

The Role of Accounting Information System in Business in Terms of Corporate Governance and Social Responsibility of Accounting in Crisis Periods and a Research

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Abstract

Today, enterprises that fail to respond to rapid and comprehensive developments that affect business activities to a great extent may be faced with crises. The change in question leads to the emergence of economic problems, business scandals and financial crises. The establishment of a strong corporate structure in the face of such difficult consequences is possible through the employment of a corporate approach to management. The present study discusses the subject-matter of managing a company's economic activities for the benefit of all the interest groups surrounding the business without damaging their interests and in accordance with such a management approach that requires an understanding of transferring financial information clearly and honestly to all relevant parties through accounting information systems in businesses. In other words, the understanding of the role of "Social Responsibility of Accounting" and "Corporate Governance" in businesses is examined in the present study. This study provides information on the concepts corporate governance and social responsibility of accounting and their interactions; in light of these concepts, the impact of accounting information system on businesses is discussed. The present study aims to identify the level of contribution provided by accountancy information systems to businesses involved in the automotive supply industry at times of crisis and endeavours to determine the effects of the concepts of corporate management and social responsibility of accountancy on accountancy information systems.

Keywords: Crisis, Corporate Governance, Accounting Information System

JEL Classification Codes: G01, M14, M41, M15.

Introduction

The environment and competitive conditions surrounding businesses are constantly changing in parallel with globalisation, expansion of the boundaries of markets and competition, changes in customer behaviour, and technological advances. It is inevitable for businesses that fail to adapt to such changes to experience crises. A crisis is defined in the literature as "a situation characterised by dysfunction and tension emerging in an unplanned manner" and

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businesses can overcome crises with minimum impact or completely eliminate crises through the use of crisis management practices.

Today's changing economic, technological, and political structure suffices to bring any business face to face with uncertainties and various crises regardless of whether they are prepared against the same during their whole lifecycle. Crises, emerging with a variety of different timelines, sometimes reach such levels as to threaten the viability of businesses. Businesses are able to guarantee their future by taking measures against risks and generating timely solutions.

The need to construct a strong business structure against failures in business management, corporate scandals, and financial crises has led to corporate management practices emerging around the world and in Turkey and a higher level of importance being attributed to the concept of corporate management.

Corporate management understanding, which is influential on the information system and accounting practices of a business, creates significant changes in management. Corporate management practices require a reliable and openly and easily accessible information system. It is possible to establish, maintain and disseminate corporate management practices at businesses to the extent such practices are supported through accounting practices equipped with such properties.

1. Crises and Crisis Management

The concept of "crisis" is difficult to be defined in generally acceptable terms with respect to business management. The word crisis is used in the literature of business management interchangeably with such words as anxiety, stress, disaster, or panic. Setting off from these concepts, it is possible to say that the concept of "crisis" is utilised in a wide variety of contexts.

In the context of business science, a crisis is a tense situation which leads to dysfunction in organisational and managerial processes of businesses and a wide-scale dissolution in the organisational order due to crisis-inducing factors and is encountered as a result of the exhaustion of possible solutions to problems emerging in an unplanned timeframe (Tutar, 2000, p.16).

The emergence, spread, ending, or continued presence of crises may stem from a variety of interrelated or completely inter-independent factors that develop both outside and inside a business. Factors leading to crises at businesses can be grouped into four headings, i.e. external environmental factors, internal environmental factors, business lifecycle, and entropy and other causes (Dinçer, 1998, p.383).

External environmental factors leading to crises at businesses include general economic uncertainty and fluctuations, technological innovations, legal and political regulations, socio cultural factors, and strong competition (Dinçer, 1998, p.386-387). On the other hand, there are insufficiencies and problems arising from the internal structures of businesses. It is

possible to consider the factors that are internal to businesses in three dimensions, i.e. managerial, structural, and financial factors.

Crisis management incorporate activities implemented with a view to analysing a crisis process that may be encountered or has already started at a business, to resolve the problems that have given rise to a crisis, and to overcome the crisis process with minimum loss.

