INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT

IJRCM

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   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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CONFERENCE PAPERS

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- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

INCREASING AND CHANGING ROLE OF MANAGEMENT ACCOUNTING IN CAPTURING THE VOICE OF CUSTOMERS

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ABSTRACT
Today market environment demands changes in product according to the desires and need of customers because markets have been transformed from sellers oriented market to buyers oriented market. This paper describes the increasing and changing role of management accounting to capture the voice of customers in market. After briefly describing about the orientation of market the paper presents the importance of management of cost and competitive advantage which can be taken by a firm with proper changes and use of management accounting. The paper presents in detail the history of change in the role and scope of management accounting also the enables of change in management accounting have been discussed in the paper.

KEYWORDS
management accounting, market orientation.

INTRODUCTION
The development of today's international markets and the fast spreading use of the internet or computer technology have created a highly competitive and transparent market environment. The present business environment is characterized by global competition, the high rate of automation, environmental and safety issues, short product life-cycle and consumers' need for innovative and high quality products at sound prices. In today's time of fast technological change, strong global and domestic competition, for manufacturing companies especially total cost management is essential to maintain corporate profitability and competitiveness. "In today's environment, nothing is constant or predictable - not market growth, customer demand, product life cycles, the rate of technological change, or the nature of competition" (Hammer & Champy 1993). Today the management mantra for a company is conquer the costs before the costs conquer you and cost refers total cost to the customer. The cost leadership strategy does not suggest compromise in technology, quality or product differentiation. Low costs of product have no advantage, if the customers are not ready to buy the low cost product of company. Hence management of cost must be driven with customer as the focus. The survival triplet in current environment for any company is how to manage the cost of product/service, quality and performance.

CHANGES IN MARKETS AND FOCUS ON CUSTOMERS
Expansion of international markets and trade is like a key of development that drives the extensive changes in the current business environment. The growing number of multinational firms shows that there are opportunities for growth and profitability in global markets. As a result of globalization of markets competition is increasing and this has changed the markets from sellers to buyers markets. According to Fralix (2001) in the early years the mass production was produced and could be sold in markets because supply was low and comparatively demand was high. The mind-set of most manufacturers was: this is what we make - if you want it, buy it (Johnson 1992). In other words, the manufacturing companies focused only increasing output and their attitude was that they could sell whatever they build. Therefore the manufacturing firms produce products according to their own specifications not to customer specifications. In recent years demand exceeding supply and customers are more sophisticated, more knowledgeable and less loyal than in the past. Lynch (1999) argued that now customers demand products or services that meet their expectations like delivery on time, defect-free and low prices products. Nonaka (1994) recognized that current society become a "knowledge society" necessitating business organizations to think about innovation like technical innovation and product innovation.

COST CHALLENGE
Dealing with today's competition is a big challenge for companies enough even when they have all the right information and if they respond to the wrong information then it could be the situation of loss. If a firm fails to reduce costs as speedily as its competitors then its existence will be in danger and profit margins will be squeezed. The customers demand high quality products/services at low prices and the shareholders demand a high return on their investment therefore costs has become a residual. Today the challenge for a manufacturing company is being able to provide services within the predetermined cost framework. Thus cost management has become an ongoing continuous improvement area for every company. Today the market leaders want to stay ahead of the competitors in market through continuously finding the gap between their product cost and that of their competitors and then try to redeploy their resources for profitable growth. The cost challenge is one of the most serious tasks facing by manufacturing companies from the last decades. In such a testing environment a company's survival depends on innovative products that satisfy levels of quality and price expected by market (Bonzemba & Okano 1998). Manufacturers face trouble to match the low prices with global competitors and still offer the highest quality products to customers (Helms et al. 2005). This situation has created fierce and rising cost pressures on manufacturers. The success of manufacturing companies depends on the methods and techniques that are adopted by them to manage costs. Availability of vehicles at competitive low price is a key performance indicator for automobile manufacturing companies. Pretorius et al. (2003) suggested that costs and the way in which costs affect pricing and the profit margin should be closely considered. Attentiveness of the cost system and cost manners in cost management together with awareness about market help firms to perform well with competitive pressures than merely to lower its prices. If company does not have able managers who can manage well the production cost the cost of product will increase and increasing production cost is a big problem for any company because it will decrease profit of company. The inability to apply competent cost management systems remains the most important source of all business problems. The challenge in managing costs is to categorize the activities that cause them and then manage the activities that cause them. According to Garrison et al. (2006), from last two decades business environment is characterized by terrific change and the rate of innovation in products and services has increased. Many managers realized the requirement of new ways of working.

