

## FINANCIAL REPORTING TRANSPARENCY AS A MANAGERIAL CONTROL MECHANISM: A CASE STUDY OF ACCOUNTING INFORMATION SYSTEM IMPLEMENTATION IN AN ENVIRONMENTAL CONSULTING FIRM

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### ABSTRACT

*This study examines changes in financial reporting transparency before and after the implementation of an Accounting Information System (AIS) and its implications for managerial control in a project-based environmental consulting firm. Using a qualitative comparative case study, data were collected through semi-structured interviews and analyzed thematically. Findings show that manual reporting created delays and limited monitoring, while AIS adoption improved integration, timeliness, and cost oversight. The findings contribute to the AIS literature by highlighting financial reporting transparency as an integral component of managerial control in project-based organizations.*

*Keywords: Financial Reporting Transparency, Managerial Control, Project-Based Firm*

### ABSTRAK

Penelitian ini menganalisis perubahan transparansi pelaporan keuangan sebelum dan sesudah implementasi Accounting Information System (AIS) serta implikasinya terhadap kontrol manajerial pada perusahaan konsultan berbasis proyek. Pendekatan yang digunakan adalah studi kasus komparatif kualitatif melalui wawancara semi-terstruktur dan analisis tematik. Hasil menunjukkan bahwa pelaporan manual menimbulkan keterlambatan dan keterbatasan pemantauan, sedangkan AIS meningkatkan integrasi, ketepatan waktu, dan pengawasan biaya. Temuan ini memperkaya literatur SIA dengan menegaskan peran transparansi pelaporan sebagai bagian penting dari mekanisme kontrol manajerial dalam organisasi berbasis proyek.

**Kata Kunci: Kontrol Manajerial, Perusahaan Berbasis Proyek, Transparansi Pelaporan Keuangan**

### INTRODUCTION

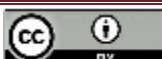
Financial reporting transparency plays an important role in supporting managerial control and organizational accountability. In practice, managers rely on timely and accessible financial information to monitor operational costs, evaluate project performance, and ensure that organizational resources are used effectively. When financial reporting lacks transparency, information gaps may emerge and weaken control mechanisms (Haustein & C. Lorson, 2023; Sunarta & Astuti, 2023).

This issue becomes more complex in project-based professional service firms, such as environmental consulting companies. In such organizations, financial transactions are spread across multiple projects and reporting periods, making monitoring more challenging.

Environmental consulting firms also operate under regulatory and accountability pressures that require reliable financial documentation (Owen, 2021).

Financial reporting at PT ABC was historically conducted through manual and non-integrated procedures, resulting in delayed reports, fragmented records, and limited accessibility of financial information. Recently, the organization transitioned to an Accounting Information System (AIS) to improve reporting processes. This transition provides a unique opportunity to examine how financial reporting transparency and managerial control practices change over time, rather than merely evaluating system adoption at a single point.

PT ABC was selected because it manages multiple environmental consulting projects



simultaneously, each involving distinct budgeting structures, regulatory compliance requirements, and client reporting obligations. Unlike firms with standardized service outputs, environmental consulting activities require continuous cost tracking across overlapping project timelines. This creates financial complexity and increases the need for transparent and timely reporting. The transition from manual procedures to AIS in such a context provides a relevant setting to examine how improvements in financial transparency influence managerial control practices in a project-based organization.

Prior studies indicate that accounting information systems (AIS) support financial reporting transparency by improving the accuracy, timeliness, and accessibility of financial information, thereby supporting managerial control practices (Al-Hattami, 2024; Sunarta & Astuti, 2023). However, existing research has largely focused on the technical benefits of AIS implementation, with less attention to how transparency evolves before and after implementation and how these changes influence everyday managerial control practices.

Therefore, this study adopts a comparative case study approach to analyze financial reporting conditions before and after AIS implementation and to explore how improvements in transparency function as a managerial control mechanism within a project-based environmental consulting firm.

