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## Internal Controls and Customer Satisfaction in the Telecommunications Industry in Uganda: A Case of MTN Uganda

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### **Abstract:**

Every business organization's success depends on the satisfaction of the customers. Whenever a business is about to start, customers always come "first" and then the profit. Those companies that succeed in fully satisfying their customers will remain in the top position in the market. Today's business company has known that customer satisfaction is the key component for the success of the business, and at the same time, it plays a vital role in expanding the market value. In general, customers are those people who buy goods and services from the market or business that meet their needs and wants. Customers purchase products to meet their expectations in terms of money. The study sought to explain the extent to which Customer Satisfaction in the telecommunications industry is driven by internal controls, using MTN Uganda as a case study. Many in Uganda recognize the importance of customer satisfaction and so have tried to streamline internal controls. However, customer complaints still persist despite efforts to address areas of dissatisfaction. This may be because the majority of them do not effectively operate their internal processes and are not using appropriate strategies to address the challenges. The study was guided by three objectives:

- To examine the effect of administrative policies on customer satisfaction in the telecommunications industry,
- To examine the effect of accounting procedures on customer satisfaction in the telecommunications industry and
- To examine the effect of auditing procedures on customer satisfaction in the telecommunications industry.

The study was based on a cross-sectional research design. 230 staff of the company were selected as respondents using a simple random sampling approach, and data was collected using a questionnaire. Findings show that there is a strong, positive relationship between administrative policies and customer satisfaction, there is a strong and positive relationship between accounting procedures and customer satisfaction in the telecommunications industry, and there is a strong and positive relationship between audit procedures and customer satisfaction in the telecommunications industry. The variables entered in the regression model explain an overall 65 percent variance in customer satisfaction at the company.

It was recommended that MTN Uganda conduct regular surveys of customers (current and potential) to assess their standing in expectations and satisfaction and identify areas that need critical attention. MTN Uganda should adopt the international customer quality guidelines, and all staff should undergo regular (every three months) refresher training regarding how to handle internal operations in their areas of speciality.

**Keywords:** Internal controls, customer satisfaction, Telecommunications

### **1. Introduction**

Although not explicitly mentioned, for decades, the notion of satisfaction has been implied by most works aimed at understanding human behavior. At times, satisfaction was labeled as a premise of human life, such as needs, desires, etc., and at other times, it was regarded as the goal—from now and here to an eventual future state—of human needs such as happiness, joy, life fulfillment, etc. The Pareto optimum and people's welfare were some of the more noticeable examples.

The notion of satisfaction became more obvious and specific subsequent to the birth of modern social science. In particular, economists, in their postulate of how rational man behaves, proposed that an individual aims to maximize his satisfaction in his consumption decisions within the macro interactions of supply and demand characteristics.

During 1960-1980, customer satisfaction was initially considered a problem of consumer behavioral analysis, and the most important effort was the following (Grigoroudis & Siskos, 2010). Nowadays, organizations have started to track satisfaction levels so that they can improve their services. In addition, it has a great impact on understanding the issues that cause satisfaction or dissatisfaction with the service experience. In this way, if the organization can understand why and how the customers are satisfied, then it can focus on its resources (Hill, Roche & Allen, 2007).

Satisfaction is also important in the development of modern marketing thought. It was used as a marketer's goal to meet consumer needs and wants (e.g., Duddy and Revzan 1947). In all basic marketing texts, consumer satisfaction has always been defined as the means through which marketers can achieve their organizational objectives (Kotler et al., 1972).

The birth of consumer behavior as an independent field of study in the fifties and its foundation in the sixties mark another era for the notion of satisfaction. In classic consumer behavior models (e.g., Nicosia, 1966; Howard & Sheth, 1969; Hansen, 1972), the importance of satisfaction was recognized within the consumption processes subsequent to a consumer's purchase activity. A number of classic studies on satisfaction (e.g., Cardozo, 1965; Anderson, 1973) were launched in the same period.