FOCAL POINT MANAGEMENT OF COST

The concept of cost management is taking more and more popularity in today's increasingly competitive business environment. In competitive markets product prices are decided by the market because a large number of competitors can provide similar or substituted products at keen or reasonable prices and consumers expect higher value for their money. Increasing global competition in the industrial environment forces a company to focus the continuous improvement about the quality and functionality of product or services offered by the company and also improve their competitiveness. Consumers are rational and can compare quality, durability and prices of a product from one market with other markets, therefore companies should focus customer's demands directly to design the right products. In recent times mostly organizations management think that their organizations will not succeed if they fail to regularly offer goods or services at the right time and in the right place (Cooper & Slagmuldar1997, Ansari et al. 2007). To face this situation a producer like to sell their products at a price that market expects and which is right for the continuing survival and growth of the company and also desires by producer to make a financial return on the products sold. Consistent development of low cost and high quality products that meets the market's expectations and makes a profit for company is a key to a company's survival. Growth of a firm in such a challenging environment depends on its capacity to produce innovative products that satisfy both the aspects of quality and price expected by the market. In this competitive environment customers demand low price but high quality products and to meet customers' demands at low prices companies are taking further steps to reduce price of products either by cutting profit margins or by lowering costs, however stockholders want high dividend, therefore to realize this a more mature cost-conscious culture should be established. Reducing a firm's product cost is the only basis of increased earnings because selling price and profit margin are set by competitive pressures and management policies. Today selling prices of products or services are non-controllable for any company, therefore company's profitability depends more on effectiveness of cost management. The long-term financial success of any company depends on whether the prices of their products or services exceed their costs by enough to finance growth.

COMPETITIVE ADVANTAGE

Today for sustainable competitive advantage costs must be managed both aggressively and wisely. The long term survival of a company requires a sustainable competitive advantage. Competitive advantage is normally taken by developing new products and services that satisfy the customers and it can also be developed by improving business processes to obtain better quality and cost reduction by adding value. Today customers want more value products from their money, thus according to their demands product they are buying should be better, cheaper and faster. To manage this company must have harmony between design and the production process. Therefore it is required to identify new ways or methods to find more qualitative ideas to decrease the cost of product. There are many ways for a company to face competition in the market like company can offer a high quality product, low price product, shortening the production line and free of defective product. In order to satisfy customers, a firm requires maximizing its efficiency throughout the entire value chain. Different organizations in competitive surroundings for saving their existence and competitive power should be aware about their products costs, competitor's product cost and also well presents their products in competitive world in relation to costs (Cooper & Kaplan 1999). From this point of view the continuous reduction of the costs may involve five main areas for the overall management of product costs of organization are: (1) taking into consideration the environment or markets & competition, (2) integration of the skills or involvement of all departments, (3) role of supply chain partners, (4) full concentration on viewing effects of the current decisions about product of firm on its future results or outcomes and (5) creation of some connections or techniques to manage or control the current activities of the firm. If there are few competitors of a firm and if demand of their products exceeds supply then firm has chance to simply mark up costs and prices to get a sufficient profit but in opposite situation when competition increases and supply of products exceeds demand then market forces to set low prices. Through cost management, managers can take decisions that will enable the firm to achieve a strategic competitive advantage (Buckingham & Loomba 2001). In taking a strategic competitive advantage cost management focuses the long-term competitive success of the firm.