## LITERATURE REVIEW

### Financial Reporting Transparency and Managerial Control

Financial reporting transparency refers to the clarity, accuracy, timeliness, and accessibility of financial information for internal organizational users. Transparent financial reporting reduces information imbalance and enables managers to monitor resource utilization, control operational costs, and evaluate organizational performance. Haustein & C. Lorson (2023) emphasize that transparent financial statements enhance the usability of accounting information and support managerial decision making. Empirical evidence further indicates that high quality and transparent accounting information strengthens managerial control effectiveness, particularly in organizations with complex operational structures (Sunarta & Astuti, 2023). In professional service firms operating under heightened accountability demands, financial reporting transparency also functions as a mechanism for enhancing internal

accountability and organizational sustainability (Owen, 2021).

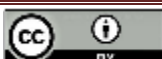
From a managerial control perspective, financial reporting transparency can also be interpreted through Simons (1995) Levers of Control framework, particularly the concept of diagnostic control systems. Diagnostic control systems rely on formal performance information to monitor outcomes and ensure that organizational activities remain aligned with strategic objectives. Transparent financial reports provide measurable indicators that allow managers to compare actual results with planned targets. In project-based firms, where financial activities are dispersed across multiple ongoing projects, structured and timely reporting becomes essential for effective monitoring. In this sense, transparency supports the operationalization of diagnostic control within the organization rather than functioning merely as an informational attribute.

### Accounting Information Systems and Financial Reporting Transparency

Accounting Information Systems (AIS) enhance financial reporting transparency by improving the accuracy, consistency, and timeliness of financial data processing. Manual recording practices are often associated with delays, fragmented information, and a higher risk of human error, whereas automated and integrated systems standardize procedures and enable real-time access to financial data. Such improvements increase information reliability and usability, allowing managers to obtain relevant reports more efficiently and make timely decisions. Prior studies indicate that AIS adoption positively affects information quality and strengthens internal control by providing faster and more dependable financial information (Al-Hattami, 2024; Sunarta & Astuti, 2023; Amelia et al., 2024). Thus, AIS functions not only as a technological tool but also as an important enabler of financial reporting transparency within organizations.

### Financial Reporting Transparency in Project-Based Professional Service Firms

Maintaining financial reporting transparency is particularly challenging in project-based professional service firms, including environmental consulting companies, where financial transactions are dispersed across multiple projects, clients, and reporting periods. This dispersion often limits visibility over project expenditures and complicates monitoring processes, thereby weakening managerial control.



Environmental consulting firms also operate within highly accountable and regulated environments that demand accurate and transparent financial information to ensure compliance and organizational sustainability (Owen, 2021). Firms that rely on manual or non-integrated reporting systems frequently experience delayed reporting and incomplete financial data, which further restrict effective oversight (Al-Hattami, 2024; Indarwati et al., 2023). Consequently, improving transparency is critical for strengthening managerial control in such project-based contexts.

### **AIS Implementation and Organizational Change: A Comparative Perspective**

Although many studies discuss the technical advantages of AIS adoption, less attention has been paid to how the system changes everyday reporting practices and managerial control over time. Moving from manual and fragmented procedures to a more integrated and automated system can improve the timeliness, accessibility, and reliability of financial information. These improvements are closely related to financial reporting transparency. When information becomes more readily available and consistent, managers are better positioned to monitor operations and address financial issues as they arise. In this way, transparency becomes part of the organization's ongoing control process rather than merely a reporting outcome. (Al-Hattami, 2024; Sunarta & Astuti, 2023; Haustein & C. Lorson, 2023; Kautsar et al., 2023). Examining financial reporting conditions before and after system implementation is therefore important to capture how technological changes translate into practical improvements in managerial control within organizations.

### **METHOD**

This study employs a qualitative approach using a comparative case study design to examine financial reporting transparency as a managerial control mechanism within a project-based environmental consulting firm. A qualitative approach is appropriate because the study seeks to explore managerial experiences, perceptions, and control practices in their natural organizational context rather than to test causal relationships statistically (Creswell & Poth, 2018).

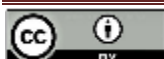
The research focuses on PT ABC, an anonymized environmental consulting firm whose operations involve continuous project-based financial transactions. The organization was selected because it experienced a transition from

manual and non-integrated financial reporting procedures to the implementation of an Accounting Information System (AIS). This organizational transition provides a natural temporal setting that enables systematic comparison of financial reporting practices across two phases, before and after AIS adoption, thereby allowing the study to capture changes in transparency and managerial control over time. A case study design enables an in-depth investigation of organizational processes within real life settings, particularly when the phenomenon is closely embedded in managerial practices (Yin, 2017).

