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Cost-Volume-Profit Analysis and Decision-Making in Pakistan's Service Sector

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ABSTRACT

The Cost-Volume-Profit (CVP) analysis is one of the basic financial management tools used to help managers in grasping the correlation between costs, sales volume, and profits. CVP analysis offers information in terms of pricing strategies and cost control and profit planning in the service sector of Pakistan where operational efficiency and strategic decision-making are important. This paper explores the use of CVP analysis in service-oriented companies, and its usage in making decisions in uncertain situations. The study utilizes empirical data of hotels, hospitals and educational organizations within major Pakistani cities in identifying the effect of fixed and variable costs on profitability and how service managers make use of CVP information in pricing, budgeting and strategic decisions. Results indicate that though CVP analysis is well known because of its potential to be used to make decisions, it has challenges in its practical application that include inaccuracy in allocation cost, unstable demand, and lack of managerial skill. The paper highlights the importance of training, appropriate accounting and scenario-based planning in maximizing decision-making processes and improving financial performance in the service sector in Pakistan.

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Introduction

In the modern competitive business world, there is a growing pressure on service organizations in Pakistan to manage expenditure optimally and profitability as much as possible (Drury, 2018; Horngren et al., 2020). The service industry, which covers healthcare, hospitality, education, transportation among others, forms a major part of the GDP and employment of Pakistan (Pakistan Bureau of Statistics, 2022). The financial management in this industry is based on the profound knowledge of the relationships between costs and sales volume and profit, and it can be systematically studied with the help of Cost-Volume-Profit (CVP) methods (Garrison et al., 2018).

CVP analysis is a management accounting device that assists decision-makers with the estimation of the amount of the sales necessary to reach the desired profits, the effects of

alterations in the costs or price, and the point of break-even (Drury, 2018). It also entails the analysis of how fixed and variable costs, contribution margins, and operating leverage behave to make a decision regarding pricing, budgeting, and strategy (Horngren et al., 2020). In the case of service organizations, where the output is often somewhat intangible, and the cost structure in contrast to manufacturing companies, CVP analysis will be very important to understand the resource allocation, capacity planning, and risks management (Sharma and Maheshwari, 2021).

The use of CVP in the service market of Pakistan is especially applicable because of the volatility of the market, the changing demand, and inefficiencies of operations (Ali and Khan, 2019). As an example, hotels can experience the demand variation by season that impacts the occupancy of rooms, hospitals can have an increase or decrease in the number of patients, and educational institutions can have an increase or decrease in the number of enrolled students. By knowing the behavior of costs at such conditions, managers can make rational decisions concerning prices, costs management, and strategic investments (Garrison et al., 2018; Pandey, 2019; Sibt-e-Ali et al., 2018; Adeem et al., 2019; Hanif et al., 2024).

CVP analysis although theoretically significant, has its issues in application. In the mixed-cost service settings, the classification of fixed and variable costs can often be challenging, particularly when it comes to the classification of costs (Sharma and Maheshwari, 2021). Besides, service managers might be not sufficiently trained or do not have accounting systems to apply the insights of CVP efficiently to make decisions (Horngren et al., 2020). Thus, to enhance the financial management practices, it is important to study the adoption, problems, and advantages of CVP analysis in the service sector of Pakistan.

The gap in the study would be to examine the application of CVP in service organization industry in Pakistan. In particular, it addresses the way CVP information can be applied by the managers in making decisions in pricing strategies, break even analysis, profit planning and scenario based decision making. The present paper is dedicated to the service organizations operating in major cities and offers the data on the possibility of CVP practices and the challenges of effective implementation and reporting of recommendations to improve the decision-making process related to the sphere.

It is presumed that the results of the provided research will influence the academic and managerial community by showing the applicability of the CVP analysis to the optimization of the financial performance and strategic decision-making. Besides this the research paper assigns a role of managerial training, good accounting systems and scenario planning on how the CVP insights may be applied to deal with the issues in service sector in Pakistan.

Literature Review

The Cost-Volume-Profit (CVP) Analysis Concept

The easiest managerial accounting tool is the Cost-Volume-Profit (CVP) analysis that gives the concept of relationship between costs, sales volume and profit (Horngren et al., 2020; Drury, 2018). The methodology allows the managers to identify the break-even point, assess how the alterations in the cost system might affect the industry, and make strategic decisions on the pricing, production, and sales (Garrison et al., 2018). CVP is especially relevant to service companies, where the output (non-material in nature) and costs are usually intermixed, and the profitability is usually low (Sharma and Maheshwari, 2021; Pandey, 2019).

Some of the studies have indicated the application of CVP in making uncertain decisions. An example of this case is that, Horngren et al. (2020) note that it would be handy in a scenario analysis in which a business would know its profitability due to the changes in demand and changes in prices or costs. On the same note, Drury (2018) presumes that CVP analysis is important in the short-term financial planning and assists organizations to utilize their capacity and cost.