HISTORY OF CHANGE IN MANAGEMENT ACCOUNTING

1. ACCOUNTING

In general accounting is the process of identifying, measuring and communicating economic information to users of the information for their decisions. Horngren & Foster (1991) stated that: the accounting system is the principal quantitative information system in almost every organization and should provide information for three broad purposes:

(1) Internal routine reporting to managers.
(2) Internal non-routine or special reporting for strategic decisions.
(3) External reporting through financial statements to outside parties.

Drury (1992) claimed that traditionally management accounting is interested in providing internal routine reports and internal special reports to managers or to people within the organization while financial accounting provides information to parties outside the organization. Garrison (1982) mentioned that management accounting focuses on relevance and flexibility of data. Accounting information is vital in determining the most suitable strategic direction for the company. It directs managerial actions, motivates behaviors and creates the cultural values which are necessary to obtain an organization's strategic objectives (Ansari & Bell 1997).

2. COST ACCOUNTING

Management accounting was first recognized as cost accounting (Wilson & Chua 1988). Cost accounting is a result of the industrial revolution (Johnson 1981). Cost accounting is defined as the equivalent of direct costing designed to provide financial information for management decision-making and control (Johnson 1981). Cost accounting offers knowledge for both at strategic and operational level. The first indication of cost accounting was the job order costing in a company of Italy (Abs et al. 1954). Cost accounting continued to develop as a result of greater industrialization and the increasing size of firms further in the nineteenth century and through the middle of twentieth century (Garner 1947). Caplan (2006) stated that in the early decades of the twentieth century industrial engineers establish methods to control production which focused the standards for materials, labor and machine time through which actual results could be compared. As a result standard costing systems was developed which is still widely used by manufacturing companies for planning and control (Caplan 2006). Later in the twentieth century cost accounting started to change into management accounting. Horngren et al. (1999) explained the difference between cost accounting and management accounting. According to Horngren et al. (1999), cost accounting refers mainly getting as accurate or precise costs as possible while management accounting focuses different costs for different purposes. The factor that changes the costing to a managerial term was the development of new corporate structures such as multinational enterprise, multidivisional organization and the growth of industries (Wilson & Chua 1988). These new structural forms required extra information that led to a development of the narrow costing systems (Wilson & Chua 1988). With these changes the term cost accounting could no longer satisfactorily described the accounting function within an organization and gradually management accounting term was adopted. In 1972 The Institute of Cost and Works Accountants even changed its own name to the Institute of Cost and Management Accounting. Literature shows that after nineteenth century the attention changed from cost accounting to management accounting. According to Johnson & Kaplan (1987) in the nineteenth century the scope of cost accounting became more than just a tool for monitoring internal conversion processes.

