

**A STUDY ON RELATIONSHIP BETWEEN ACCOUNTING
INFORMATION SYSTEM ADOPTION AND
ORGANIZATIONAL CHANGE READINESS COMMITMENT
AND STRATEGY IN LIBYA**

ALMAHDI ABOBAKER ABDUL SAMAD

**UNIVERSITI UTARA MALAYSIA
2011**

**A STUDY ON RELATIONSHIP BETWEEN ACCOUNTING
INFORMATION SYSTEM ADOPTION AND
ORGANIZATIONAL CHANGE READINESS COMMITMENT
AND STRATEGY IN LIBYA**

*A thesis submitted to the postgraduate studies college of Business,
Universiti Utara Malaysia, in partial of requirement for the degree of Master of
International Accounting*

BY

ALMAHDI ABOBAKER ABDUL SAMAD

**JANUARY
2011**



KOLEJ PERNIAGAAN
(College of Business)
Universiti Utara Malaysia

PERAKUAN KERJA KERTAS PROJEK
(Certification of Project Paper)

Saya, mengaku bertandatangan, memperakukan bahawa

(I, the undersigned, certified that)

ALMAHDI ABOBAKER ABDUL SAMAD (803845)

Calon untuk Ijazah Sarjana

(Candidate for the degree of) **MASTER OF SCIENCE (INTERNATIONAL ACCOUNTING)**

telah mengemukakan kertas projek yang bertajuk

(has presented his/her project paper of the following title)

**A STUDY ON RELATIONSHIP BETWEEN ACCOUNTING INFORMATION SYSTEM ADOPTION
AND ORGANIZATIONAL CHANGE: READINESS, COMMITMENT AND STRATEGY IN LIBYA**

Seperti yang tercatat di muka surat tajuk dan kulit kertas projek
(as it appears on the title page and front cover of the project paper)

Bahawa kertas projek tersebut boleh diterima dari segi bentuk serta kandungan dan meliputi bidang ilmu dengan memuaskan.

(that the project paper acceptable in the form and content and that a satisfactory knowledge of the field is covered by the project paper).

Nama Penyelia : **MR. ABDUL MANAF BIN BOHARI**

ABDUL MANAF BOHARI
SENIOR LECTURER

COLLEGE OF BUSINESS
NO. 315, MAIN BUILDING

UNIVERSITI UTARA MALAYSIA
06010 UUM SINTOK, KEDAH DARUL AMAN

TEL: 04-9285277 (OFFICE), 019-4243648 (HP)

Tandatangan : _____

Tarikh : **24 JANUARY 2011**

CENTER FOR GRADUATE STUDIES
UNIVERSITI UTARA MALAYSIA

PERMISSION TO USE

In presenting this thesis in fulfillment of the requirements for the postgraduate degree from the Universiti Utara Malaysia, I agree that the Universiti Library may take it freely available for inspection. I further agree that the permission for copying of this thesis in any manner, in whole or in part, for scholarly purpose may be granted by my supervisor or, in his absence, by the Dean of the College of Business. It is understood that any copy or publication or use of this thesis or parts thereof for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to the Universiti Utara Malaysia for any scholarly use which may be made of any material from my thesis.

Request for permission to copy or make other use of material in this thesis in whole or in part should be addressed to:

Dean (Research and Post Graduate)
UUM College of Business
06010 UUM Sintok
Kedah DarulAman
Malaysia

ABSTRACT

Information has become a key resource of most organisations, economies, and societies. Indeed, an organisation's basis for competition has changed from tangible products to intangible information. It is therefore, this study attempts to elicit the relationship between accounting information system and organizational change among 25 companies in the country of Libya. The descriptive research design used a quantitative instrument to accomplish the objectives of the study, employing an adopted questionnaire as an instrument. However, the analysis of the results indicated that most of the respondents agreed on that commitment to change have the positive impact on AIS. In addition, a positive correlation existed between the respondents' gender and their education level. The results further revealed a negative correlation between the respondents' working experience and their attitudes or commitment. A major conclusion of the study was that, Internet Technology adoption among Libyan users still as main focus to predict the success of the business and activities in the organizations in the dynamic environment.



Acknowledgment

In the name of Allah the Most Gracious and The Most Merciful

All praise and due are to Allah and peace and blessings be upon His Messenger

Praise is to Allah the most exalted whose mercy and blessing have enabled me to complete this study. I owe my deepest gratitude to those who have helped me through the process of completing this dissertation. It is a pleasure to thank those who made this thesis possible.

I would like to express my deepest gratitude and appreciation to my supervisor, Dr. Abdul Manaf Bin Bohari for his acceptance to be my supervisor, and for providing me with insightful and valuable comments. He has always been there whenever I needed his help and support.