Data were collected through semi-structured interviews with three key informants selected using purposive sampling. The informants consisted of a Director, a Commissioner, and a staff member directly responsible for daily financial recording activities. This composition allowed the study to capture perspectives from strategic, supervisory, and operational levels, which is essential for understanding managerial control practices across organizational hierarchies (Wolff et al., 2019). Although the number of informants was limited, data saturation was achieved due to the focused scope of financial reporting processes and the clearly defined organizational structure. The reporting workflow was centralized, and similar patterns of responses emerged consistently across interviews. Each interview lasted approximately 45–60 minutes and was conducted individually to encourage detailed and reflective responses.

The interview questions were structured around two temporal phases: (1) the pre-implementation phase, when financial records were managed manually and separately, and (2) the post-implementation phase, after AIS adoption. Questions addressed reporting timeliness, data accessibility, accuracy, monitoring practices, and managerial decision-making processes. Structuring the interviews around these two phases enabled direct comparison of experiences across time, consistent with the study's comparative design.

To enhance credibility and trustworthiness, the study applied member checking and document triangulation. Interview summaries were returned to the informants for confirmation to ensure interpretive accuracy. In addition, selected manual financial reports were compared with AIS-generated reports to validate observed changes in reporting structure, timeliness, and integration.



The collected data were analyzed using reflexive thematic analysis following the framework proposed by Braun & Clarke (2021). The analysis involved familiarization with the transcripts, initial coding, theme development, and interpretation. Data were categorized into “before implementation” and “after implementation” groups to facilitate systematic comparison. Themes were developed to capture patterns of change related to transparency and managerial control mechanisms.

NVivo qualitative data analysis software was used to support data organization, coding, and theme development (Bassett, 2010). NVivo served as an analytical support tool to enhance transparency and traceability throughout the

analysis process, while all interpretative decisions remained under the researcher’s judgment (Jackson & Bazeley, 2019). The software was used solely to assist data management and comparison across phases, rather than to automate interpretation.

### FINDINGS AND DISCUSSION

The comparative thematic analysis produced three interrelated thematic clusters reflecting the transformation of financial reporting practices over time: conditions before AIS implementation, changes after AIS adoption, and the resulting implications for control and decision-making. The hierarchical structure of themes generated through the coding process is presented in Figure 1.

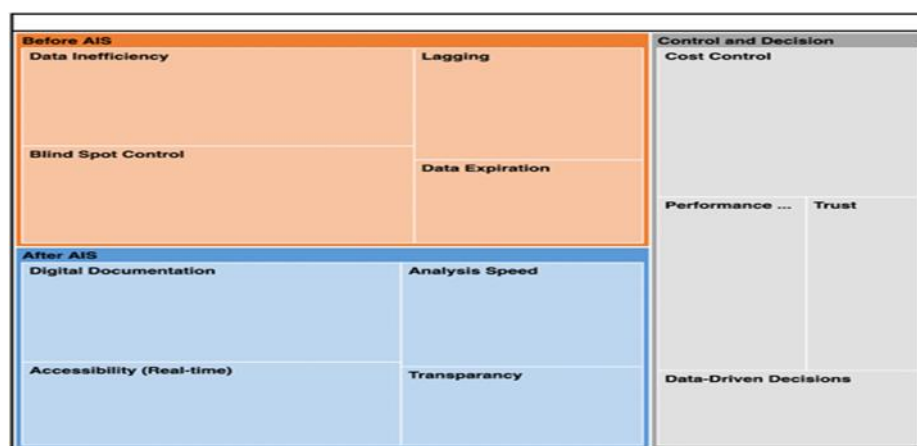


Figure 1. Hierarchical structure of themes generated through thematic analysis

Prior to AIS implementation, four dominant themes emerged: data inefficiency, lagging, blind spot control, and data expiration. Financial transactions were recorded manually using spreadsheets and consolidated periodically, which increased the risk of double inputs and formula errors, especially when transaction volumes were high. The theme of lagging reflects reporting delays caused by manual recapitulation, while data expiration indicates that financial information often became outdated before being reviewed by management. Blind spot control further illustrates limited financial visibility, as managers relied on manual requests rather than structured dashboards to obtain updates. From the perspective of Simons (1995) Levers of Control framework, these conditions indicate weak diagnostic control mechanisms. Diagnostic control depends on timely and structured performance indicators that allow managers to compare actual outcomes with predefined targets. In the absence of real-time reporting, monitoring became reactive rather than

continuous. This finding is consistent with Al-Hattami (2024), who argues that insufficient accounting information systems constrain managerial oversight and increase operational inefficiencies.

