

**THE ROLE OF MANAGEMENT ACCOUNTING PRACTICES IN
DETERMINING CUSTOMER SATISFACTION:
THE CASE OF SRILANKAN FIRMS**

BW

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DECLARATION

I certify that the above statement made by the candidate is true and that this thesis is suitable for submission to the University for the purpose of evaluation.

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TABLE OF CONTENTS

Table of contents	i
List of Tables	iii
List of Figures	iv
List of Abbreviations	vii
Acknowledgement	viii
Abstract	ix
Chapter 1: Introduction	1
1.1 Research Problem	4
1.2 Research Objectives	4
Chapter 2: Literature Review	10
2.1 Activity Based Costing	10
2.2 Standard Costing	13
2.3 Life Cycle costing	16
2.4 Target Costing	16
2.5 Quality Costing	18
2.6 Budgeting	19
2.7 Customer Profitability Analysis	23
2.8 Cost Volume Profit Analysis	26
2.9 Benchmarking	27
2.10 Customer Relationship Management	28
2.11 Total Quality Management	30
2.12 Performance Measurement	32
2.13 Balanced Score Card	33
2.14 Value Chain Analysis	36
2.15 SWOT Analysis	37
2.16 Customer Satisfaction	38
Chapter 3: Conceptual Framework and Hypothesis	39
3.1 Introduction	39
3.2 Development of the Models and Hypothesis	39
Chapter 4: Research Methodology	45
4.1 Introduction	45
4.2 Operationalization of Variables	45
4.3 Data Collection Process	56
4.4 Sample Size and Justification	57

Chapter 5: Data Presentation and Analysis	58
5.1 Introduction	58
5.2 Reliability of the Data Set	58
5.3 Presentation of Variables	59
5.4 Descriptive Statistics	123
5.5 Effect of Management Accounting Practices on Overall Satisfaction	129
5.6 Testing Satisfaction Model	139
5.7 Development of Overall model	142
Chapter 6: Discussion on Findings	152
6.1 Introduction	152
6.2 Findings	152
6.3 Overall Model	156
6.4 Managerial Implications	157
Chapter 7: Implication for future research and conclusions	161
7.1 Introduction	161
7.2 Implications for further Research	161
7.3 Limitations	164
7.4 Conclusion	164
References	165
Appendices	
Appendix I Questionnaire Finance Department	174
Appendix II Questionnaire HR Department	182
Appendix III Questionnaire Marketing Department	183
Appendix IV Questionnaire OM Department	187
Appendix V Questionnaire Customer Satisfaction	188

LIST OF TABLES

1. Table 1 : Classification of Management Accounting Tools
2. Table 2 : Reliability Statistics
3. Table 3: Descriptive Statistics
4. Table 4: Descriptive Statistics
5. Table 5: Descriptive Statistics
6. Table 6: Descriptive Statistics
7. Table 7: Descriptive Statistics
8. Table 8: Descriptive Statistics
9. Table 9: Regression Coefficients: Dependent Variable Overall Satisfaction
10. Table10: Model Summary- Predictors –Management Accounting Practices
11. Table11: ANOVA –Predictors –Management Accounting Practices
12. Table 12: Coefficients- Predictor- Management Accounting Practices
13. Table 13: Model Summary- Predictors –Significant Management Accounting Practices
14. Table 14: ANOVA –Predictors –Significant Management Accounting Practices
15. Table 15: Coefficients- Predictor- Significant Management Accounting Practices
16. Table 16: Model Summary- Satisfaction Model
17. Table 17: ANOVA-Satisfaction Model
18. Table18: Coefficients –Satisfaction Model
19. Table19: Model Summary- Significant Satisfaction Model
20. Table20: ANOVA-Significant Satisfaction Model
21. Table21: Coefficients-Significant Satisfaction Model
22. Table22: Correlations –Significant Satisfaction Predictor Variables
23. Table23: Model Summary- Overall Model
24. Table24: ANOVA-Overall Model
25. Table25: Coefficients- Overall Model
26. Table26: Model Summary- Second Overall Model
27. Table27: ANOVA-Second Overall Model
28. Table28: Coefficients- Second Overall Model
29. Table29: Model Summary- Final Overall Model
30. Table30: ANOVA-Final Overall Model
31. Table31: Coefficients- Final Overall Model