My heartfelt thanks are extended also to the academic and non-academic staff of the University for their Most Helpful Assistance.

Lastly, my warmest thanks, appreciation, and gratitude are due to my dear parents for their support, patience and prayers. And for you my exemplar, Dr. Ihssin Abobker Abdul Samad for being my inspiration due to my academic journey.

Almahdi Abobaker Abdul Samad

College of Business

Universiti Utara Malaysia

TABLE OF CONTENTS

PERMISSION TO USE	i
ABSTRACT	ii
ACKNOWLEDGEMENT	iii
TABLE OF CONTENTS	iv

CHAPTER 1

INTRODUCTION

1.0	Background of the study.....	1
1.1	Organizational Change.....	2
1.2	Problem Statement.....	2
1.3	Objective of the Study.....	4
1.4	Research questions.....	5
1.5	Significance of the Study.....	5
1.6	Organization of Thesis.....	5
1.7	Conclusion.....	6

CHAPTER 2

LITERATURE REVIEW

2.0	Introduction.....	7
2.1	The Theory of Planned Behavior.....	7
2.2	Management Control System Change.....	9
2.3	Technology Acceptance, Adoption, and Continuance.....	10
2.4	Relationship between Organizational Change and AIS.....	12
2.5	Related Previous Studies on Reasons to Change.....	13
2.5.1	Commitment to Organizational Change.....	13

2.5.2	Readiness for Change.....	19
2.5.3	Managing Readiness for Change.....	21
2.5.4	Strategy Changes.....	23
2.9	Conclusion.....	24

CHAPTER THREE

RESEARCH METHODOLOGY

3.0	Introduction.....	26
3.1	Research Design.....	26
3.2	Framework.....	27
3.3	Hypothesis.....	27
3.4	Sampling.....	27
3.5	Sampling Method.....	28
3.6	Questionnaire Administration.....	28
3.7	Validity of the Technique.....	29
3.8	Data Analysis Technique.....	29
3.9	Conclusion.....	29

CHAPTER FOUR

RESULTS

4.1	Introduction.....	30
4.2	Overview of Data Collected.....	30
4.3	Demographic Profile of Respondents.....	31
4.4	Analysis.....	32
4.4.1	Reliability Test.....	32
4.4.2	Descriptive Statistics.....	32

4.4.3	Correlation Analysis.....	33
4.4.4	Regression Analysis.....	34
4.5	Conclusion.....	38

CHAPTER FIVE

SUMMARY, DISCUSSION AND CONCLUSION

5.0	Introduction.....	39
5.1	Discussion.....	39
5.2	Conclusions.....	40
5.3	Recommendations.....	41
5.4	Limitation of the study.....	43
5.5	Future work.....	44

LIST OF TABLES

Table 4.1	Summary of Demographic Profile.....	31
Table 4.2	Reliability Coefficient of the Study Variables.....	52
Table 4.3	Descriptive Statistics of the Study Variables.....	53
Table 4.4	Pearson's Correlation Analysis of the Study Variables.....	54
Table 4.5	Change readiness outputs and AIS.....	35
Table 4.6	Commitment to Change and AIS.....	36
Table 4.7	Strategy Change and AIS.....	37

LIST OF FIGURES

Figure3.1	The emerged framework.....	27
------------------	-----------------------------------	-----------

LIST OF REFERENCES.....

APPENDIX.....

- **APPENDIX (A).....**
- **APPENDIX (B).....**
- **APPENDIX (C).....**
- **APPENDIX (D).....**

CHAPTER ONE

INTRODUCTION

1.0 background of the study

Accounting is at the centre of a renaissance in line with technological changes, globalisation, and growing risk management concerns. Today's organisations are operating and competing in an information age. Information has become a key resource of most organisations, economies, and societies. Indeed, an organisation's basis for competition has changed from tangible products to intangible information. More and more organisations believe that quality information is critical to their success (Wang et al., 1998). Managers understand that good business results come from dynamic processes, procedures and practices, which are well designed and implemented properly and managed. The past two decades have witnessed considerable change in managerial accounting practice. From its traditional emphasis on financially oriented decision analysis and budgetary control, managerial accounting has evolved to encompass a more strategic approach that emphasizes the identification, measurement, and management of the key financial and operational drivers of shareholder value (International Federation of Accountants, 1998; Institute of Management Accountants, 1999).

