Full Length Research Paper

Accounting information systems in the fast food industry: A valuable tool for small business survival

Thembelihle Allah, Puleng August, Siphamandla Bhaza, Tinashe Chigovanyika, Unathi Dyan, Tinashe Muteweye, Mandisi Ngcoza, Nelswa Tshiwula, Vuyiseka Qambela, Yanga Vooi and Juan-Pierre Bruwer*

Faculty of Business, Cape Peninsula University of Technology, PO Box 625, Cape Town, 8000, South Africa.

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Prior research has shown that small businesses make limited use of financial information which has a distinct and direct effect on the performance, profitability and overall success of these entities holistically. It has been reported that up to 90% of small businesses fail within a period of 5 years. It is also evident that over 60% of small medium and micro enterprises (SMMEs) make use of financial information systems which have to be updated manually on a periodic basis. From this dispensation, the perception was formulated by the authors that small businesses are success adverse as a result of making inadequate use of accounting information systems.

The main aim of this study was to determine to what extent small businesses make use of accounting information systems. In essence, this empirical research which fell within the positivistic research paradigm and responses were gleaned from 30 owners and/or managers of small businesses, operating in the fast food industry. Furthermore these entities also operated in the Cape Metropole and were targeted by means of purposive sampling. All respondents were assured of confidentiality and anonymity, and all responses were of a voluntary nature. Descriptive research was utilised to extract relevant findings, which were followed by relevant conclusions.

Key words: SMME, accounting information systems, success, profitability, sustainability.

INTRODUCTION

Small businesses and small business success

Small businesses in South Africa account for more than 56% of private sector’s employment and 36% of the national Gross Domestic Product according to DTI (2008). According to Shah and Khedkar (2006), SMMEs play a catalytic role in the development of any country as they are described as the ‘engines of growth’ in developing and transition economies, accounting for a significant proportion in manufacturing, exports and employment, and are deemed as major contributors to the national GDP. Despite the aforementioned, Brink et al. (2003) express the view that the survival rate of small businesses is fairly low in South Africa as less than 50% of newly established businesses survive beyond five years.

Various factors are perceived to contribute to the high failure rate of these enterprises, including limited financing opportunities, legislation, inflation, interest rates and market fluctuations. Among this list of factors is the inadequate utilisation of Accounting Information Systems (hereafter referred to as AIS). By adequately using AIS it is possible to assess the risk of some operations and/or predict probable future earnings with sophisticated statistical software applications with the main intention to enhance business operations. Deloitte Touch Tohmatsu Limited (2007) conducted a study whereby the power of AIS has been tested and tried in larger companies with great success. In essence it was found that the AIS generated information which, in turn, benefited management in making proper decisions to enhance their firm’s

*Corresponding author. E-mail: BruwerJP@cput.ac.za.
overall survival. The same AIS, according to the previous authors, could be implemented in SMMEs.

AIS are also to record financial transactions of an organisation by means of combining methodologies, controls and accounting techniques with relevant technologies (Berisha-Namani, 2009). This type of system is used to track transactions and provides internal reporting data, external reporting data, financial statements, and respective trend analysis for specific ‘time-intervals’ (information for relevant decision-making). Small businesses require effective information systems to support and to deliver information to the different internal users to make the correct business decisions, but more often than not a limited number of these entities actually make use of such a system (Bruwer and Watkins, 2010).

LITERATURE REVIEW

Small business success

Small businesses play an important role in the stimulation of the economy through means of creating jobs and eliminating the poverty (Joubert et al., 1999). According to Luiz (2002), small business survival can be considered as a vital indicator of economic prosperity as these entities have a remarkable capacity to absorb labour; absorbing well over 50% of the South Africa’s total employment. Bloom (2009) further states that unfortunately small businesses survival in South Africa leaves much to be desired. The latter is affirmed by Baron (2000) when stating that an estimated 70 to 80% of start-up small businesses in South Africa fail with their first five years of existence.

Du Plooy et al. (2005) explains that the survival (and business success in essence) of small businesses can be measured by means of performance measures which include: financial performance measures (for example, profitability, liquidity, solvency, etc.) and non-financial performance measures (for example, customer base-size, employee satisfaction and customer satisfaction, etc.). The term ‘business success’ has different meanings to different people as it can also be viewed in the light of a business owner achieving his/her personal objective(s) through means of a business, delivering superior customer service or having a sound atmosphere within the respective business venture (Femsa, 2007). Unfortunately, it is Adeniran and Johnston (2012:3089) who state that South African SMMEs have limited capabilities in terms of business success and are adversely affected by competitive forces of micro economic factors among other factors.