Following the implementation of AIS, the analysis identified four new dominant themes: digital documentation, accessibility (real-time), analysis speed, and transparency. Financial transactions were directly entered into an integrated system, allowing reports to be updated automatically and accessed on the same day. Real-time accessibility reduced reporting delays and enabled managers to monitor financial positions without relying on manual consolidation. The theme of analysis speed reflects the organization’s ability to evaluate project expenditures more efficiently, while transparency captures improved clarity and structured presentation of financial data. These improvements align with prior research suggesting that AIS enhances information accuracy and timeliness (Sunarta &

Astuti, 2023; Al-Hattami, 2024). However, in the context of PT ABC, the impact extended beyond technical efficiency. The availability of continuously updated and structured financial information strengthened diagnostic control practices by enabling systematic comparison between budget allocations and actual expenditures. Transparency thus shifted from being merely a reporting attribute to functioning as a control-enabling infrastructure embedded in daily managerial routines.

The third cluster, labeled Control and Decision, captures the broader organizational outcomes of AIS adoption, including cost control, performance monitoring, data-driven decisions, and trust. Improved dashboards enabled managers

to monitor project costs directly and identify deviations earlier. Decision-making processes became increasingly data-driven, reducing reliance on delayed summaries and informal communication. Notably, trust emerged as a significant theme, suggesting that enhanced transparency strengthened confidence across hierarchical levels. From Simons' diagnostic control perspective, AIS reinforced formal performance monitoring mechanisms by providing measurable and continuously updated indicators. This transition represents a shift from retrospective and fragmented oversight toward structured and ongoing financial monitoring.

The distribution of coded references across informants and phases is summarized in Figure 2.

	A : Narasumber Direktur	B : Narasumber komisaris	C : Narasumber staff
1 : After AIS	4	7	7
2 : Before...	4	6	9
3 : Contro...	5	5	5

**Figure 2. Matrix coding comparison across informants and phases**

The matrix indicates that pre-implementation issues were most frequently emphasized by the operational staff, with nine references, compared to six from the Commissioner and four from the Director. This pattern suggests that inefficiencies were primarily experienced at the execution level. In contrast, post-implementation improvements were more evenly distributed between the Commissioner and Staff, each with seven references, indicating that the benefits of AIS extended beyond operational efficiency and were recognized at supervisory levels. References under the Control and Decision cluster were evenly distributed across all three informants, with five references each, demonstrating organization-wide recognition of strengthened managerial control. Overall, while previous literature often highlights the technical advantages of AIS, this study shows that in project-based environmental consulting firms, enhanced transparency fundamentally reshapes internal monitoring structures and reinforces diagnostic control mechanisms across hierarchical levels.

## CONCLUSION

This study examined how financial reporting transparency evolved before and after the implementation of an Accounting Information System (AIS) in a project-based environmental

consulting firm and how these changes influenced managerial control practices. The findings demonstrate a clear shift from fragmented, delayed, and reactive reporting practices toward integrated, real-time, and structured financial monitoring.

Prior to AIS adoption, manual reporting processes limited financial visibility and weakened diagnostic control mechanisms, as managers relied on periodic summaries rather than continuous performance indicators. Following AIS implementation, financial information became more accessible, timely, and systematically organized, enabling ongoing comparison between budget allocations and actual expenditures. This transformation strengthened diagnostic control practices across strategic, supervisory, and operational levels.

The study highlights that financial reporting transparency in project-based organizations functions not merely as an informational attribute, but as an embedded component of managerial control structures. By linking transparency to Simons' diagnostic control framework, the findings show how technological integration reshapes monitoring routines and supports data-driven decision-making. Practically, the results suggest that environmental consulting firms managing multiple overlapping projects can



enhance organizational coordination and oversight through integrated reporting systems.

Future research may extend this analysis by examining similar transitions in other project-based industries or by exploring how different control levers interact with digital reporting systems over time.

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