A critical research issue in the fields of accounting and management decision-making concerns the fit of the accounting information system (AIS) with the organizational requirements for change. Shields (1997) and Scapens (1999) argue that changes in the environment cause changes within organizations, which in turn

The contents of
the thesis is for
internal user
only

References

Abraham, R. (2000). Organizational cynicism: Bases and consequences. *Genetic, Social and General Psychology Monographs*, 126(3), 269-292.

Abrahamson, E. (1996). Management fashion. *Academy of Management Review*, 21, 254-285.

Adams, D. A., & Todd, P. A. (1992). Perceived Usefulness, Ease of Use, and Usage of Information Technology: A Replication. *MIS Quarterly*, 2, 227-247.

Adams, J. S. (1965). Inequity in social exchange. In L. Berkowitz (Ed.), *Advances in experimental social psychology* (Vol. 2, pp. 267-299). New York: Academic Press.

Adler, N., & Docherty, P. (1998). Bringing business into sociotechnical theory and practice. *Human Relations*, 51(3), 319-345.

Agarwal, R. (2000) Individual acceptance of information technologies. In *Framing the domains of IT management*, Zmud, R.W. (ed.), pp. 85-104. Cincinnati, OH: Pinnaflex, Inc.

Agarwal, R., & Prasad, J. (1999). Are individual differences germane to the acceptance of new information technologies? *Decision Sciences*, 30(2), 361-391.

Agarwal, R., & Karahanna, E. (2000). Time flies when you're having fun: Cognitive absorption and beliefs about information technology usage. *MIS Quarterly*, 24(4), 665-699.

Aiken, L. S., & West, S. G. (1991). *Multiple regression: Testing and interpreting interactions*. Newbury Park, CA: Sage.

Ajzen I. (1991). The theory of planned behavior. *Organizational Behavior and Human Decision Processes*, 50, 179-211.

Baerveldt, C., & Snijders, T. A. B. (1994). Influences on and from the segmentation of networks: Hypotheses and tests. *Social Networks*, 16, 213-232.

Bagozzi, R.P., Yi, Y., & Philips, L.W. (1991). Assessing construct validity in organizational research. *Administrative Science Quarterly*, 36, 421-458.

Bailey, A., & Johnson, J. (1995). Strategy development processes: A configurational approach. *Academy of Management Best Papers Proceedings*, 2-6.

Brews, P. J., Hunt, M. R. (1999). Learning to plan and planning to learn. *Strategic Management Journal*, 20, 889-913.

Brock, D. M., Barry, D. (2003). What if planning were really strategic? Exploring the strategy planning relationship in multinationals. *Int Bus Rev*, 12:543–61.

Boyd, B. K., (1991). Strategic planning and financial performance: a meta-analytic review. *J Manag Stud*, 28(4), 353–74.

Chau, P. Y. K. & Hu, P. J. (2001). Information Technology acceptance by professionals: a model comparison approach. *Decision Sciences*, 32(4), 699-719.

Davis, F.D., Bagozzi, R.P. & Warshaw, P.R. (1989). User acceptance of computer technology: a comparison of two theoretical models. *Management Science*, 35(8), 982-1003.

Delmar, F, Shane, S. (2003). Does business planning facilitate the development of new ventures? *Strategic Management Journal*, 24, 1165–85.

Dretske, F. (1981). *Knowledge and the flow of information*. Cambridge, MA: MIT Press.

DeLone, W. H., McLean, E. R. (1992). Information systems success: The quest for the dependent variable. *Information Systems Research*, 3(1), 60-95.

Eisenberger, R., Huntington, R., Hutchinson, S. & Sowa, D. Perceived organizational support. *Journal of Applied Psychology*, 1986, 71, 500-7.

Ekehammar, B. (1974). Interactionism in personality from a historical perspective. *Psychological Bulletin*, 81(12), 1026-1048.

Elias, S. M. (2009). Employee Commitment in Times of Change: Assessing the Importance of Attitudes Toward Organizational Change. *Journal of Management*, 35(1), 37-55.

Emirbayer, M., & Mische, A. (1998). What is agency? *American Journal of Sociology*, 103, 9621023.

Endler, N.S. & Magnusson, D. (1976). Toward an interactional psychology of personality.

Frazier, P.A., Tix, A.P., & Barron, K.E. (2004). Testing moderator and mediator effects in counseling psychology research. *Journal of Counseling Psychology*, 51, 115-134.

Glaister, K. W., Falshaw, J. R. (1999). Strategic planning: still going strong? *Long Range Plan*, 32(1), 107–16.

Govindarajan, V.A. (1988). Contingency approach to strategy implementation at the business unit level: integrating administrative mechanisms with strategy. *Acad Manage J*, 31(4):828–53.

Greenley, G. E. (1994). Strategic planning and company performance: an appraisal of the empirical evidence. *Scand J Manag*, 10(4), 383–96.