Crisis management makes it possible for businesses to be prepared for a crisis by noticing warning signs in advance and to overcome this process with minimum loss by reason of financial and structure measures taken at the time of a crisis. To this end, businesses utilise accounting information systems which create a significant effect on managerial decisions as a result of the application of the concepts of corporate management and social responsibility of accounting. Economic crises, increasingly difficult competitive conditions added further to the importance of the concept of corporate management with a view to enabling the accounting information systems that offer information to a variety of groups to generate accurate and reliable information.

2. Corporate Management and Accounting

The most important reason behind the recent popularity of corporate management is represented by abuses and failures experienced by businesses in management.

Successful corporate management improves managerial performance, facilitates auditing, and encourages the more efficient utilisation of corporate resources by enabling targets to be designated for the interests of the business, its shareholders, and management. Thus, the business enjoys a confidence boost and a reduction in capital costs (Koç *et al*, 2004, p.21).

The corporate management understanding and relevant arrangements foster a suitable environment for the discussion of matters pertaining to corporate management. It also encourages businesses to put into implementation various standards notably including Generally Accepted Accounting Principles and Generally Accepted Auditing Standards and those standards accepted in the field of management. It allows for both legal obligations relating to the management and joint corporate management practices to be explained to investors more easily. It facilitates the performance appraisal of the board of directors and high-level managers. It also provides a basis for the implementation of changes required in the capital market legislation and corporate law.

The basic principles that must be sought in all corporate management practices that vary in line with the applicable legislation of the company of operations and the specific characteristics of individual businesses are fairness, transparency, responsibility, and accountability.

As a management structure based upon the principles of fairness, transparency, responsibility, and accountability, corporate management should be pursued by businesses through taking into consideration all parties in the making business-related decisions, treating share and interest holders equally, and ensuring that business information is accurate, complete, easily understandable, and accessible at a low cost and on time. These features of the corporate

management understanding lowers capital costs and increases the number of financing possibilities for businesses and assume an important role in the social responsibility of accounting in the development and auditing of businesses and financial markets.

The corporate management understanding not only leads to significant changes in business management, but also finds its reflections on the information system and accounting practices of businesses. Corporate management, which requires a reliable, easily understandable, and accessible information system, and accounting practices satisfying these conditions are in constant interaction. The establishment, maintenance, and dissemination of corporate management practices at businesses require support with principled accounting practices and a basis in a strong financial information and reporting system (Aysan, 2007, p.p. 17, 19).

3. Social Responsibility of Accounting and Accounting Information System

Social responsibility includes requirements for an organisation in general to pursue a working strategy and policy that is consistent with current economic and legal conditions, work ethics, and expectations of internal and environmental persons and other organisations (Mosley, 1996, p.35).

Accounting practices should be undertaken on the basis of a high level of social responsibility awareness in line with the principle of public disclosure. Accounting assumes the function of a tool that is required for the social environment to reach its goals by discharging a responsibility that is wider in scope than legal responsibility while fulfilling its duty of social responsibility. Even though accounting generates and reports on financial information relating to businesses, it creates an impact which is of relevance to all walks of life by reason of the financial consequences of its procedures (Marşap, 1999, p.178). The main guide for accounting in fulfilling this responsibility to the fullest is the corporate responsibility understanding.

In the light of the concept of social responsibility, corporate management is connected with the safe and efficient management of businesses and aims to eliminate any attitudes and behaviours emerging outside the scope of the concept of social responsibility to the extent possible with the additional assistance of relevant laws. Corporate social responsibility is to provide works and social services and to extent various forms of assistance to the society and to take all of the relevant steps voluntarily (Altman, 1998, p.43).

The joint objective of corporate management principles and the concept of social responsibility of accounting is to improve management decisions.

The corporate management understanding also finds its reflections on the information system and accounting practices of businesses. The extent to which an accounting management system is operated in line with corporate management principles also reflects the extent to which the effectiveness of corporate management principles will improve. An accounting information system operated through the due consideration of these principles also contributes to corporate management activities.

On the basis of information obtained from accounting, businesses try to survive such crises by making strategic decisions for future steps and containing any prospective risks by building upon this information. Furthermore, persons outside of the business also make use of financial accounting information in their decision-making processes pertaining to the business. Therefore, accounting information system is one of the most important factors that affect a corporate entity (Varıcı, 2007, p.45).

