

SO 9000, activity based costing and organizational performance

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Abstract

This study investigates the potential complementarity between ISO 9000 and Activity Based Costing (ABC). This is undertaken by examining associations between the extent of ISO 9000 implementation and the extent of ABC use and by examining the impact on organizational performance of the extent of ISO 9000 implementation in organizations that have adopted both ISO 9000 and ABC (ABC Firms) as compared to those that have only adopted ISO 9000 (Non-ABC Firms). Correlation analysis and a multi-group analysis in structural equation modelling (SEM) are employed using quantitative data from a cross-sectional mail survey of 601 Thai ISO 9001-registered organizations. The results indicate that there are significant positive correlations between ISO 9000 and ABC activities, and that the impact of ISO 9000 implementation on organizational performance is significantly stronger for ABC Firms than that for Non-ABC Firms. The results generate new evidence that advances knowledge of complementarity between ISO 9000 and ABC and the effects of ISO 9000 on organizational performance. The findings have significance for researchers evaluating the use of ISO 9000 and ABC in concert with other organizational initiatives and for practitioners who could consider the benefits of concurrent implementation of both systems in reviewing/designing performance improvement systems.

Keywords: ISO 9000Activity, Based Costing (ABC), Operational Performance, Financial Performance, Complementarity, Quality Management, Structural Equation Modelling (SEM)