

Effect on Performance Types of the Fit Between the Customer Service Strategy and Information Types

Jae-Jin Jung¹

¹Corresponding author, Professor, Department of Business Administration, Dongguk University, Republic of Korea

ABSTRACT

In order to investigate that the companies can be improved manufacturing performance by flexibilities, strategy types and management information characteristics, this study was designed research model in accordance with companies' strategic orientation. The present study was explored the effects between customer service strategy, timely information and future information on performances (Quality performance, Delivery performance, Cost performance). To achieve the purpose of this study, Structural Equation Model (SEM) has been applied through AMOS 18. The results of this study are followed. The customer service strategy affects positively on timely and future information. quality and delivery performances are affected positively from timely and future information. The customer service strategy shows a significant influence on the delivery performance and Quality performance through the mediating effect of timely information and future information. There is variety of corporate performance indicators. So, The other purpose of this study is to determine the effect relationship between each performance indicator. As a result, the Quality performance and delivery outcomes have significant effect on cost performance

Keywords: Customer service strategy, timely information, future information, quality performance, delivery performance, cost performance.

1. INTRODUCTION

The core of the situation ideal theory is that Organizational effectiveness results from fitting between the characteristics of organization and the Organization contingency. The factor of contingency is said environment, organization size and organization strategy. In today's competitive environment, companies are more important than what an effective Combination between the various situations and variables related to strategic advantage to achieve a competitive advantage in business. In other words, the companies

should have the organizations characteristics to support to achieve a competitive advantage with a strategic advantage. There are organization characteristics, such as organizational structure, production system and information system (Parthasarthy & Sethi, 1993; Miles & Snow, 1987; Johnson & Kaplan, 1987; Shank & Govindarajan, 1992). In the existing situation theories research, there were mainly researches focusing how the fitness between situation variables and organizational characteristics affect the organization's performance. However, on based on existing research, this study focuses specifically to investigate the relationship of affective on organizational performances. In particular, by applying a variety of the performance variables, this is trying to grasp the relationship between the performance variables. This study would try to analyze by applying the all variables to one framework. In particular, by applying the contingency suitable theory, this study investigated the suitability of the variables among all. The study examined the overall suitability of these variables at the same time by applying a structural equation model analysis. The present study achieved the object of the study through empirical analysis. So applied AMOS 18.

2. THEORETICAL BACKGROUND

Customer Satisfy Strategy

Today's enterprises are facing fierce competition. In the past, because the demand is more than supply of goods, it was a time relative to the producers who had the power of advantage. However, because consumers are limited, today's consumers, as compared to production capacity growing exponentially, have sovereignty. The company must satisfy the customer in order to survive the company in a competitive environment. Because customer's satisfaction is immediately connected to your company's revenue, we require a variety of strategies to meet the needs of visitors and this is called customer service strategy (Delafrooz & Farzanfar, 2016). In addition, it should be to establish as a long-term perspective. Fortune magazine defines service strategy as "knowing exactly which customers you want to serve and figuring out what kind of service will loosen their purse strings." In the existing situation theories, Strategies should be equipped with the organizational characteristics to support a strategic advantage. Organization characteristic variables for the lead corporate strategy are varied.

Characteristics of the information system can be a design parameter of the information system. Accounting information system determines the value and usefulness of by the qualitative characteristics of information provided by the accounting information system as a system to calculate and deliver a variety of information for decision making of enterprises and external stakeholders and internal management of information. After all, the qualitative characteristics of information in information system make decision the corporate performance as well as the value of the information system itself. Accounting information system is a subsystem of management information systems. In this paper, we mainly use the term accounting information system. As a kind of characteristics, information of the accounting system explained as follows (Chenhall & Langfied-Smith, 1992). Namely, they separated characteristic information in four areas, the range of information, timeliness, information aggregations and integration of information. In particular, the information range can consist of outside information/inside information, financial information/non-financial information, forward-looking information/history-oriented information.

There are many contingency variables affecting organization performance, like CEO, manufacturing system, information system, organization structure. In this paper, focusing on the diversity of the

organization's performance, attempts to analyze the relation of strategies (Customer service strategy) and information characteristics (future-looking information and timely information). Financial indicators to measure the performance can be measured management result of the past, but it will not measure future business performance. Additionally, it will not grasp even for products or services competitive in the market. The '3M model for business performance measurement' was constructed systematic performance evaluation model. It exhibited a form that the specific strategies affecting the economic performance of the company through production performance, market performance, management performance. The purpose of this study is to investigate whether there is systematic relation among the performance indicators.

3. HYPOTHESES

Shank & Govindarajan (1992) suggested that strategic positioning gives every company a concept to enhance the role of cost management in the enterprise. In addition, there is different cost analysis required in accordance with the strategy of each company. When the future-looking information and timely information of the enterprise information characteristics are fitted with customer service strategy, this paper is investigating how the compatibility has significant impact on the company's performance. The future-oriented information being latent variable is identifying through the measured variables of the future information and forecast information (Otyutskiy, Kuzmenko, Melikov & Avtsinova, 2016). The timely information being latent variable is seen through the measured variables of the reporting of information timely, periodically and automatically.