Factors affecting small business success

Prior research has shown that factors affecting SMME survival and success pertain to that of macro-economic factors and micro-economic-factors. Economic factors influence the state of the economy and have both long-term and short-term effects thereon. According to Mohr and Fourie (2004:11-12) economic factors can be sub-categorised as follows: macro economic factors and micro economic factors. These sub-categories are briefly expanded upon.

Macro economic factors: Mohr and Fourie (2004:11-12) explain that macro-economic factors are external factors around a business that affects it directly. Businesses have limited/no control over such factors. Popular macro economic factors, that affect business survival (of both large and small entities) to a great extent, include crime, currency, fluctuating market conditions, political changes, unemployment, interest rates and exchange rates.

The global financial crisis can be regarded as a macro economic factor which adversely affected the economic landscapes of South Africa, and Germany during from 2010 onwards. Essentially other macro economic factors to the likes of inflation rates and unemployment rates, among other, were largely affected by one major macro economic factor, namely that of the global economic crisis.

Micro economic factors: Mohr and Fourie (2004:11-12) explain that micro-economic factors are internal factors inside a business, which affects it. Popular micro economic factors, that affect business survival (and business success) to a great extent include, management skills, business skills, financial management skills, business knowledge, accounting skills, financial difficulties and overhead costs.

Brink et al. (2003) make mention that other micro economic factors which influenced the survival and success of small businesses include financial problems, the lack of funding, insufficient bookkeeping skills, expensive operating expenditure, poor cash flow management and bad debts. Jooste (2008) is of the opinion that small business survival is also adversely affected as a result of monetary issues, limited exposure, lack of sales, lack of competent staff and the negligence of financial performance measures.

All in all these economic factors need to be managed effectively as they influence business decisions. To ensure that a well-informed business decision is made by management of small businesses, it is recommended that Accounting Information Systems are deployed.

Business decisions, AIS and its importance

Sharkas (1974) is of the opinion that majority of small businesses fail due to inappropriate business decisions being made. In fundamental nature business decisions
should be made with information (pertaining to the relevant business venture) which is accurate, reliable, and valid. One way to ensure that adequate business decisions are made is through means of utilising AIS. Femsa (2007) further states that AIS are capable of analysing and interpreting financial data to produce important information for decision-making. From a technological dispensation, AIS is available for use in an electronic format, which can provide all relevant stakeholders with ‘real-time-information’ on demand.

AIS are regarded as tools which, when incorporated into business process, help in the management and control of business related activities in the firms' economic and financial areas, by providing information for better decision-making. Sharkas (1974) explains that AIS should be simple, flexible, self-explanatory, based upon conventional accounting practices and capable of monitoring information for control as well as arrangements for planning and budgeting. In essence AIS should also provide an affordable, comprehensive solution for managing an entire business from sales and customer relationships to financials and operations. Rootman and Kruger (2010) collaborate the importance of AIS in the following extract:

"SMMEs need to be familiar with their business functions as these functions are essential towards a firm’s overall performance measured by sales, profits, rates of return, customer satisfaction and customer retention. It is this important for a firm’s owners and managers to be able to adjust and manage these functions when global economic changes occur”.

Rootman and Kruger (2010) further make mention that the lack of such systems can lead to high lead times in the business process, high cycle times in business transactions and poor utilisation of business resources. With AIS, small businesses can streamline operations, act on timely and complete information, and accelerate profitable growth. Briggs et al. (2003) raise the opinion that AIS should provide solutions (information which will lead to better decision-making) that are custom-made for small businesses, which should allow them to operate efficiently and to save on costs by managing more effectively. This is done by recording all transaction in a common database that is used by users throughout a business, by means of providing performance indicators to make the best possible business decisions. In essence, all accounting systems are designed with the main intention to provide information to decision-makers to assist them in their decision making (Sowden-Service, 2006).

**RESEARCH DESIGN**

This research was empirical in nature as it involved a practical involvement with specific research subjects as predetermined by the authors. Moreover, this research was deemed as a descriptive research as it describes a specific phenomenon at hand (Collis and Hussey, 2009). This research study also fell within the positivistic research paradigm as the research was quantitative in nature.

**Data collection**

Data were collected through means of questionnaires by taking into consideration a sample size of owner-managers of small businesses that operated in the fast-food industry within the Cape Metropole. Apart from the latter, SMMEs targeted also had to adhere to the following delineation criteria:

1. SMMEs should have been in existence for at least 1 year.
2. SMMEs owner and/or manager must be actively involved in business operations.

As the actual size of the population was unknown, an attempt was made to gather information on the identified research problem. For this reason a total sample size of 30 SMMEs was chosen for this study.

The study required authors to make use of non-probability sampling (purposive sampling), with the intention to glean rich data for data analysis purposes. The data collection tool used was that of a questionnaire which consisted mostly of close-ended questions, and Likert-scale questions. All data collected were analysed accordingly through means of descriptive statistics.