Accounting information is generated by the accounting discipline and include quantitative data relevant to the financial status and performance of a business generated by the accounting and external reporting system of the business, made subject to independent auditing and opened for public access.

Effective utilisation of information requires the efficient establishment of the accounting information system. As a subsystem of the management information system, the accounting information system affects the management information system to a great extent in terms of its efficiency.

In this context, the role of accounting information system in automotive supply businesses active in Konya was evaluated in a study in terms of corporate management and social responsibility of accounting at times of crises. The study included descriptive and statistical information pertaining to the businesses participating in the study. In this scope, evaluations were conducted through the consideration of the conceptual model, relevance, objectives, hypotheses, and methodology of the study, as well as analyses and interpretation of research findings.

4. Study

4.1. Aim of the Study

The main aim of the study was defined as “to establish the impact of the accounting information system utilised by businesses active in the automotive supply industry at times of crises and to determine the statistical significance of the effects of accounting information system strategies implemented at such times on corporate management and social responsibility of accounting.”

4.2. Relevance of the Study

The study derives its relevance from the establishment of the importance and outcomes of incorporating corporate management and social responsibility of accounting into the process surrounding crises with a view to ensuring the positive feedback of the accounting information systems implemented by businesses to satisfy their rapidly changing requests and expectations.

4.3. Conceptual Model, Method and Analysis of the Study

In this context, the framework of the study was established with the aim of examining the effects of the role assumed by the accounting information system in a business at times of

crisis. The research study will be conducted through the use of a survey, which will allow for the measurement of the effects of the accounting information system in businesses in this context.

The universe of the study included businesses in active operation in Konya in the automotive supply industry, one of the most important locomotives of Turkey. The surveys prepared in this scope were applied in April 2015. As a result of this work, 220 survey forms suitable for evaluation were obtained as of June 2015.

Data collected through the study were encoded, uploaded to SPSS (Statistical Package for Social Sciences) 22.0 and analysed. The relevant tables were prepared through the use of Microsoft Excel and Microsoft Excel.

4.4. Research Findings and Evaluation

An empirical study was realised with the aim of identifying the role and importance of accounting information systems with respect to corporate management and social responsibility of accounting at times of crisis in the automotive supply industry in Konya, which has become the locomotive of the automotive supply industry in Turkey and represents the largest metal processing capacity in Turkey. Study results are as given below:

1. According to the analysis of the opinions expressed by the managers who took part in the study, views concerning corporate management and social responsibility of accounting do not change in line with the operating periods of businesses. No significant difference was established in this context. Businesses with a longer activity or operating period were observed to be farther away from the understanding of corporate management and social responsibility of accounting than new businesses. The reason behind this finding is that business owners keep management in their hands and do not wish to share their authorities with others. A management approach where the founder and thus owner of a business is also in charge of management remains extremely inadequate at the present time. The conventional management approach with the business owner acting as the founder and manager is being replaced with a professional management approach incorporating teamwork and advanced managerial systems.

2. The opinions expressed by participating managers pointed out, as a result of analysis, to the presence of a significant correlation between corporate management principles and social responsibility of accounting. Corporate management principles represent a fairly new concept whose importance have been on the rise for businesses around the world in recent times. Every successful business must understand and implement these principles in order to ensure the continuity of its performance and even to survive. Social responsibility of accounting covers the requirement for accounting to be aware of its responsibility before relevant persons and organisations while fulfilling its duties; to observe this responsibility of the organisation and implementation of accounting practices and preparation and presentation of financial tables; to observe the interests of not only certain individuals and groups, but all sections of the society; and thus, to act in an accurate, realistic, unbiased, and honest manner in the generation of information. Corporate management principles and social responsibility of accounting constitute a part of national and international efforts to protect interest groups

around a business; to issue releases for the public; and to foster transparency, integrity, and the rule of law further. The concept of social responsibility of accounting and corporate management principles serve the same purpose. The clear association between corporate management and social responsibility of accounting makes it inevitable for successful businesses to develop their own areas in consistency with developments in this field. Today, the association between corporate management and social responsibility of accounting is of great importance as a new area that requires to be surrounded by a wide range of functions.