3. MANAGEMENT ACCOUNTING

The American Institute of Management Accountants defines management accounting as the process of identification, measurement, accumulation, analysis, preparation, interpretation and communication of financial information used by the managers to plan, evaluate and control within an organization. Management accounting helps in best utilization of resources. Drury (1992) agreed that the management accounting system provides information for management activities such as decision-making, planning and control. Cost information is needed for decision making and managers use relevant cost information for both strategic and operational decisions like for determining the selling price and for measuring product profitability etc. The decisions of managers are concerned with future events, therefore cost information are important for planning and control functions. Kaplan & Atkinson (1998) explained two specific purposes of management accounting, they said management accounting is a system that collects, classifies, summarizes, analyses and reports information that will assist managers in their decision-making and in their control activities. It shows that management accounting has two main purposes (1) to support managers in decision-making which is called accounting for managers or management decisions and (2) to support in planning and control activities which are called accounting for management control. Traditionally, accounting for management decisions involves terms such as process costing, job order costing, marginal costing, cost-volume-profit analysis, standard costing and variance analysis etc. Accounting for management control is more likely to deal with terms such as responsibility, budgeting and performance measurement. There is also little confusion in literature between management accounting and cost accounting. Cost accounting and management accounting are two different terms. Some authors define both in same way. However, Horngren & Foster (1991) and Drury (1992) said that cost accounting is just a part of management accounting and it deals solely with the determination of cost of goods sold and gathering cost information for stock valuation for external reporting. Emmanuel et al. (1990) highlighted that employees may not take interest in organization due to lack of three basic reasons: (1) lack of direction, (2) lack of motivation and (3) lack of abilities. Management accounting system plays a central role in organization to solve these problems. Hiromoto (1991) stated that current management accounting systems are considered continuous innovation and the new aspects such as behavior influencing focus, market-driven management and dynamic team-oriented approach. Management accounting must build a regular awareness environment of strategic messages in all parts and departments of the organization to involve employees in innovative activities. Workers are important and presently called knowledge workers because they dealing with production process and machines. Today other support activities such as quality control, supply chain management, information technology, customer service and new product development have risen extensively. Johnson & Kaplan (1987) stated that western firms have realized that, to sustain in competitive market it is necessary to start looking at new management accounting tools. All this necessitates a far greater approach of management accounting and also a need to improve the flow of non-financial information. Literature states that management accounting is not recently developed; it was established in the 1920s for providing the basis for management control, effective cost management and performance measurement.

4. EVOLUTION OF MANAGEMENT ACCOUNTING

Mostly popular cost and management accounting techniques were developed during the nineteenth century and first quarter of the twentieth century (Johnson & Kaplan 1987). Managerial accounting systems developed during the nineteenth century and that time these were only used to examine the output of internally directed processes. In late nineteenth and early twentieth century the new cost management techniques were developed for analyzing productivity and increasing profits to firms. According to International Federation of Accountants Committee (IFAC 1998) the evolution of management accounting includes four main stages. These four stages cover the trends of management accounting from earlier 1950 to 1995 as described with figure below:

STAGE 1: PRIOR TO 1950

The main focus of management accounting was on cost determination and financial control by the use of budgeting and cost accounting technologies.

STAGE 2: BY 1965

The main focus of management accounting was on information for management planning and control due to the rising importance of the availability of information technology through the use of decision making analysis and responsibility accounting.