However, the rebirth of interest in satisfaction came some ten years later, in 1976, when Day (1977) and his colleagues began a modern tradition of research efforts to understand satisfaction and related post-choice constructs. Since then, many researchers have been interested in investigating and understanding the satisfaction construct. Various approaches have enriched the satisfaction literature by isolating the antecedent variables influencing a consumer's satisfaction level. Nonetheless, since consumer satisfaction attracted the renewed attention of consumer behavior researchers in the mid-seventies, a variety of authors (Day, 1977; Tse, 1984; Nicosia & Wilton, 1984) have called for an understanding of the satisfaction construct, which focuses not only upon the antecedents to satisfaction level but upon the set of psychological and overt activities following a particular usage experience and leading up to the decision to repurchase; i.e., as a continuous process of interactions through time.

Within this context, the set of overt activities following a particular consumption experience (e.g., complaining, repeat purchase patterns, attitudinal shifts, etc.) has been considerably more extensively researched than the less readily observable set of psychological activities and processes which might mediate them. Only recently have researchers begun to explore the variety of post-choice feelings (e.g., either positive or negative stress), mediation processes (e.g., attribution), and indirect coping behaviors (e.g., trade-offs between time and money) implied by a truly comprehensive process model of consumer satisfaction (see, for example, Richins 1979; Hunt, 1979; Wilton & Tse 1983).

Most companies these days are striving to focus more closely on their customers – to become more customer-centric. In a world where customers have near-perfect information, only those companies that focus on satisfaction can successfully compete (Reichheld & Markey, 2011). Customer satisfaction is a significant element in service delivery because understanding and satisfying customer's needs and wants can engender increased market share from repeat purchases. The orientation to customer satisfaction is not a recent phenomenon. Many successful business people over the years have identified the importance of customer satisfaction and its output in a business result (Baden-Fuller & Haefliger, 2013; Carvache-Franco, Carvache-Franco, Borja Morán & Contreras Moscow, 2018; Samen, Akroush, & Abu-Lail, 2013). Customer satisfaction is a marketing term that measures how products or services supplied by a company meet or surpass a customer's expectations. Customer satisfaction is also important because it provides marketers and business owners with a metric that they can use to manage and improve their businesses (Burböck, 2014). In a survey of nearly 200 senior marketing managers, 71 percent found a customer satisfaction metric very useful in managing and monitoring their businesses (Ağca, Topal & Kaya, 2012; Lau, Cheung, Lam & Chu, 2013). Customer satisfaction is the best indicator of how likely a customer will make a purchase in the future. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator. Businesses that succeed in these cut-throat environments are the ones that make customer satisfaction a key element of their business strategy (Jørgensen & Jørgensen, 2011).

Internal controls, the vigor of any institution or association has become of vital significance in business establishments in the recent times. The reason is that internal management control frameworks in any firm are important for operational productivity, bookkeeping and other accounting aspects. Internal controls are measures put in place to keep organizations on course towards profitability goals and achievement of their mission and to minimize costs along the way (Friederichs, 2013). They enable management to deal with rapidly changing industrial standards and procedures, shifting customer demands and priorities and realigning the business for future growth. Internal controls promote efficiency, reduce risks of asset loss, and ensure the reliability of financial statements and compliance with laws and regulations (KPMG, 2014). Internal management control is intertwined with a firm's operation exercises. It is best when controls are incorporated with the firm's foundation, turning them into a piece of the very pith of its accomplishment (Ashbaugh, Collins & Kinney, 2005).

Leap (2017) states that the internal control systems include all the policies and procedures adopted by the directors and management of an entity to assist in achieving their objective of efficient conduct of its business, including adherence to internal policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completion of the accounting records and timely preparation of reliable financial information. Successful organizations ensure that they attain and consolidate continued survival in a competitive environment Drucker (1990). Following corporate scandals and the global financial crisis, an internal auditing department should always help to ensure

that internal policies and procedures are complied with. Most companies have made the above efforts to achieve positive results. Despite all these efforts, companies are still struggling with liquidity problems, untimely financial reporting, inefficient financial accountability, fraud and mismanagement of the company's resources, and several decisions that do not yield the anticipated results.

## 2. Methodology

### 2.1. Research Design

The study adopted a cross-sectional survey design using quantitative approaches. A cross-sectional survey is suitable for such a study that collects information at a given point in time rather than from a given period of time (Babbie & Mouton, 2009).

A quantitative approach was used to quantify the problem by way of generating numerical data or data that can be transformed into usable statistics. It was used to quantify attitudes, opinions, behaviors, and emotions towards teamwork and generalize results from a larger sample population.

