

INFORMATION SUPPORT TO MOTIVATION AS A PHASE OF MANAGEMENT PROCESS

UDC 657.05 + 658.310.13

Ljilja Antić

Faculty of Economics Niš, University of Niš, 18000 Niš, Serbia and Montenegro

Abstract. *Accounting provides a powerful and important basis for the enterprise's motivation system. The accounting information system should help managers motivate employees to perform their tasks and obligations efficiently. A special role in realizing the motivation system belongs to management accounting, which with its budgets and performance statements has a great impact upon the motivation of employees in an enterprise.*

INTRODUCTION

Managing enterprise means managing its objectives which concretizes the business mission of enterprise and confirms the reasons of its existence. The set objectives incorporate a plurality of interests of different participants in business activities of enterprise, namely, stockholders, creditors, managers, employees, etc. Managing enterprise in contemporary business conditions, characterized by high and expensive technology, growing and more intricately structured enterprises, and market globalization, has become a complex process which requires increasing knowledge, skills, and enterprising capabilities. Such conditions make it indispensable to regard the management as a very important part of human resources of an enterprise. Starting from objectives of the enterprise as a whole as well as objectives of its parts, the managers realize the management function through performing activities of planning, organizing, controlling, communicating, and motivating, which, taken together, represent the phases of management process.

The proceeding of the assumptions necessary for performing these activities successfully is considered as an adequate information support. The function of gathering necessary information and placing them at the users' disposal is performed by the enterprise's information system. The accounting information system, in particular, management accounting as its important part, holds a significant place in the enterprise information system.

The paper deals with the information support of management accounting for management process, with an emphasis on the motivating phase.

THE RELATION BETWEEN MANAGEMENT PROCESS AND MANAGEMENT ACCOUNTING

The information provided by management accounting help managers [1, p. 666]:

- Adopt plans for achieving set objectives,
- Organize carrying out adopted plans, and,
- Measure and control how the plans are carried out.

Besides, managers use the information of management accounting "as a means for communication as well as a method for motivating people" [1, p. 666]. This indicates a logical coincidence of typical phases of management process in enterprise: planning, controlling, organizing, communicating, and motivating with the phases of management accounting: accounting planning, accounting control, organization of management accounting, accounting communication, and motivation aspect of management accounting.

Planning is the primary phase and most creative element of management process which includes:

- Business objectives definition,
- Way and means for achieving the objectives, and
- Definition of possible alternatives and selection of the one which is the best for achieving the objectives.

Accounting planning, in accordance with this phase of management process, enables:

- Preparation of information and special cost-benefit analysis of the set business alternatives in order to help in decision-making process, and,
- Preparation of periodical plans.

Controlling, as the phase of management process, includes comparison of the planned and the achieved results in order to prepare an adequate reaction to possible deviations and to undertake eventual corrective actions. In connection with this, **accounting control** provides:

- Preparation of report on realization,
- Comparison of current and planned values, and
- Analysis of possible deviations, their locations, and reasons for their occurrence.

Organizing, as the phase of management process, solves the problem of internal organizational structure of enterprise, managerial authority and responsibility division, and selecting people and way of performing business activities. According to **organizing**, as the phase of management process, **management accounting** has to [2, p. 16]:

- Structure internal accounting reporting in accordance with organizational structure of enterprise,
- Indicate possibilities for improving the organizational structure, and,
- Determine the basis and means for evaluating efficiency of the delegated authorities' accomplishment.

Communicating, as the phase of management process, means "a free transfer of instructions downward and information upward through management structure of enterprise" [2, p. 16]. This phase is informatively supported by the phase of **accounting communication**, which provides:

- Quantitative expression of instructions and information,
- Scheme of transferring instructions and information, and,

- Eliminating interruption of instructions and information flows.

Motivating is the phase of management process which determines an individual behavior in a way that ensures the accomplishment of organizational objectives. In that sense, the organizational parts and individuals are identified with the global objective and behave according to it. Motivating also means to respect individual objectives of employees in a way to motivate them "to achieve objectives and development of enterprise with their own satisfaction" [1, p. 676]. This phase of management process provides its information support through *motivation aspect of management accounting* which [3, p. 19]:

- Provides information basis for estimating success of parts according to current motivation and compensation system,
- Defines the basis and measures of stimulation, and,
- Affirms rewards and gives information about them.

