

# AN INVESTIGATION OF QUALITY IMPROVEMENT INITIATIVES IN ACCOUNTING FIRMS: IMPLEMENTATION AND EFFECTIVENESS

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## ABSTRACT

The extent of quality improvement initiative implementation and effectiveness is studied in the context of environmental changes and competitive responses for a sample of ninety seven (97) accounting firms. The extent of implementation and effective outcomes for the studied quality improvement initiatives is compared to other service organizations. Based on the results of this study, it appears that accounting organizations have achieved operational and strategic benefits due to their effective implementation of quality improvement initiatives. As such, these firms appear to be similar to their other service counterparts.

## INTRODUCTION

In recent years, accounting firms have faced serious challenges. These challenges are multi-faceted in nature, spanning operating technology, customer relations and the legal environment. At the technological level, new operating technologies and automation have significantly challenged the traditional division of labor based operational philosophy, as it relates to tasks and activities. Challenges derived from customers stem from increasingly sophisticated customers, who are emphasizing service value, rather than the mere efficiency.

To facilitate the transformation to the new business model, which is dictated by environmental and strategic realities, some accounting firms have attempted to implement proven quality improvement initiatives. The aim of the deployment of quality improvement initiatives is to foster the promotion of an organizational and operational culture conducive to the implementation of an innovative business model. The objective of this research is to examine the extent to which, quality improvement initiatives such as, Total Quality Management (TQM), Continuous Improvement (CI) Benchmarking (BM) Organizational Restructuring (OR), Process Reengineering (PR), among others are implemented by accounting firms relative to other service organizations. In the process, the overall effectiveness of the implemented quality improvement initiatives in the accounting service industry, in comparison to other service organizations, is examined.

## BACKGROUND

Service quality is a multi-dimensional construct. Thus, service quality may be viewed based on the attributes of the service delivery system, the extent of customer satisfaction, and/or the interactions among the different elements of the service operational system, which define the service encounter (Chase and Bowen, 1991; Parasuraman *et al.*, 1988; Klaus, 1985). Therefore, efforts targeted at improving service quality are directly or indirectly related to both front-end and back-end tasks and activities of the service operational system (Yasin *et al.*, 2002; Yavas and Yasin, 2001; Yasin and Yavas, 2001; Czuchry *et al.*, 2000; Yasin and Yavas, 1999). As such, it is difficult to emphasize one certain aspect of service quality, as most of these aspects are intangible in nature and interrelated.

In recent years, some service organizations in different service industries have shown increasing interest in developing quality improvement initiatives (Hasan and Kerr, 2003). This interest may be attributed to the positive operational and strategic impacts of these initiatives on organizational performance (Agus *et al.*, 2000; Reed *et al.*, 1996; Hasan and Kerr, 2003; Zahiri *et al.*, 1994). In general, however, the effective implementation of quality improvement initiatives in service operational environments is still lagging behind that of manufacturing (Lemak and Reed, 2000; Sohal, 1994; Dotzour and Lengnick-Hall, 1998; Shortell *et al.*, 1995). This may be attributed to the common misconception that quality improvement initiatives are, either inapplicable or at best, very difficult to implement in service operational settings (Yasin *et al.*, 2002; Lemak and Reed, 2000; Winsor *et al.*, 2002; Samson and Terziovski, 1999).

The accounting industry, like most service industries, is facing new operational and strategic challenges. Operationally, this industry has to deal with new operational technologies, increased operational costs and operational inefficiencies. Strategically, this industry is facing declining profit margins, public scrutiny, and increasing value-motivated customers. In this context, the effective implementation of quality improvement initiatives such as, Total Quality Management (TQM), Continuous Improvement (CI) Benchmarking (BM) Organizational Restructuring (OR), Process Reengineering (PR), among others may prove to be operationally and strategically useful for organizations in this industry.

## METHODOLOGY

### Research Instrument and Sample

A research instrument consisting of eighty-four (84) questions, eighty (80) of which utilized a Likert-type scale and four (4) were open-ended, was mailed to a random sample of 1000 service organizations in the United States. These service organizations include pharmaceutical, fast food, book publishing, computer, banking, accounting, investment banking, gaming, and restaurants. A letter addressing the nature of the study and encouraging participation accompanied the research instrument. Out of the mailed instrument, 353 usable responses were obtained. Thus, resulting in a response rate of about 35%, which is relatively high compared to similar types of studies reported in the literature (e.g., Ugboro and Obeng, 2000; Prickett and Rapley, 2001; Dissanayaka *et al.*, 2001; Raju and Lonial, 2002; Yasin *et al.*, 2001). Of the 353 useful responses, ninety seven (97) were from accounting firms.

## RESULTS

### Descriptive Results

Table 1 presents a sample profile of the nine service industries represented in this study. The surveyed organizations have been in business, on the average, for 50.49 years. The respondents have worked for their firms, on the average, for 12.93 years. They also have been in executive positions for 11.93 years, on the average.

### Quality Improvement Initiatives Implementation

Table 2 shows the extent of implementation of quality improvement initiatives in the accounting industry relative to other service industries. Continuous Improvement (CI), Benchmarking (BM), and Total Quality Management (TQM) appear to be relatively more implemented in comparison to other quality improvement initiatives in accounting firms. On the other hand, accounting firms appear to be basically in line with other service industries in terms of the relative implementation of Continuous Improvement (CI), Organizational Restructuring (OR) and Benchmarking (BM). The percentage of

organizations, which have no plan to implement any of the quality improvement initiatives, is alarming. This result, however, is consistent with organizations in other service industries.

### **Effectiveness of Quality Improvement Initiatives**

Table 3 presents the results related to the extent of effectiveness of the implemented quality improvement initiatives. It is interesting to note that the majority of accounting firms, which implemented quality improvement initiatives tended to report that these initiatives were effective, regardless of the type of initiative. For example, 100% of the accounting firms which implemented CI indicated effective results. In this context, accounting firms were similar to the rest of the services organizations.

## **DISCUSSION AND CONCLUSIONS**

The study at hand is part of a stream of research aimed at understanding the effective implementation of quality improvement initiatives in different service operational settings. With the specific environmental, strategic and operational realities and challenges faced by the accounting industry in mind, this study attempted to shed some light on the role of effective implementation of quality improvement initiatives in addressing the challenges faced by this industry. In general, when one compares the willingness of accounting firms to implement quality improvement initiatives relative to other service organizations, the results are mixed.

Based on the results of this study, the following conclusions are in order. First, there is no doubt that organizations in the accounting industry are facing some serious environmental, operational and strategic challenges. Second, it appears that these organizations are aware of these challenges. However, while most of these organizations appear to have formulated general strategies to deal with these challenges, some organizations have not yet put these formulated strategies into action. This is evident by the relatively large percentage of firms, which have no plans to implement quality improvement initiatives. Finally, all surveyed accounting firms, which implemented any of the stated quality improvements initiatives, reported positive results.

**Note: References and Tables are available upon request from Jafar Alavi**