Hypothesis 1: The differentiation strategy will affect positively on the timely information.

Hypothesis 2: The customer service strategy will affect positively on the future-looking information.

In this study, the manufacturing performance applied the delivery and quality performance. It investigated the each relationship between the future-oriented information and timely information. The quality performance being latent variable is identified through the measured variables of the degree of defective reduction, improvement of product performance, uniformity of quality, and quality Improvement. And the delivery performance being latent variable is identified through the measured variables of the degree of shortening production time, reduce time to buy and procurement, Shorten delivery time, and reduce non-productive time Hypothesis 3: the timely information will affect positively on the Quality performance.

Hypothesis 4: The timely information will affect positively on the Delivery Performance.

Hypothesis 5: The future-looking information will affect positively on the Quality performance.

Hypothesis 6: The future-looking information will affect positively on the Delivery Performance.

There would be performed the analyses whether the manufacturing performance, applying delivery performance and quality performance, affect significantly on the cost performance being financial performance. The cost performance being latent variable is identified through the measured variables of the degree of production increase of same production line, saving of raw material cost, saving of work-in-process cost in production line.

Hypothesis 7: The quality Performance will affect positively on the cost Performance.

Hypothesis 8: The delivery Performance will affect positively on the cost performance.

4. RESEARCH MODEL AND HYPOTHESES TESTING

4.1. Research Model

Based on theoretical studies so far, this study constructed a model for identifying whether the special variables affect significantly on other variables. In addition, this model has expressed in the figure the impact relationship between the variable in this study. Next Figure 28.1, this study have set up a research model based on these relationships between variables.

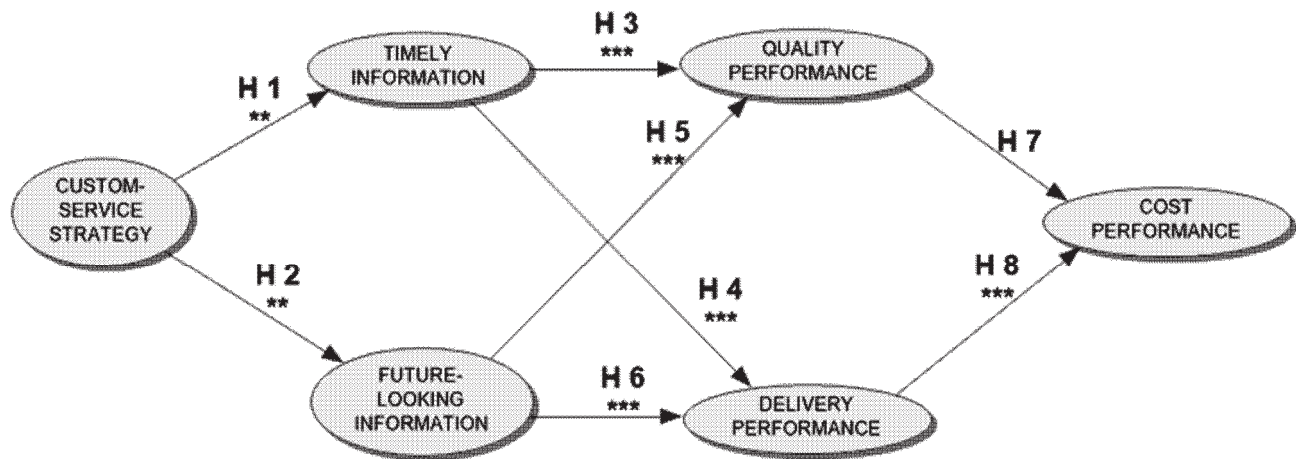


Figure 28.1: Research model

4.2. Data Collection Method

The study was conducted in the manufacturing sector in Korea (ROK). Data were collected from the firms that are listed on the Financial Supervisory Service, the Small Business Administration in 2007. A Survey was conducted in the business unit of the company, and the targets of response are CEOs, division managers that can understand the strategies and management control system of the company. In order to collect data, it conducts interviews and questionnaires with the participating persons. The survey is conducted during a 4-month period between May and August 2008. The sample characteristics according to the industrial type of the firms summarizes as follows. In the company of distribution used in the study sample, it was included in most of the domestic industry in 19 industries. The lowest ratio industry is Chemicals and chemical products, 3%. The Highest ratio industry is F and B, 23%. The number of the sample firm with fewer than 100 employees is 86 (45.5%). The number of firms with 100-300 employees is 44(23.2%). The number of firms with 300 – 1000 employees is 42(22.2%). The number of firms with more than 1000 employees is 17(8.9%).The 3-7 items measure the every variable. All the items have been measured on six point Likert scale format.

4.3. Validity and Reliability Testing

Before entering the study, this study reflected the results of analysis that computed by Pearson correlation, means and standard deviation of all variables accepted in this study. All the variables show their levels are more than neutral stage. It is further report that all other variables are positively associated with each other at the 99% or 95% confidence level. This shows the high correlation between studied variables.