DETERMINANTS OF MOTIVATION SYSTEM IN ENTERPRISE

Motivating represents the phase of management process, that is, the management function, which simultaneously determines management success. In other words, motivation is the inner state that causes an individual to behave in a way that enables participants in business life of an enterprise to identify themselves with objectives of the enterprise and make decisions which are consistent with the set objectives. The management success is determined, in addition to some other factors, by the managers' ability to influence the behavior of their subordinates in order to make it more consistent with the achievement of the enterprise's objectives and to subordinate their own individual aspirations to the given objectives. In that sense, it is necessary to continuously animate the employees to devote their abilities to the achieving of mutual goals, which will be attainable if the employees could recognize their resulting benefits. This assumes that the enterprise's objectives should be clearly defined, that is, they should be precisely "clear and both vertical (toward superior objectives) and horizontal (toward other equal objectives) adjusted objectives of organizational parts, narrow groups and individuals, as well as recognizable and effective relations between realization and rewards for it" [4, p. 29].

The successful management of the employees' behavior requires knowledge of some relevant theories of motivation and adequate approaches to the employees' behavior. Most of these theories can be categorized into two types: content theories and process theories of motivation [5, pp. 136-138].

1. **Content theories of motivation** are explanations of motivation that emphasize people's internal characteristics. They focus on the need to understand what people, that is, more precisely, employees need and how their needs can be satisfied. Although identifying all human needs is impossible, several theories have been developed to help managers better understand these needs:

a) **"Theory X"** and **"Theory Y"** - **Douglas McGregor's theory** based on management strategy relied on human nature cognition. Douglas McGregor identified two sets of assumptions: (1) "Theory X" involves negative assumptions about people (people do not like work and have no ambitions) and managers who use this theory are "bad", and (2) "Theory Y" represents positive assumptions about people (people treat work as a natural

need, they have self-control, motion, responsibility) and managers who use this theory are "good".

b) **Theory of hierarchy of needs** developed by Abraham Maslow (*Maslow's hierarchy of needs*), which states that human beings possess five basic needs which can be arranged in a hierarchy of importance - the order in which individuals generally strive to satisfy them: physiological needs, security (safety) needs, social needs, esteem needs, and self-actualization needs.

c) **McClelland's acquired needs theory**, developed by David McClelland, is an explanation of human needs that focuses on the desires for achievement, power, and affiliation that people develop as a result of their life experiences. It respects the rule stating that "the right man should be in the right place", which means to balance the characteristics of individuals with the characteristics of their jobs.

d) **Herzberg's theory of two factors** (Frederick Herzberg) is based on the idea of two levels of needs - lower level of needs, called hygiene, or maintenance factors (salary, working conditions, supervision, policy and administration of enterprise, relationships with supervisor, subordinates and peers), and higher level of needs, called motivating factors or motivators (opportunity for achievement, opportunity for recognition, responsibility, advancement, personal growth).

2. **Process theories of motivation** are explanations of motivation that emphasize how individuals are motivated. They focus on the steps that occur when an individual is motivated. There are five important theories that describe how motivation occurs:

a) **Theory of reinforcement** (Edward Lawler) proceeds from the human natural need to want satisfaction and to avoid pain and troubles. In other words, people want satisfaction, perform some tasks, and get reward (positive reinforced aspiration), so such behavior becomes their habit. If, however, they are punished and do not get any reward (negative reinforces aspiration), they will eventually repeat the attempt for getting reward or they will give up such behavior.

b) **Theory of behavior modification**, developed by Frederic Skinner, focuses on encouraging appropriate behavior by controlling the consequences of that behavior. According to the effect, behavior that is rewarded tends to be repeated, while that which is punished tends to be eliminated.

c) **The Vroom expectancy theory of motivation** addresses the issue of motivation strength - an individual's degree of desire to perform certain behavior. According to this theory, motivation strength is determined by the perceived value of result of performing certain behavior and the perceived probability that the behavior performed will cause the result to materialize. As both of these factors increase, so does the motivation strength, or the desire to perform that behavior. In general, people tend to perform the behaviors that maximize their personal rewards over the long term.

d) **Equity theory of motivation** is an explanation of motivation that emphasizes the individual's perceived fairness of an employment situation and how perceived inequities can cause certain behavior. The theory includes two elements - inputs and results, or satisfaction.

e) **The needs-goal theory of motivation** is a motivation model that hypothesizes that needs cause human behavior. The theory claims that motivation begins with an individual feeling of need. This need is then transformed into behavior directed at supporting, or allowing, the performance of goal behavior to reduce the need.