Hahn, W. Powers, T. (1999). The impact of strategic planning sophistication and implementation on firm performance. *J Bus Econ Stud*, 5(2):19–35.

Ichijo, K. (2002). *Knowledge exploitation and knowledge exploration*. In C. W. Choo, & N. Bontis (Eds.), *The strategic management of intellectual capital and organisational knowledge* (pp. 477–483). New York: Oxford University Press.

Jermias, J, Gani L. (2004). Integrating business strategy, organizational configurations and management accounting systems with business unit effectiveness: a fitness landscape approach. *Manage Account Res*, 15, 179–200.

Johnson, G., & Scholes, K. (1993). *Exploring corporate strategy*. New York: Prentice-Hall.

Jack E. P., Raturi A. (2002). Sources of flexibility and their impact on performance. *J OperManag*, 20(5):519–49.

Leonard-Barton, D. (1992). Core capabilities and core rigidities: A paradox in managing new product development. *Strategic Management Journal*, 13, 111–125.

Lumpkin, G. T., & Dess, G. G. (1995). Simplicity as a strategy-making process: The effects of stage of organizational development and environment on performance. *Academy of Management Journal*, 38, 1386–1407.

Machlup, F. (1983). *Semantic quirks in studies of information*. In F. Machlup, & U. Mansfield (Eds.), *The study of information*. New York: John Wiley.

Matusik, S. F., & Hill, C. W. L. (1998). The utilization of contingent work, knowledge creation, and competitive advantage. *Academy of Management Review*, 23(4), 680–697.

Meilich, O., Marcus, A. (2006). *Strategic planning and decision making*. In: MorcolG, editor. *Handbook of decision making*. New York: Taylor Francis, 433–56.

Meyer, M. W., & Gupta, V. (1994). The performance paradox. *Research in Organizational Behavior*, 16, 309–369.

Miller, C. C., Cardinal, L. B., (1994). Strategic planning and firm performance: a synthesis of more than two decades of research. *Acad Manage J*. 37, 1649–65.

Mintzberg H, Ahlstrand B, Lampel J. (1998). *Strategy safari: a guided tour through the wilds of strategic management*. 10(2), 149–71.

Nonaka, I. (1994). A dynamic theory of organizational knowledge creation. *Organisation Science*, 5(1), 14–37.

O'Regan N, Ghobadian A. (2002). Formal strategic planning: the key to effective business process management? *Bus Process Manag J*, 8(5), 416–29.

Pearce, J. A. I., Freeman, E. B., & Robinson Jr, R. B. (1987). The tenuous link between formalized strategic planning and financial performance. *Acad Manage Rev*, 12, 658–75.

Peel, M. J., Bridge, J. (1998). How planning and capital budgeting improve SME performance. *Long Range Plan*, 31(6):848–56.

Porter (1985) Competitive advantage: creating and sustaining superior performance. New York: Free.

Rhyne, L. C. (1986). The relationship of strategic planning to financial performance. *Strateg Manage J*. 7(5), 423–36.

Rogers, E.M. 1983. Diffusion of Innovations, 3rd edition. New York, NY: The Free Press.

Rogers, P. R., Bamford, C. E. (2002). Information planning process and strategic orientation: the importance of fit in high-performing organization. *J Bus Res*, 55:205–15.

Schwenk, C. R., Shrader, C. B. (1993). Effects of formal strategic planning on financial performance in small firms: a meta analysis. *Entrep Theory Pract*, 17: 53–64.

Semler, S. W. (1997). Systematic agreement: A theory of organizational alignment. *Human Resource Development Quarterly*, 8, 23–40.

Shrader, C. B., Taylor, L. Dalton, D.R. (1984). Strategic planning and organisational performance: a critical appraisal. *J Manage*, 10(2), 149–71.

Spender, J. C. (1992). Limits to learning from the west: How western management advice may provide limited in Eastern Europe. *International Executive*, 34(5), 389–410.

Thomas, J. B., S. M. Clark, D. A. Gioia. (1993). Strategic sensemaking and organizational performance: Linkages among scanning, interpretation, action, and outcomes. *Acad. Management J*. 36(2) 239-270.

Tillema S. (2005). Towards an integrated contingency framework for MAS sophistication-case study on the scope of accounting instruments in Dutch power and gas companies. *Manag Account Res*, 16, 101–29.

Weick, K. E. (1995). Sense making in Organizations. Thousand Oaks, CA.: Sage Publications, Welsch, G. A., Hilton RW, Gordon, P. N. (1988). Budgeting: profit planning and control. 5th ed. London: Prentice-Hall.