To check the validity of all measurement scale, this study applied confirmatory factor analysis (CFA). Through CFA, and checked the factor loading of each item statements towards its respective scale. The CFA model yielded good fitness ratios as mentioned with CFA model in Table 28.1. No ratio is beyond the fitness limit as prescribed by different statisticians. Thus, all measurement scales are found to be reliable. This shows the same result with the suggestion.

Table 28.1
Confirmatory factor analysis of the variables

	<i>Measurement items</i>	<i>Standardized factor loading</i>	<i>CR</i>	<i>AVE</i>
Customer service strategy (CST-SRV STRG)	CS1	0.660	5.342	0.537
	CS2	0.690	5.236	
	CS3	0.836		
Timely information (TIM-INFM)	TI1	0.796		0.580
	TI2	0.852	7.613	
	TI3	0.617	5.909	
Future-looking information (FTR-LK INFM)	FI1	0.988	5.195	0.509
	FI2	0.743		
Quality performance (QLT PERM)	QP1	0.706	6.395	0.573
	QP2	0.729	6.587	
	QP3	0.831	7.316	
	QP4	0.727		
Delivery Performance (DLV PERM)	DP1	0.689	6.030	0.530
	DP2	0.759	6.541	
	DP3	0.798	6.794	
	DP4	0.691		
Cost performance (CO PERM)	CP1	0.829	6.909	0.561
	CP2	0.680	6.059	
	CP3	0.731		

Fitness Ratios: CMIN = 267.439; Degree of Freedom (DF) = 160; CMIN/DF = 1.671; RMR = 0.104; GFI = 0.88; NFI = 0.836; CFI = 0.904; RMSEA = 0.77

4.4. Hypotheses Testing

In order to test the study hypotheses, Structural Equation Model (SEM) as illustrated in Table 3 has been applying through AMOS 18. SEM in this study found to be good fit as all fitness indicators reported in Table 28.2 are fulfilling the fitness criteria suggested by statisticians. In this study, there are 10 hypotheses about the relationships between flexibilities types, strategies types and management accounting properties. Through empirical analysis of these hypotheses, six of the ten hypotheses are adopted.

First, the two hypotheses about the relationships between flexibilities and strategy types have shown significantly results. According to hypothesis 2, 3, the independent variables have positive and significant effects on dependent variables as direct effect coefficients on the line of SEM at 99% confidence level. Product flexibility is an effort to respond to the diverse needs of customers through producing products

Table 28.2
Hypothesis Testing Results

<i>Hypothesis</i>	<i>Independent Variable</i>	<i>Dependent Variable</i>	<i>Regression Co-efficient</i>	<i>Decision</i>
1	CST-SRV STRG	TIM-INFM	.517 **	Accepted
2	CST-SRV STRG	FTR-LK INFM	.412 **	Accepted
3	TIM-INFM	QLT PERM	.417 ***	Accepted
4	TIM-INFM	DLV PERM	.362 ***	Accepted
5	FTR-LK INFM	QLT PERM	.353 ***	Accepted
6	FTR-LK INFM	DLV PERM	.371 ***	Accepted
7	QLT PERM	CO PERM	.112	Non
8	DLV PERM	CO PERM	.580 ***	Accepted

diversification. Therefore, the companies that pursue a variety of product have adopted commonly differentiation strategy. The mix flexibility is means easiness of change of product type. Therefore, there is a significant relationship between mix change flexibility and low-cost strategy. Second, the two hypotheses about the relationships between strategy types and management information properties have shown significantly results. According to hypothesis 5, 6, the independent variables have positive and significant effects on dependent variables as direct effect coefficients on the line of SEM at 99% confidence level. The low-cost strategy showed a significant effect on the financial information and non-financial information. However, there is no effect on information properties from differentiation strategy. Third, the two hypotheses about the relationships between information properties and manufacturing performance have shown significantly results. According to hypothesis 7, 8, the independent variables have positive and significant effects on dependent variables as direct effect coefficients on the line of SEM at 99% confidence level. The manufacturing performances take affect by the financial and non-financial information.

5. CONCLUSION

In order to investigate that the companies can be improved cost performance by custom-service strategy, information types and non-financial performance, this study was designed research model in accordance with companies' strategic orientation. The custom-service strategy affect positively on timely information and future-looking information. The timely information affect positively on quality performance and delivery performance. Two types of information affect positively on quality performance and delivery performance. Then, The delivery performance affect only positively on cost performance. The delivery performance of Non-financial performance has a significant impact on the cost of performance. In the full model perspective, If one company is now emphasizing customer service strategy by providing timely information and future-oriented information for customer service, and improving the delivery performance, that thing all bring as a result the improve cost performance. The low-cost strategy affect positively on financial and non-financial information. In addition, manufacturing performance is affected positively from financial and non-financial information.

The study has some limitations and proposition to be exploring in future. This study was applied to only some of the variables related to strategy types, information characteristics, and performance types. However, it needs to be expanding to the various parameters and the various performance variables.

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