LIST OF FIGURES

1. Figure 3.1- Conceptual Model 1
2. Figure 3.2 Conceptual Model –Satisfaction Model .
3. Figure 5.1 Histogram- Principle activities / products of the company- Type of Business
4. Figure 5.2 Histogram -Place of Registration
5. Figure 5.3Histogram -Whether listed on the stock exchange
6. Figure 5.4 Histogram-Whether the organization has a separate management accounting unit
7. Figure 5.5 Histogram-Total number of employees
8. Figure 5.6 Histogram-Value of turnover
9. Figure 5.7 Histogram-Budgets
10. Figure 5.8 Histogram -Standard Costing & Variance analysis
11. Figure 5.9 Histogram-Cost volume profit analysis
12. Figure 5.10 Histogram- Performance measurement
13. Figure 5.11Histogram-Target costing
14. Figure 5.12Histogram -ABC (Activity Based Costing)
15. Figure5.13Histogram-BCS (Balance score card costing
16. Figure5.14Histogram-Life cycle costing
17. Figure5.15Histogram-Quality costing
18. Figure5.16Histogram-Value Chain costing
19. Figure5.17Histogram-Benchmarking
20. Figure5.18Histogram-Customer profitability analysis
21. Figure5.19Histogram -Total quality management
22. Figure5.20Histogram-Customer relationship management
23. Figure5.21Histogram-SWOT Analysis
24. Figure5.22 Histogram-Cost Design
25. Figure5.23 Histogram-Cost planning
26. Figure5.24 Histogram-Cost control
27. Figure5.25 Histogram-Product pricing
28. Figure5.26 Histogram-Decision making
29. Figure5.27 Histogram-Strategic management
30. Figure 5.28 Histogram-Performance evaluation
31. Figure5.29 Histogram-Budgetary control
32. Figure 5.30 Histogram- Value creation
33. Figure 5.31 Histogram- Follow Competitor
34. Figure 5.32 Histogram -Save time

35. Figure 5.33 Histogram -Save cost
36. Figure 5.34 Histogram -Easy to use
37. Figure 5.35 Histogram -Increase production
38. Figure 5.36 Histogram -Required by customer
39. Figure 5.37 Histogram -Computer aided design
40. Figure 5.38 Histogram -Computer aided engineering
41. Figure 5.39 Histogram -Computer aided manufacturing
42. Figure 5.40 Histogram -Robotics
43. Figure 5.41 Histogram -Flexible manufacturing systems
44. Figure 5.42 Histogram -Computer aided inspection & testing
45. Figure 5.43 Histogram -Computer usage in purchasing production / scheduling
46. Figure 5.44 Histogram -Automatic physical data collection
47. Figure 5.45 Histogram -Numeric control machine
48. Figure 5.46 Histogram -Automation of transport & storage
49. Figure 5.47 Histogram -Electronic correspondence with suppliers & buyers
50. Figure 5.48 Histogram-Online system
51. Figure 5.49 Histogram- Follow Competitor
52. Figure 5.50 Histogram- Save time
53. Figure 5.51 Histogram -Save cost
54. Figure 5.52 Histogram -Easy to use
55. Figure 5.53 Histogram -Increase production
56. Figure 5.54 Histogram -Required by customer
57. Figure 5.55 Histogram- Whether current practices need improvement
58. Figure 5.56 Histogram- How long they were used without any changes
59. Figure 5.57 Histogram -Number of employees in the department
60. Figure 5.58 Histogram -Average age of the employees in the department
61. Figure 5.59 Histogram- Key marketing objectives
62. Figure 5.60 Histogram -Are the information given by finance department relevant to marketing
63. Figure 5.61 Histogram -Whether marketing department find finance department responding to customer needs
64. Figure 5.62 Histogram -Degree of satisfaction of the marketing department with the services provided by the finance
65. Figure 5.63 Histogram- Number of HR employees
66. Figure 5.64 Histogram -Average age of HR employees
67. Figure 5.65 Histogram- Key Functions of HR department
68. Figure 5.66 Histogram -Relevance of Finance MIS to HR
69. Figure 5.67 Histogram -Finance Adhering to HR Practices
70. Figure 5.68 Histogram -Satisfaction of HR with the services of Finance
71. Figure 5.69 Histogram -Number of OM employees.
72. Figure 5.70 Histogram -Average age of OM employees
73. Figure 5.71 Histogram -The Variable relevance of finance to MIS to OM