**RESEARCH FINDINGS AND DISCUSSION**

Respondents were specifically asked which AIS they make use of on a regular basis. Approximately 28% of respondents revealed that they make use of technological AIS, despite the fact that the phenomenon of information technology has been in existence for over 10 years. The collaborated view of respondents, pertaining to the afore-going question, is evident in Table 1.

It is clear from Table 1 that the bulk of respondents made use of manual systems, meaning that all relevant information stemming from accounting data (to make effective decisions) had to be calculated on a manual, periodic basis as opposed to having real time information at their disposal.

Respondents were further asked what information they normally glean from using their current AIS (be it manual or automatic). The summary of responses is evident as shown in Table 2.

As accounting information generally stems from past events, it was interesting to note that accounting information is mostly used for predictive purposes in the sense of budgets (79.17%). The second most important reason why accounting information were used, was for controlling purposes in the sense of controlling stock (77.5%) and cash flow (74.17%).

When respondents were asked how their AIS add value to their business, the following dispensation emerged in Table 3.

From Table 3, it is evident that the accounting information at the disposal of management’s fingertips is of some value (on average 66.53%) to their respective businesses.
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ETHICAL CONSIDERATIONS

All respondents were assured of confidentiality and anonymity and all respondents were assured safety from any harm. Furthermore, all responses were voluntary in nature and respondents were informed that they could withdraw from the study any time so they wished.

Conclusion

Despite the improvement and advancement in the field of information technology, it is clear that small businesses are reluctant to adapt to new technology as the bulk of SMMEs still make use of manual accounting information systems. AIS are perceived as critical in establishing 'solid ground' in the business realm however these entities lag behind in the implementation of these systems compared to large companies (Deloitte Touch Tohmatsu Limited, 2007).

The afore-mentioned situation is largely attributed to economic factors, both macro and micro as the ability of small businesses to realise their goals depends on how well they acquire, interpret, synthesise, evaluate and understand accounting information at their disposal, in order to manage and/or control these economic factors.

REFERENCES


LIMITATIONS OF THE RESEARCH

This research only took into consideration the perception of small business enterprise owners and/or managers which operated in the fast moving consumer goods industry in the Cape Metro pole. In essence, the respondents also had to adhere to a predetermined set of delineation criteria. Both time and monetary constraints played an imperative role in the formulation of this research study as quantitative data had to be collected in a relatively short period of time (2 months).

Table 1. The utilisation of AIS by respondents.

<table>
<thead>
<tr>
<th>IAS used</th>
<th>Make use of (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pastel</td>
<td>6.5</td>
</tr>
<tr>
<td>SAP</td>
<td>0.5</td>
</tr>
<tr>
<td>MRP Software</td>
<td>2.0</td>
</tr>
<tr>
<td>Quick Books</td>
<td>11.5</td>
</tr>
<tr>
<td>Vision Point 2000</td>
<td>4.0</td>
</tr>
<tr>
<td>Business Version 32</td>
<td>2.0</td>
</tr>
<tr>
<td>e-Business Suite</td>
<td>2.0</td>
</tr>
<tr>
<td>MS Office (Excel)</td>
<td>18.5</td>
</tr>
<tr>
<td>Manuel System</td>
<td>53.0</td>
</tr>
</tbody>
</table>

Table 2. Uses of AIS in respondents' businesses.

<table>
<thead>
<tr>
<th>System used for</th>
<th>Frequency (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billing</td>
<td>69.17</td>
</tr>
<tr>
<td>Stock control</td>
<td>77.50</td>
</tr>
<tr>
<td>Production planning</td>
<td>65.00</td>
</tr>
<tr>
<td>Budgeting</td>
<td>79.17</td>
</tr>
<tr>
<td>Cash flow</td>
<td>74.17</td>
</tr>
<tr>
<td>Calculating taxation</td>
<td>71.67</td>
</tr>
</tbody>
</table>

Table 3. How AIS add value to respondents' businesses.

<table>
<thead>
<tr>
<th>Add value by means of</th>
<th>Frequency (%)</th>
</tr>
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<tbody>
<tr>
<td>Feedback on the status of an order</td>
<td>64.17</td>
</tr>
<tr>
<td>Saving time (doing books)</td>
<td>63.33</td>
</tr>
<tr>
<td>Helps circulate information better</td>
<td>63.33</td>
</tr>
<tr>
<td>Measure business growth</td>
<td>67.50</td>
</tr>
<tr>
<td>Consolidate financial statements better</td>
<td>71.67</td>
</tr>
<tr>
<td>Helps with accurate re-ordering level</td>
<td>69.17</td>
</tr>
</tbody>
</table>


