



**FACULTY OF COMMERCE**  
*Department of Accounting*

# **The Effect of Kaizen Costing Adoption on the Financial Performance of The Firm: An Empirical Study**

Thesis Submitted in partial fulfillment of the Degree of MSc. in Accounting ✓

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## ABSTRACT

In today's environment where manufacturing firms operate, there is an intensely crowded and competitive marketplace because of globalization, manufacturing firms need to find more effective and efficient tools to enhance its competitive position and improve its financial and operational performance. The aim of this study is to present kaizen costing as a cost reduction technique in the manufacturing firms operating in the Egyptian environment.

This research is conducted in a quantitative form with a correlation investigation. The primary data collection is from financial statements of the firm being investigated for 5 years before the kaizen costing implementation and 5 years after, covering the period from 2002 till 2011.

The empirical findings indicated that kaizen costing implementation significantly improved the firm's financial performance indicated by the significant increase in the firm's ROA and ROE following the implementation. Also, fixed cost reductions and variable cost reductions resulting from kaizen costing implementation are significantly correlated to the firm's financial performance, where fixed cost reductions were found to have more significant effect compared to variable cost reductions.