74. Figure 5.72 Histogram- The variable Finance adhering to OM
75. Figure 5.73 Histogram -The variable OM satisfaction with the finance
76. Figure 5.74 Histogram - Average purchases from the company
77. Figure 5.75 Histogram -How many customer complaints have been made
78. Figure 5.76 Histogram -Customer service with regard to issue resolution
79. Figure 5.77 Histogram -Customer service with regard to quality of advice
80. Figure 5.78 Histogram- Customer service with regard to promptness of answering phone
81. Figure 5.79 Histogram -Customer service with regard to overall quality of issue handling
82. Figure 5.80 Histogram -Professionalism of representatives
83. Figure 5.81 Histogram -Helpfulness of representatives
84. Figure 5.82 Histogram -Ease of contacting customer service
85. Figure 5.83 Histogram -Promptness of email responses
86. Figure 5.84 Histogram -Accuracy of the service
87. Figure 5.86 Histogram -Degree of dependability
88. Figure 5.87 Histogram -Degree of comfortableness
89. Figure 5.88 Histogram -Degree of pleasantness
90. Figure 5.89 Histogram -Degree of cleanliness
91. Figure 5.90 Histogram -Degree of convenience
92. Figure 5.91 Histogram- Satisfaction level with the product / services of the Company
93. Figure 5.92 Histogram -Satisfaction level with the Company overall.
94. Figure 5.93 Significant Management Accounting practices model
95. Figure 5.94 Significant Satisfaction Model
96. Figure 6.1 Significant Management Accounting Practices Model
97. Figure 6.2 Significant Satisfaction Model
98. Figure 6.3 Significant Overall Model
99. Figure 6.4 Satisfaction model
100. Figure 6.5 Overall Model
101. Figure 7.1 Significant Satisfaction Model
102. Figure 7.2 Significant Overall Model

LIST OF ABBREVIATIONS

1. ABC Activity Based Costing
2. SC Standard Costing
3. LCC Life Cycle Costing
4. TC Target Costing
5. QC Quality Costing
6. BG Budgeting
7. CPA Customer Profitability Analysis
8. CVPA Cost Volume Profit Analysis
9. BM Benchmarking
10. CRM Customer Relationship Management
11. TQM Total Quality Management
12. PM Performance Management
13. BSC Balanced Score Card
14. VCA Value Chain Analysis
15. SWOTA SWOT Analysis

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The role of Management Accounting Practices in Determining Customer Satisfaction: The Case of Sri Lankans Firms

Pancherine G. Dias

ABSTRACT

This research examines the role of management accounting practices in determining customer satisfaction. All together 15 management Accounting practices were used in the study. Namely, Activity Based Costing , Standard Costing , Life Cycle Costing, Target Costing , Quality Costing , Budgeting , Customer Profitability Analysis, Cost Volume Profit Analysis, Benchmarking, Customer Relationship Management, Total Quality Management, Performance Management, Balanced Score Card, Value Chain Analysis, SWOT Analysis are the practices that were considered in the study .

Of the fifteen management accounting practices included in the study only seven of them , particularly , Budgets, Standard Costing & Variance analysis , Cost volume profit analysis , Customer profitability analysis, Total quality management, Customer relationship management, SWOT Analysis have significant relationships.

Of the significant relationships Budgeting, Customer Profitability Analysis, Total Quality Management and Customer Relationship Management have negative relationships. Standard Costing, Cost Volume Profit Analysis and SWOT Analysis have positive relationships.

Second model tested in the study was the satisfaction model. It was found that OM Satisfaction with Finance and Product/Service Satisfaction have positive effects on the Overall Satisfaction with the company. Surprisingly, HR Satisfaction with Finance and

Marketing Satisfaction with Finance did not have significant effects on overall satisfaction

Third, attempt was made to develop an overall model. It was found that Product /Service Satisfaction, Degree of Pleasantness, Do Marketing Find Finance Responding to Customer Needs and Do You Find Finance Adhering to HR practices are found to be important in determining overall customer satisfaction. All three models developed in the study are new to the field of education in management research.

CHAPTER 1: INTRODUCTION

There are several studies conducted on management accounting practices (A Keivan Zokaei and David W. Simons(2006) ;Value chain analysis in consumer focus improvement ,Alaa M. Ghalayini and James S. Noble(1996);The changing Basis of performance measurement, Andrea Plezeter(2007);Building optimization with life cycle costs – the influence of calculation methods, Andrea Schiffauerova and Vince Thomson (2005); A review of research on COQ models, Andrew Booht(2006); Counting what counts, performance measurement and evidence based practice, Performance Measurement and metrics, Andrew Goddard(2004);Budgetary practices and Accountability habits: A grounded theory, Andy Neely, Mike Bourne and Chris Adams(2003);Better budgeting or beyond budgeting?, Azizi Jafar, Taleghani Mohammad, Esmailpoor Fariba and Gudarzvand Chegini Mehrdad(2010); Effect of the Quality Costing System on Implementation and Execution of Optimum Total Quality Management, Gopalakrishnan, A. Kokatnur and D. P. Gupta(2007) ;Design and development of target costing system for turning operation, Basu, Onker N, Conrad, Edward J,(1994); Cost - Volume - Profit Analysis, Beverley R Lord, Yvonne P. Shanahan and Michelle J. Gage(2005); The Balanced Scorecard , Charls Parker(2000) Performance Measurement Work Study ,Christopher Musico, Chordiant(2000) Focuses on improving customer lifetime value, David H. Taylor(2005); Value chain analysis: an approach to supply chain improvements in agri-food chains, Denis Leonard and Rodney McAdam(2002);The strategic impact and implementation of TQM, Dilanthi Amarathunga, David Baldry and Marjan Sarshar(2001);Process improvement through performance