Theoretically, goal-supportive behavior and goal behavior itself continue until the need has been significantly reduced.

These, of course, are only several, more important theories and approaches to motivation, but they point out that motivation is a complex, multidimensional, and stratified phenomenon. Managers of modern, market-oriented enterprises have to be introduced into the theories and approaches to motivation for creating an adequate motivation system and its successful implementation.

With a view of creating the adequate motivation system, it is most important to identify **motivation factors**. The literature globally induces possible motivators on the principle "sugar (carrot) - pole": rewards, as sufficient satisfaction, or punishment, as sufficient unpleasantness. However, individual behavior of employees in modern enterprise is very complex and variable, because it is impacted by numerous factors - psychological, sociological, economic, political, etc. From the aspect of possibility to quantify and evidentially express the motivation factors, there are two groups of factors [5, p. 139]:

- a) The factors that could be valuably quantified and involved into accounting procedure, so they are quantitative components of motivation system of enterprise, and
- b) The factors that could not be valuably quantified (directly or generally) and involved in accounting procedure, so they are qualitative components of motivation system of enterprise.

The key factor of motivation system of enterprise is financial compensation for invested work, since money is useful in all situations and, as a medium of exchange, it enables employees to choose a way of satisfying both their existential needs and the needs on higher level, by their universal buying power. The relative importance of this motivator decreases when the standard of life becomes higher, so the creation of an adequate motivation system of enterprise implies some other potential motivators, such as [5, p. 140]:

- Rewards and material and/or ethical stimulations, as satisfaction for successful business performance,
- Responsibility for received tasks and required efforts,
- Possibilities for research and creativity in desired field,
- Possibility for advancement in hierarchy of management structure of enterprise or narrow organizational parts,
- Feeling of satisfaction with achieved results and set objectives,
- Working atmosphere and personal relations on workplace,
- Working conditions, safe and clean working environment with good and favorable working conditions or inadequate working environment with difficult working conditions,
- Way of performing managerial activities and manner of behaving toward employees,
- Personal professional development and enrichment of work,
- Participation in decision-making and collective negotiations, and,
- Prestige, status, reputation, etc.

MANAGEMENT ACCOUNTING AS INFORMATION BASIS
OF THE ENTERPRISE'S MOTIVATION SYSTEM

Accounting provides a powerful basis for the enterprise's motivation system. The accounting information system should help managers to motivate employees to perform their tasks and obligations in a more efficient way. If the influence of the accounting information system is not taken into consideration during its creation and organization, it will cause failure in achievement of business objectives. Accounting has to respect individual objectives of employees "in the way that motivate employees to achieve the objectives of enterprise and its development with their personal satisfaction " [1, p. 675].

Financial accounting, as a part of the accounting information system, provides information support to the enterprise's motivation system. The sources of support are in main - synthetic accounting and, particularly, in analytic accounting of personal income, that is basic salary of employees and their financial stimulations. In management accounting, as a part of the accounting information system, the sources of information support to motivation system of enterprise are in accounting of responsibility and, recently, in activity-based costing. **Management accounting**, primarily accounting planning and accounting control, has an important role in the realization of motivation system, since accounting plans contain "numerous set objectives and tasks, which are distributed in space and chronologically expressed, with equally systematized performance contained in management accounting reports on realization" [4, p. 29].

Budgets and performance statements, created in management accounting, have a great impact on employee motivation in enterprise. The ways in which the employees react to the planned results or statements of achieved results are often more important than the value of plans and reports. Efficiency of control system is to a great extent determined by degree of its inclusion in daily activities and expectations of the employees. In that sense, the control system is efficient "when it respects considerations and attitudes of all employees, indicating what is expected of them and enabling employees to utilize their capacities in achieving certain results" [1, p. 675].

It is very important to take into consideration the fact that accounting statements have a significant impact upon employees' behavior and, conversely, that employees have certain impact upon the accounting statements creation. Individuals who are related to the plans have to be motivated to participate in the discussions concerning further development of the current activities since the planners have to respect suggestions and proposals of the employees who perform certain activities. Developing these relations is significant for improving plans continuously. It is also important to take into consideration the knowledge of employees and their need for reward and respect, because it is the only way to make plans which will be reasonable and useful for individuals included in the process of successful plan realization.