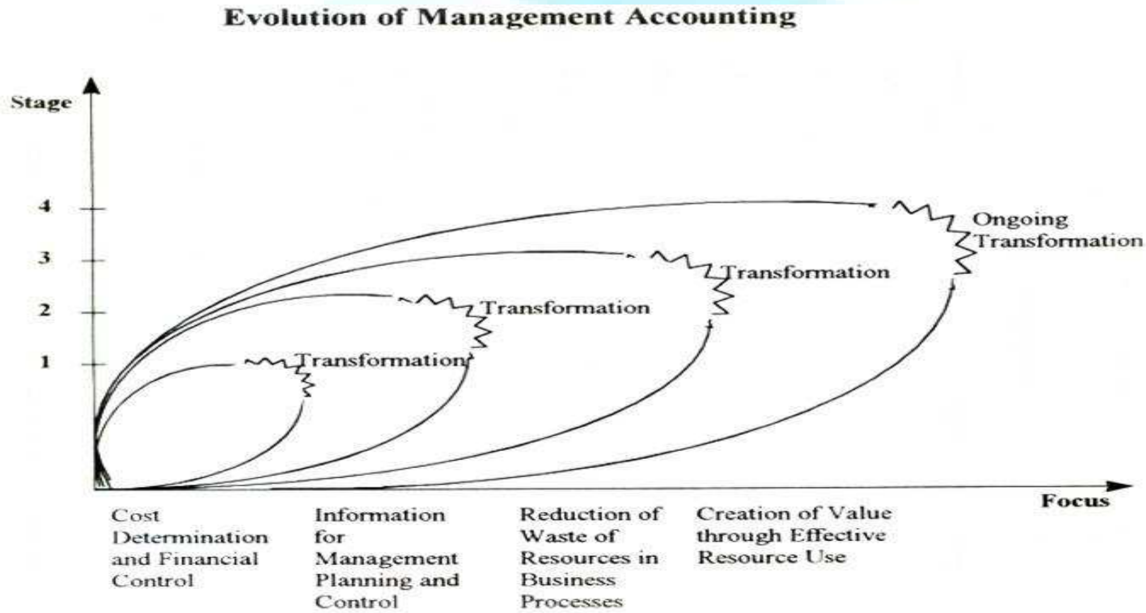
STAGE 3: BY 1985

Attention was turned to the reduction of waste of resources used in business processes by the use of process analysis, strategic management and cost management technologies.

STAGE 4: BY 1995

Consideration had shifted to the creation of value through the use of new technologies and the effective use of resources which examine the link among customers, shareholder and organizational innovation.

FIGURE 1.1: EVOLUTION OF MANAGEMENT ACCOUNTING



Source: Adapted from (IFAC 1998)

It is clear that management accounting has radically evolved within the last decades in response to the change in the business environment and companies have to reformulate their strategies in order to survive and remain competitive in the market. Largely management accounting has been shifting or changed from a narrow to broader activities and functions.

5. CHANGE IN MANAGEMENT ACCOUNTING PRACTICES

Management accounting practices may develop skills that enable a firm to handle its organizational business more competitively and it can enhance competitive advantage. Modern management accounting practices have built the skills of innovative costing methods. In last few decades many philosophies and principles were developed as new management accounting tools to manage cost or cost management to meet intense competition. Bastl et al. (2010) included activity based costing, lifecycle costing, target costing and kaizen costing mainly as the innovative methods. Many management accounting techniques have developed in order to respond to the increasing challenges in the competitive market. The traditional costing techniques have been used widely by the different companies and the contemporary costing techniques are being adopted at a slower rate (Adler et al. 2000). The modern management accounting techniques are being adopted by mainly big manufacturing companies. Sulaiman et al. (2004) grouped the management accounting techniques into traditional and contemporary techniques as presented in table 1.1.

TABLE 1.1: TRADITIONAL VERSUS MODERN/CONTEMPORARY MANAGEMENT ACCOUNTING TECHNIQUES

Traditional techniques	Contemporary techniques
• Absorption costing • Variable costing • Standard costing • Transfer pricing • Budgeting	• Activity-based costing • Benchmarking • Target costing • Theory of constraints • Kaizen costing • Activity-based management • Economic Value Added • Strategic planning • Balanced Scorecard

Source: Adapted from (Sulaiman et al. 2004)

Literature shows that the majority of existing management accounting techniques has been developed after the 1950s. After 1950s the perception behind the recent management accounting techniques development was the attention to the working people and customers of organizations. Since 1950, above 30 cost and management accounting techniques have been developed (Smith 1999). Soutes et al. (2005) classified the management accounting techniques into different evolution stages of management accounting, (explained by International Federation of Accountants Committee) and these are:

- **Stage 1**: absorption costing, financial and operational control, variable costing and the annual budget.
- **Stage 2**: standard costing, activity based costing, capital budgeting and decentralization.
- **Stage 3**: value-based management, life cycle costing, transfer pricing, responsibility centers, target costing and kaizen costing.
- **Stage 4**: strategic planning, balanced scorecard, economic value added, market value added and performance measurement method.

