminant function is used to assess unique contribution of each independent variable on the discriminant function.

Table 5Classification Results^{b,c}

		Adopsi Teknik Akutansi	Predicted Group Membership		Total
			Tidak Terlibat	Terlibat	
Original	Count	Tidak Terlibat	37	17	54
		Terlibat	19	37	56
	%	Tidak Terlibat	68.5	31.5	100.0
		Terlibat	33.9	66.1	100.0
Cross-validated ^a	Count	Tidak Terlibat	36	18	54
		Terlibat	21	35	56
	%	Tidak Terlibat	66.7	33.3	100.0
		Terlibat	37.5	62.5	100.0

a. Cross validation is done only for those cases in the analysis. In cross validation, each case is classified by the functions derived from all cases other than that case.

b. 67.3% of original grouped cases correctly classified.

c. 64.5% of cross-validated grouped cases correctly classified.

Source: Processed Primary Data

Classification result is used to assess the goodness of discriminant function. The discriminant function is able to classify correctly at 67.3%. The ability to classify management accountants who are “not involved” in adopting new technique of management accounting is 68.5 (37/54) and to classify those who are “involved” is 66.1 (37/56). Meanwhile, the average ability to classify correctly is $(68.5+66.1)/2 = 67.3\%$. The discriminant function is able to make inter group validation at 64.5%. The ability to make inter groups validation for management accountants who are “not involved” in the adoption of new technique of management accounting is 66.7% (36/54) and for management accountants who “involved” in the adoption of new technique of management accounting is 62.5% (35/56).

The results of this discriminant analysis confirm the second alternative hypothesis (H_2) that there is an influence of the tendency of goal orientation of the management accountants and the tendency of leadership on the adoption of new technique of management accounting.

The results of this analysis is consistent with the view made by Sange (1990) that the potential factor that influences and inhibits the changes in accounting system is goal orientation in the implementation of management accounting. Management accounting which is oriented to performance will avoid the experiment with new approaches due to the fear of poor results that may resulting in negative evaluation of their competence and performance. Even, facing with the failure during their assignment, they immediately show helpless responses. When expecting the results, management accountants who are orient towards performance would feel more convenient operating the current system than restarting and maintaining a new system of management accounting.

Conversely, management accountants who orient towards learning pay their attention to the improvement of their competencies. They tend to be more proactive in personal development, technical restructuring, and innovation of working role. It can resolve the resistance to changes and deal with the operational difficulties that appear from the implementation of new system which is considered as a challenge and the part of learning process.

The results of this study also confirm the results of study by Coad (1999). The results of Coad's study also showed that the learning goal orientation of the accountants which is strengthened by transformational leadership would encourage management accountants to make more experiments with the new technique of management accounting.

Although the results of this study support the second alternative hypothesis (H_2), and the obtained discriminant equation is significant, but, as shown from the results of analysis, that is, on the canonical correlation value of 0.335 (Table 4.11), it can be concluded that the independent variable (goal orientation and leadership style) can explain 11.22% variable variation of the adoption of new technique of management accounting. The value of 11.22% is obtained from the square of 0.335 ($0.335^2=0.1122$).

The results of this study indicate that there are other factors that effect the adoption of new technique of management accounting. Several possibilities that can be suggested include the routine work pressure causing the management accountants have less time to introduce new accounting system (Simon et.al.; Hooper, 1978; Drury et.al., 1993 in Coad, 1999); and the possibility that many new systems of management accounting do not fulfill the cost-benefit criteria (Bromwich and Bhimani, 1994).

Another factor, as shown by the results of survey conducted by a team of NGO-Faculty of Economics of Indonesia University and appeared in Swa magazine (2005), is that many companies modify the existing concept, adjusting it to the philosophy or the underlying value of the company.

H. Conclusion

- a. From the results of the first alternative hypothesis testing (H^1) using two-way ANOVA analysis technique, it is confirmed that there is an interaction *between* the tendency of goal orientation of the management accountants and the tendency of leadership *and* the role of management accountants in business decision making.
- b. The results of test using discriminant analysis support the second alternative hypothesis (H^2), that is, there is an effect of the tendency of goal orientation of the management accountants and the tendency of leadership toward adoption of new techniques of management accounting. The value of square canonical correlation (CR^2)= 0.335^2 or 0.112225 indicates that the independent variables (goal orientation and leadership style) can explain 11.22% variation of the dependent variable—adoption of new technique of management accounting.

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