### 2.2. Study Population

The study population was the total number of staff in MTN Uganda's operations department. The study population comprised 450 staff based at the head office.

### 2.3. Sample Size and Its Determination

Based on Krejcie and Morgan's (1970) table of sample size determination, a suitable sample size of 230 would be required for a given population, and the sample size for this study was selected from the company.

### 2.4. Unit of Analysis and Unit of Inquiry

The unit of analysis was MTN Uganda company, which is officially licensed by the UCC, while the unit of inquiry constituted the staff who work in the operations department at the head office of the company.

## 3. Findings and Analysis

Out of 230, only 209 provided information, representing a response rate of 90.9 percent. Since the average response rate obtained in previous research surveys in Uganda (Briggs, 2009; Sejaaka, 2010) is 60 percent, the response rate obtained is considered sufficient for the study, given that it is far above that threshold.

### 3.1. Demographic Characteristics

The study also sought information on the respondents regarding their gender, age, marital status and how long they have worked in the respective organizations.

| Parameter   | Frequency  | %            |
|---|------------|--------------|
| <b>Sex of the Respondents</b>                     |            |              |
| Male  | 121        | 57.9         |
| Female  | 88         | 42.1         |
| <b>Total</b>                                      | <b>209</b> | <b>100.0</b> |
| <b>Age of the Respondents</b>                     |            |              |
| 18-25   | 12         | 5.7          |
| 26-30   | 129        | 61.7         |
| 36-40   | 36         | 17.2         |
| 41-45   | 9          | 4.3          |
| 46-50   | 14         | 6.7          |
| 51 and above                                      | 9          | 4.3          |
| <b>Total</b>                                      | <b>209</b> | <b>100.0</b> |
| <b>Marital Status</b>                             |            |              |
| Single  | 84         | 40.2         |
| Married   | 125        | 59.8         |
| <b>Total</b>                                      | <b>209</b> | <b>100.0</b> |
| <b>Number of Years Worked in the Organisation</b> |            |              |
| Less than a year                                  | 10         | 4.8          |
| 1-2 years   | 56         | 26.8         |
| 3-5 years   | 79         | 37.8         |
| 6-10 years  | 42         | 20.1         |
| 11 years and above                                | 22         | 10.5         |
| <b>Total</b>                                      | <b>209</b> | <b>100.0</b> |
| <b>Qualifications</b>                             |            |              |
| Certificate                                       | 3          | 1.4          |

| Parameter            | Frequency  | %            |
|----------------------|------------|--------------|
| Diploma              | 20         | 9.6          |
| Bachelor's degree    | 116        | 55.5         |
| Postgraduate Diploma | 30         | 14.4         |
| Master's degree      | 40         | 19.1         |
| <b>Total</b>         | <b>209</b> | <b>100.0</b> |

Table 1: Characteristics of Respondents

As seen above, the majority of the respondents were male, while the females comprised the minority. The results show that the respondents who work in MTN's operations department were generally male and that the study is based on information mainly from male respondents who predominantly work in this department.

The biggest category of respondents was those aged between 26 and 30, followed by those aged 36 and 40. Results show that those aged 36 and 40 are in third place. This implies that the results are based on staff in the operations department within the age groups of less than 35.

Furthermore, the results show that the majority of respondents are married (59.8%), followed by 40.2% who are single. This implies that the biggest category of respondents is married.

Results show that the majority of the respondents have worked in MTN Uganda for 3-5 years (37.8%), while 26.8 percent have worked for 1-2 years. It is worth noting that the smallest percentage, 4.8 percent, have worked for less than a year. We can see varying levels of experience from these respondents; therefore, there are views from staff who have worked for various periods.

Additionally, the results show that the majority (55.5%) of the respondents have a bachelor's degree, while 19.1 percent have a master's degree. 14.4 percent have a postgraduate diploma, and there are other qualifications represented in the findings. This shows us that the company's operations staff have various academic qualifications. For the study, this was relevant in terms of understanding the purpose of the study and helping the researcher gather relevant data as much as possible.