Literature states that during 2000 the focus of management accounting was on controlling inventory and distribution costs with the integration of supply chain management. Each evolution stage of management accounting is established according to the changing conditions in the management environment. Kaplan (1994) outlined that the 1980s and 1990s were recognized as revolution regarding the innovation in management accounting procedures. Bjornenak & Olson (1999) also supported this observation by saying that in 1980s and 1990s many management accounting innovations or methods were supplied in the literature during the past three decades. However some management accounting innovations or methods received adequate attention by users. The management accounting covers various planning and control tools and concepts such a: costing systems such as job order costing, process costing, overhead allocation method, activity based costing, budgeting, target costing and target pricing, value engineering, standard costing and variance analysis as important managerial control tools (Horngren et al. 2006). Approaches such as activity based costing, activity based management, total quality management, target costing, kaizen costing and some other concepts emerged as modern cost management tools (Bonzemba & Okano 1998). Bjornenak & Olson (1999) identified the latest management accounting techniques which were as follows: activity-based costing, activity-based management, local information systems, balanced scorecard, life cycle costing, target costing and strategic management accounting. However, there is no universal consent in literature about constitution of techniques as recent management accounting innovations or methods (Cadez & Guilding 2008). The most popular developed techniques adopted by the Australian practitioners were activity based costing, activity based management, balanced scorecard, benchmarking, strategic management accounting and target costing (Chenhall & Langfield 1998). Different authors grouped management accounting techniques into traditional and modern techniques differently. Literature shows many management accounting techniques, finally some of these can be categorized into traditional and contemporary management accounting techniques as: (1) traditional management accounting includes techniques such as standard costing, absorption costing, normal costing, job order costing, process costing, transfer pricing and budgeting etc. (2) advanced or contemporary management accounting includes techniques such as activity-based costing, total-life-cycle costing, value chain analysis, target costing, kaizen costing and balanced scorecard etc. New management accounting methods have replaced earlier cost management procedures (Johnson & Kaplan 1987).

DRIVERS OF CHANGE IN MANAGEMENT ACCOUNTING

Horngren (1989) observed that in the late 1950's management accounting focused on advocating better practices in organization and relevant costs for special decisions and in the late 1980's the recent emergence of production and operations has increased the field of management accounting. During the last years a significant change had made in the cost accounting and management (Maher & Deakin 1994). This change was the result of many factors such as increasing competitive environment, the growth of worldwide markets, information technologies, the focus on the customer and change in the forms of organization (Blocher et al. 1999). Wu & Boateng (2010) discussed some factors that may be reasons of changing role of management accounting practices such as awareness of senior managers and employees, the size of an organization and foreign partners. In 1980s and 1990s innovations or new methods in management accounting had been identified (Kaplan 1994). Literature shows that the main motivation behind the introduction of innovations in management accounting as new methods can be linked with the criticisms of traditional cost and management accounting practices (Horngren 1995). The innovations in manufacturing processes, technology and information systems require essential innovations in cost and management accounting techniques and practices (Kellett & Sweeting 1991). Burns & Scapens (2000) observed that competitive economic situation of the 1990s or the global competition was the major driver of change in management accounting. In the changing business environment the traditional management accounting was not adequate to meet the business environment changes hence updated and modified managerial accounting systems were needed to provide different informational needs (Allot 2000). Lobo et al. (2004) pointed out both environmental and organizational factors that force change in management accounting as: (1) environmental factors included globalization of markets, increased competition, advances in information and production technologies and (2) organizational factors included core competencies, customer and supplier relationships, flatter organizational structures and team work. The traditional accounting techniques had failed to adapt these changes and these factors have changed the nature of management accounting. According to Allot (2000), the concept of management accounting includes its role is mainly to provide what managers need and want. Today management accounting has moved with wider issues in management.

CONCLUSION

Global market environment has changed the manufacturers' orientation regarding customers growing needs. Management accounting techniques and the scope of it are continuously increasing and changing in order to respond to the market environment changes and challenges faced by the organization. Management accounting plays very important role in the decision-making process of the company in several aspects. This paper concludes that nowadays management accounting is incorporated in the routine management practices of organisations. Management accounting has wide scope and it is helpful in cost management. The old techniques of management accounting have limited area of work but with the changes and passes of time new management accounting techniques have been developed to capture the voice of customers or to satisfy the needs of customers. The paper also suggests that to remain competitive in market companies should change their working thinking and should use new management accounting techniques to satisfy their customers because arrangements according to customer perspectives may help organisations in their survival.

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