Recently, the information support to management of enterprise is provided by **activity-based costing**. Activity-based costing, as information support, is significant for each phase of management process. Activity-based costing makes decision-making process much easier and, as an information source, affects decision-makers' behavior. Will it be good or bad, depends on the effects of behavior.

In that sense, the process of designing activity-based costing has to consider possible impacts upon employees' behavior. For example, the selection of cost drivers has to in-

clude its possible effect on the employees' behavior. Naturally, the employees will behave in the same way as their work is appreciated. The impact upon the employees' behavior could be useful or harmful, which depends on how the cost drivers influence the employees' motivation to behave towards achieving set objectives.

For example, let's assume that an enterprise wants to reduce the number of unique component parts of its product, for simplifying activities of supply, such as supplier selection, supply, control, storage, and accounting. For that purpose, it could decide to allocate costs on those activities by using the number of parts as cost driver. In that way, if the work of product designers is estimated and rewarded with respect to their ability to design a low-cost or cheaper product, they will be motivated to design the product with a small number of its component parts.

Cost drivers can also be used for behavior modification, but they could induce "too useful behavior" [6 p. 453], which has to be taken into consideration in such cases. Thus, in our example, if the designers, in their ambition to produce a cheaper product, reduce the number of component parts to such an extent that they reduce the product function and quality as required by the market, the initiated behavior will be harmful.

Finally, the key objective in "just-in-time" business system is also to reduce activities of material handling and expenses of keeping material inventories on minimal possible level. The number of material moving, as most precise cost driver for allocating cost of activities of material handling, could have desirable effect on the behavior in the sense that the managers reduce the number of material moving, which will reduce the cost of material handling. However, there is a possibility that the selection of certain cost driver will generate a nonfunctional effect on the behavior. If the number of contacts with suppliers is treated as a cost driver for buying activity, it should induce such an attitude in the buying manager that he may decide to contact only several suppliers, which will not identify the supplier with a lowest cost or a higher quality.

CONCLUSION

The proceeding of the assumptions necessary for performing the management of an enterprise successfully is an adequate information support. A significant source of information for all the phases of management process is a developed accounting information system, especially management accounting as its important part. The information provided by management accounting help managers plan, organize and control achievement of set objectives, and they simultaneously served as a means for motivating employees in enterprise. The motivation aspect of management accounting is primarily included in providing information basis for success estimation, according to current motivation and compensation system, but also in defining the basis and measures of employee stimulation. In management accounting, as the part of accounting information system, the sources of information support to motivation system of enterprise are in accounting of responsibility and, recently, in activity-based costing. The main point is analyzing the influence of cost driver of activity performing on employees' behavior and, eventually, on behavior modification.

REFERENCES

1. Black, H., Champion, J., and Brown, G., *Accounting in Business Decisions*, Prentice-Hall, INC, New Jersey, 1967.
2. Stevanović, N., *Interni obračun, informisanje i upravljanje u preduzeću*, XX Simpozijum SRFRS, Partizanske vode, 1989.
3. Novičević, B., *Upravljačko računovodstvo - obračun troškova*, Ekonomski fakultet, Niš, 2002.
4. Stevanović, N., *Upravljačko računovodstvo*, Ekonomski fakultet, Beograd, 2000.
5. Malinić, S., *Motivacioni sistem preduzeća - dometi računovodstvene informacione podrške*, Zbornik radova sa IV Simpozijuma SRRRS "Računovodstvo i finansije u tranziciji", Banja Vrućica, Teslić, 2000, str. 136-138.
6. Burch, J., *Cost and Management Accounting - A Modern Approach*, West Publishing Co., Saint Paul, 1994.

INFORMACIONA PODRŠKA MOTIVISANJU KAO FAZI UPRAVLJAČKOG PROCESA

Ljilja Antić

Značajnu i jaku informacionu podršku motivacionom sistemu preduzeća pruža računovodstvo. Računovodstveni informacioni system treba da pruži pomoć menadžmentu preduzeća u motivisanju zaposlenih da izvršavaju svoje obaveze na efikasan način. Posebna uloga u realizaciji motivacionog sistema pripada upravljačkom računovodstvu, koje svojim budžetima i izveštajima o performansama bitno utiče na motivaciju zaposlenih u preduzeću.