### 3.2. Pearson's Correlation Results

Pearson's correlation coefficient is the test statistic that measures the statistical relationship, or association, between two continuous variables. The first three objectives of the study concerned relationships between the variables and their indicators. In order to achieve this, the Pearson ( $r$ ) correlation coefficient was computed given the interval nature of the data and the need to test the direction and strength of this relationship. The table (See Appendix) shows the Pearson Correlation Coefficients for the variables under study.

#### 3.2.1. Relationship between Administrative Policies and Customer Satisfaction in the Telecommunications Industry

There is a strong, positive relationship between administrative policies and customer satisfaction ( $r = .752$ ,  $p < .01$ ). These results imply that a better administrative policy improves customer satisfaction levels in the company. The low P-value of 0.01 implies that the findings in this study are largely significant. This implies that a change of 1 standard deviation in administrative policies is associated with a change of 0.752 standard deviations in customer satisfaction. This implies that better administrative policies should lead to better levels of customer satisfaction in the company.

#### 3.2.2. Relationship between Accounting Procedures and Customer Satisfaction in the Telecommunications Industry

There is a strong and positive relationship between accounting procedures and customer satisfaction in the telecommunications industry ( $r = .784$ ,  $p < .01$ ). These results imply that an increase in accounting procedures improves customer satisfaction in the telecommunications industry in the organization. The low P-value of 0.01 implies that the findings in this study are largely significant. This implies that a change of 1 standard deviation in accounting procedures is associated with a change of 0.789 standard deviations in customer satisfaction. This implies that better accounting procedures should lead to better levels of customer satisfaction in MTN Uganda.

#### 3.2.3. Relationship between Audit Procedures and Customer Satisfaction in the Telecommunications Industry

There is a strong and positive relationship between audit procedures and customer satisfaction in the telecommunications industry ( $r = .662$ ,  $p < .01$ ). These results imply that audit procedures lead to customer satisfaction in the telecommunications industry. The low P-value of 0.01 implies that the findings in this study are largely significant. This implies that a change of 1 standard deviation in audit procedures is associated with a change of 0.662 standard deviations in customer satisfaction. This implies that better audit procedures should lead to better levels of customer satisfaction in MTN Uganda.

### 3.3. Regression Results

#### 3.3.1. Hierarchical Regression Effect on Customer Satisfaction

| Variable  | Model 1 |          | Model 2 |          | Model 3 |          |
|---|---------|----------|---------|----------|---------|----------|
|   | Beta    | Std Err. | Beta    | Std Err. | Beta    | Std Err. |
| Constant  | .653    | .210     | .268    | .193     | .157    | .201     |
| Administrative Policies   | .865    | .055     | .425    | .076     | .393**  | .078     |
| Accounting Procedures   |         |          | .549    | .073     | .479**  | .082     |
| Audit Procedures  |         |          |         |          | .129    | .070     |
| R   | .742    |          | .806    |          | .809    |          |
| R Square  | .550    |          | .649    |          | .655    |          |
| R Square Change   | .550    |          | .099    |          | .006    |          |
| Adjusted R Square   | .548    |          | .645    |          | .650    |          |
| Std Error of the Estimate   | .50754  |          | .44928  |          | .44663  |          |
| F   | 244.270 |          | 183.982 |          | 125.240 |          |
| Sig.  | .000    |          | .000    |          | .000    |          |
| <b>Constant: dependent Variable, which is Customer satisfaction</b> |         |          |         |          |         |          |

Table 2: Hierarchical Regression Analysis

From table 2 above, Model 1 indicates that administrative policy which accounts for 55% of customer satisfaction ( $R^2 = .550$ ;  $p < .05$ ) and has a significant influence on customer satisfaction in MTN ( $\beta = .865$ ;  $p < .05$ ).

The addition of accounting procedures into Model 2 reveals 64.9% of the variability in customer satisfaction in the firm ( $R^2 = .649$ ), which represents an addition of 9.9% ( $R^2 \Delta = .099$ ). The model results also show that audit procedures significantly influence or predict customer satisfaction ( $\beta = .549$ ;  $p < .05$ ).

The addition of audit procedures in Model 3 reveals 65.5% of the variability in customer satisfaction ( $R^2 = .655$ ;  $p < .05$ ), which represents an addition of 6% ( $R^2 \Delta = .006$ ). The model results also show that audit procedure is not a significant predictor of customer satisfaction in the telecommunications industry ( $\beta = .129$ ;  $p \geq .05$ ).