measurement: the balanced scorecard methodology, Douglas M. Lambert(2009); customer relationship management as business process, H. James Harrington(1999); Performance Improvement: a total poor-quality cost system, J. Scot Armstrong(2004); Don't do SWOT: A note on marketing planning, Jan Achterbergh, Robert Beeres, and Dirk Vriens(2003); Does the Balanced Scorecard support organizational viability? ,Jianxin Jiao and Mitchell M. Tseng (1999);A pragmatic approach to product costing based on standard time estimation, John C. Lere(2000) Activity – based costing: a powerful tool for pricing, John Hallaway(1982); A Money sever: Life cycle costing, Lisa Mc Manus(2007); Construction of a Segmental customer profitability analysis, Lucas, Mike (1999);Standard costing and its role in today's manufacturing environment, Mahmoud M. Yasin (2002); The theory and practice of benchmarking: then and now,Maliah Sulaiman, Nik Nazli Nik Ahmad and Norhayati Mohd Alwi (2005); Is standard costing obsolete?, Manoochehr Najmi, John Rigas and Ip-Shing Fan(2005) A framework to review performance measurement systems, Margaret L. Gagne and Richard Discenza(1995); Target Costing,Marie, Attiea, Rao, Ananth,(2010);“Is standard costing still relevant? Evidence from Dubai”, Marilyn M. Helms, Lawrence P. Etkin, Joe t. Baxter, Matthew W. Gordon(2005); Managerial Implications of Target Costing, Milorad M. Novicevic and Michael Harvey(2004); Dual-perspective SWOT: a synthesis of marketing intelligence and planning. Fernandez I.P. McCarthy and T. Rakotobe-Joel(2001);An evolutionary approach to benchmarking, Patricia Everaert, Stijn Loosveld, Tom Van Acker, Marjike Schollier and Gerrit Sarens(2006); Characteristics of target costing: theoretical and field study perspectives, Paul A. Phillips, Welsh Hotel(1994);Cost-Volume-Profit Analysis and uncertainty, Paul Hepworth, Weighing it up (1998) a literature review for the balances scorecard, Paul Quek Eng &

Shari Mohomad Yusof(2003);A Survey of TQM practices in the Malaysian electrical and electronic industry, Rune M. Moen(1998) New quality cost model used as a top management tool,Sandra Cohen, George Venieris and Efrosini Kaimenakai (2005);ABC: adopters, supporters, deniers, and unaware, Sue Llewellyn(1998);Publishing budgets down the line: ascribing financial responsibility in the UK social Services, Tajinder Pal Singh Toor(2009);Creating competitive edge through improved customer relationship management, Ulrika Hellsten and Bengt Klefsjo (2000);TQM as a management system consisting of values, techniques and tools.

Similarly there are also many studies conducted on the dependent variable customer satisfaction . Namely Anderson,Rolp E(1973; “ Consumer Dissatisfaction : The effect of Disconfirmed Expectancy on Percieved Product Performance,”Cronin ,J.J., and S.A.Taylor (1992); “ Measuring Service Quality : A Reexamination and Extensions ,”Cronin ,J.J., and S.A.Taylor (1994); “ SERVPERF vs SERVQUAL ,” Davis ,M.M and Heinneke , J (1994) , “ How disconfirmation , perception and actual times impact customer satisfaction ”, Parasuraman ,A., Valerie A.Zeithaml and Leonard Berry (1994) ; “Reassessment of expectation as a comparison standard on measuring service quality: Implications for future research “, Teas ,R.Kenneth (1993); “ Expectations, performance evaluation and consumers’ perception of quality,” are some of the pioneering studies on the variable customer satisfaction .

However, the relationship between management accounting & customer satisfaction is a topic which is barely researched. Therefore the research problem and the objectives of the study are organized as follows.