3. The opinions expressed by participating managers were analysed and a significant correlation was identified between the development and dissemination of corporate management and social responsibility of accounting practices and the effective establishment and functioning of the accounting information system.

The concepts of responsibility, accountability, transparency, equality and protection of interests, which represent the main components of corporate management, are impactful and important concepts not only in terms of social responsibility of accounting, but the whole information system of the business and specifically the accounting information system. The accounting information system is in a mutual association with the concepts of corporate management and social responsibility of accounting on the basis of such principles as public disclosure, obligation of accountability, transparency, and protection of the rights of interest groups surrounding a business. The accounting information system should provide for evaluation, analysis, and reporting with an accurate, unbiased, complete, timely, honest, and responsible fashion in such a manner as to take into consideration the rights and interests of not only certain individuals or groups, but all relevant interest groups surrounding a business. It will thus be possible for corporate management, social responsibility of accounting, and accounting information systems to contribute to the pyramid of social responsibility including economic, legal, moral, and voluntary responsibilities in terms of business management.

4. The analysis indicates, in line with the opinions expressed by participating managers, that there is a significant correlation between their level of knowledge on corporate management and the concept of social responsibility of accounting and the accounting information system, corporate management, and the concept of social responsibility of accounting. In a business where principles and practices pertaining to corporate management and the concept of social responsibility of accounting are observed, it is inevitable for the accounting information system to be affected positively by these principles and practices. In this context, the positive effect of these principles and practices on the accounting information system will also be influential on the capacity of the system to fulfil the duties entrusted thereto.

5. According to the opinions expressed by participating managers, the analysis showed that there is a significant correlation between the specific and general objectives of businesses and the use of the accounting information system.

The founding objectives of a business can be divided into two headings, i.e. general objectives and specific objectives. Whereas general objectives for businesses include profiting, serving the society, preserving assets, and maintaining their existence, their specific objectives can be defined as selling quality goods, generating products and delivering services, paying well to the personnel, serving the government, and ensuring continuity in human resources. The

accurate and timely generation and provision of information necessitated by business managers through the accounting information system is an indispensable factor in businesses being able to achieve their general and specific objectives. The efficiency achieved in decision-making – specifically for decisions based on costs – and the facilitation and acceleration ensured in the performance of financial procedures through the timely provision of information to the management through the accounting information system are of relevance for the improvement of the value and competitiveness of a business. The chances of success will be higher for businesses that make effective and efficient use of their accounting information systems in line with the objectives they pursue.

6. The opinions expressed by participating managers pointed out, as a result of analysis, to the presence of a significant correlation between the accounting information system and corporate management. Today, accounting assumes an important duty in providing information to interest groups of relevance to a business in terms of corporate management. The information accounting requires in fulfilling this important duty is provided through the accounting information system. All business administrators are in need of utilising the accounting information system in their decisions to the highest extent possible. Corporate management is an indispensable element of an accounting information system, which is, in turn, an indispensable element of corporate management. In this context, the efficient utilisation of accounting information systems and corporate management in businesses will only be possible if they internalise these elements.

7. As a result of the analysis, depending on the opinions expressed by participating managers, problems that may arise in the accounting information system at times of crisis point out to the presence of a significant correlation between accounting information systems and crises. In modern times, the main duty of business management is to ensure the survival of the business and the preservation of its assets by taking the necessary measures at times of crisis. Businesses experience the impact of a crisis in different forms and dimensions. Regardless of the form and dimensions of a crisis, it will surely have a positive or negative impact on the business in financial terms. This impact of a crisis leads to various problems including increased distance to the concepts of social responsibility and prudence which are among the basic concepts of accounting specifically in accounting information systems; creative accounting practices; issues with transparency and weaknesses in auditing; and difficulties in analysis and reporting processes. These effects created by crises on accounting information systems are of paramount importance in that they indicate the presence of a significant correlation between accounting information systems and crises.