In conclusion, the variables entered in the regression model explain an overall 65% ( $AdjR^2 = .650$ ) variance in customer satisfaction at the company, implying that the remaining 35% is explained by factors not considered in this study.

#### 4. Conclusions

Satisfaction does not automatically lead to loyalty. It needs a step-by-step process. Steps are described as customers going through different phases, such as awareness, exploration, expansion, commitment, and dissolution. Customer loyalty can be considered a byproduct of customer satisfaction. The satisfaction of business customers leads to customer loyalty.

First of all, it can be concluded that despite the organization's efforts, several challenges may affect customer satisfaction. The level of customer satisfaction in MTN Uganda is not ideal since customer complaints still persist despite efforts to address areas of dissatisfaction. Part of the problem can be attributed to inappropriate administrative policies at the company, whereby communication protocols, procedures, and checks and balances are lacking.

The study can also conclude that despite the controversy on the role of accounting procedures in customer satisfaction, they indeed affect the level of customer satisfaction in the company. However, the relationship is not direct because if it were direct, there would be unanimous support for such a link. In the same way, auditing procedures also affect customer satisfaction, and they are linked to the rising complaints by clients of MTN Uganda. Therefore, there is a need to address the situation given these findings. This is because internal management control frameworks are expected to fundamentally improve the quality and efficiency of service delivery in organizations, thereby boosting customer satisfaction levels.

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**Appendix**

Pearson's Correlation Coefficient (N=209)

| Variable/Indicator        | 1      | 2      | 3      | 4      | 5      | 6      | 7      | 8      | 9      | 10     | 11     | 12     | 13     | 14     | 15     | 16 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----|
| Communication protocols   | 1      |        |        |        |        |        |        |        |        |        |        |        |        |        |        |    |
| Procedures                | .419** | 1      |        |        |        |        |        |        |        |        |        |        |        |        |        |    |
| Checks and balances       | .726** | .330** | 1      |        |        |        |        |        |        |        |        |        |        |        |        |    |
| Administrative Policies   | .887** | .705** | .848** | 1      |        |        |        |        |        |        |        |        |        |        |        |    |
| Frequency of reports      | .660** | .163*  | .550** | .571** | 1      |        |        |        |        |        |        |        |        |        |        |    |
| Accounting standards      | .648** | .363** | .660** | .689** | .545** | 1      |        |        |        |        |        |        |        |        |        |    |
| Transparency              | .547** | .524** | .429** | .614** | .419** | .420** | 1      |        |        |        |        |        |        |        |        |    |
| Accounting Procedures     | .780** | .406** | .684** | .771** | .867** | .800** | .726** | 1      |        |        |        |        |        |        |        |    |
| Assurance                 | .637** | .391** | .576** | .659** | .556** | .607** | .501** | .687** | 1      |        |        |        |        |        |        |    |
| Compliance                | .491** | .337** | .544** | .563** | .495** | .500** | .513** | .621** | .660** | 1      |        |        |        |        |        |    |
| Reporting Lines           | .478** | .239** | .548** | .521** | .513** | .610** | .429** | .641** | .593** | .705** | 1      |        |        |        |        |    |
| Audit Procedures          | .610** | .366** | .637** | .663** | .594** | .654** | .546** | .740** | .848** | .896** | .885** | 1      |        |        |        |    |
| Loyalty                   | .688** | .403** | .562** | .682** | .538** | .554** | .402** | .626** | .538** | .420** | .414** | .520** | 1      |        |        |    |
| Market Share              | .509** | .295** | .578** | .576** | .459** | .490** | .367** | .556** | .449** | .481** | .470** | .539** | .377** | 1      |        |    |
| Encumbrances to switching | .593** | 0.129  | .538** | .526** | .620** | .511** | .450** | .670** | .486** | .448** | .433** | .519** | .493** | .454** | 1      |    |
| Customer satisfaction     | .752** | .337** | .700** | .740** | .682** | .660** | .527** | .784** | .624** | .566** | .554** | .662** | .789** | .730** | .863** | 1  |

*\*\* Correlations significant at the 0.01 level*