8. According to the opinions expressed by participating managers in the scope of the study, the efficient utilisation of the accounting information system at times of crises is a significant factor in terms of its contributions to resolution processes by preventing the crises to grow deeper. The accounting information system offers a high level of contributions with respect to the role of the accounting information system in businesses at times of crisis. The accounting system is an important tool in the ability of businesses to overcome times of crisis more easily.

At times of crisis, an accounting information system contributes to resolution processes by preventing a crisis from growing deeper through the improvement of business performance

and sustainable competitiveness; the identification of objectives by managers; the valuation of various decision-making options and selection of the most suitable one among these; the provision of resources to businesses in the most economical manner possible; the efficient utilisation and control of business resources; the preparation of a business strategy on innovations, constant cost reduction, and savings; the generation of accurate information through rapid analyses; the creation of a realistic reporting procedure; the exchange of information between accounting personnel and business management and other personnel within the organisation; the gathering of information on clients and exchange of information with suppliers; the establishment of early warning systems; the provision of assistance to the management to ensure timeliness in decision-making processes; the internalisation of the corporate management understanding in a suitable manner; the maintenance of corporate management practices; and the provision of accurate, reliable, and relevant information through the accounting communication channel in a timely and easily understandable manner.

9. The opinions expressed by participating managers pointed out, as a result of analysis, to the presence of a significant correlation between crisis management and the accounting information system. Today, businesses involved in operations in an environment of aggravated competition in both international and regional markets along with the phenomenon of globalisation are observed to be faced with crises arising from a variety of reasons. Crises have become an important problem now by reason of their increased frequency and the harms they bring to their environment and thus made it mandatory for businesses to manage this problem. This mandatory push has led to the emergence of the concept of crisis management. Crisis management entails efforts aimed at allowing a business to overcome a crisis process that may come to pass or has already started with minimum loss through analysing the process itself and generating solutions to the problems that have given rise to such problems. The accounting information system emerges as an indispensable element in crisis management. Information generated by the accounting information system and presented to business management is observed to be of greater importance in terms of crisis management. The efficient operation of an accounting information system by businesses at times of crisis will allow for the successful implementation of crisis management.

Today's understanding of crisis management adds an indispensable quality to accounting information systems in order for businesses to survive in an increasingly intensified and globalised competitive environment and to maintain their existence in the future. In this context, it becomes more difficult every day for businesses who fail to understand the importance of accounting management systems to protect and maintain their existence in crises and the current competitive environment.

Conclusion

Today, success for businesses in the face of crises depends on the success of their efforts in crisis management. The best method of crisis management is preventing any prospective crisis; yet, there are situations where it is impossible to prevent the emergence of a crisis. Effectively managed accounting information systems provides significant contributions to businesses in their efforts to prevent, manage and overcome crises. Financial information reported by an accounting information system contributes to early warning systems in terms of transparency. The preparation of financial reports, which serve as a comprehensive,

reliable, and easily accessible data source revealing the financial structure of a business, in line with the principle of transparency aims at ensuring accurate and efficient decision-making by the management. The need of businesses for reliable information on their financial status increases further at times of crisis and the availability of reliable accounting information alleviates the severity of any crisis. In this context, financial reporting must be in compliance with national and international accounting standards.

Financial information generated by accounting information systems and presented to business management satisfies the necessity for reliable, unbiased, clear, and easily understandable information, thereby enabling business management to formulate its decisions in a timely and efficient manner. Thus, an accounting information system can contribute to such notions as timeliness in decision-making, corporate management, strategies for constant cost reduction and savings, effective communication, and cash and working capital management.

The present study aims to identify the level of contributions extended by accounting management systems to businesses that are operated in automotive supply industry and to determine the effects of the concepts of corporate management and social responsibility of accounting on accounting information systems. The study derives its relevance from the fact that it establishes the presence of a positive correlation in both institutional and statistical terms between periods of crisis, crisis management, corporate management, social responsibility of accounting, and accounting information systems on the basis of the role of accounting information systems in businesses with respect to corporate management and social responsibility of accounting within businesses involved in operations in the automotive supply industry in Konya at times of crisis.

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