Components of CVP Analysis

The main elements of the CVP analysis are fixed costs, variable costs, contribution margin, and sales volume (Garrison et al., 2018). The fixed costs are constant regardless of the production or service delivery, whilst variable costs vary depending on its output. The contribution margin, which is the difference between sales revenue and variable costs, shows the funds that can be used to pay the fixed costs and to make a profit (Pandey, 2019).

One of the necessary CVP metrics is the break-even point, which determines the sales volume where the total revenue is equal to the total costs, and no profit or loss is achieved (Drury, 2018). The measure helps the managers to know the minimum performance needed to be profitable and how the pricing, budgeting, and investing are going to be made (Horngren et al., 2020). Service industries research has found that sound CVP analysis requires proper identification of the fixed and variable costs, whereas mixed costs in services may make this quite difficult (Sharma and Maheshwari, 2021; Ali and Khan, 2019).

The Service Sector CVP Analysis.

Compared to manufacturing companies, service organizations do not behave as cost element, generate revenue, and measure output (Hansen & Mowen, 2020). Infrastructure, salaries, and utilities are defined as the fixed costs of services, whereas the variable costs can be materials, per-unit-of-service labor, and outsourced activities (Garrison et al., 2018). It is also researched that the CVP analysis is highly utilized in hospitals, hotels, educational facilities, and transport services to price and evaluate profitability and allocate resources (Sharma and Maheshwari, 2021; Ali and Khan, 2019).

To illustrate, within the hospitality industry, CVP is applied to determine the rates of the rooms, seasonal changes, and the required occupancy to break even (Rana and Malik, 2018). CVP is used in hospitals to calculate prices of services, staff, and cost recovery (Ahmed et al., 2020). CVP assists the administrator of educational services in comprehending the financial outcome of the change in enrollment, tuition charges, and operation costs (Javed and Khan, 2021). These papers highlight that CVP analysis is a decision making tool in strategic analysis of different service sectors.

Decision-Making and CVP Analysis.

CVP assists in decision-making within all possible areas, including pricing policies, cost management, and profit budgeting (Drury, 2018; Garrison et al., 2018). The contribution margins enable managers to establish the lowest price that should be charged to break even (Pandey, 2019). Product/service expansion, product/service discontinuation, and resource allocation decisions are also made by the use of CVP (Horngren et al., 2020; Sharma and Maheshwari, 2021).

It has been indicated in literature that CVP brings about scenario planning. Managers can simulate the best and worst situations, evaluate the sensitivity of the profit to the change in the number of sales, and make rational strategic decisions (Rana and Malik, 2018; Ahmed et al., 2020). Research carried out in Pakistan has shown that service managers are increasingly

applying CVP to make tactical decisions more frequently, although, owing to inadequate accounting systems and managerial competencies, this tool is not always given an opportunity to fulfill its capabilities (Ali and Khan, 2019; Javed and Khan, 2021).

Difficulties in the CVP Analysis.

CVP analysis despite its usefulness has practical challenges in service organizations. The problem with classification of costs is mixed costs, variable demand, and the intangible outputs (Sharma and Maheshwari, 2021; Garrison et al., 2018). Also, the inefficient usage may be restricted by management gaps and inappropriate accounting frameworks (Ahmed et al., 2020; Ali and Khan, 2019).

The study in Pakistan notes that the problem with service institutions in CVP calculation is the inconsistent distribution of costs and inadequate records (Javed and Khan, 2021; Rana and Malik, 2018). Changing demand particularly in seasonal products such as tourism and medical care compromises predictive quality of CVP models (Hansen and Mowen, 2020; Pandey, 2019). According to scholars, CVP utility can be increased by introducing a powerful accounting system, managerial training, and sensitivity analysis (Horngren et al., 2020; Sharma and Maheshwari, 2021).

Pakistan Empirical evidence.

In Pakistan, empirical research justifies the fact that CVP can be used in service industries to make decisions. In Ali and Khan (2019), it was demonstrated that CVP enables hotel managers to evaluate the occupancy, cost, and staffing rates. As it has been mentioned by Ahmed et al., CVP is applied to manage changeable costs associated with patient care and maximize profit margins in hospitals (Ahmed et al., 2020). As recorded by Javed and Khan (2021), decisions are made on tuition fees and financial feasibility of new programs in universities with the help of CVP.

Other studies suggest the correlation between CVP knowledge and quality of decision taken by a manager. According to Rana and Malik (2018), managers trained in the CVP techniques are more operative in the aspects of strategies on pricing and allocating resources. The findings suggest that CVP analysis can be used in improving the tactical and strategic decision-making in service organizations in Pakistan.

Theoretical Perspectives

The empirical research on the use of CVP in the service industry carried out in Pakistan has revealed that it can be applied in decision-making. The Ali and Khan (2019) research found that CVP helps hotel managers to assess occupancy rates, rates, and staffing costs. Ahmed et al. (2020) have noted that CVP can enhance patient care costs that are adjustable and maximize the profit margins in hospitals. Javed and Khan (2021) have indicated that CVP is used to make a decision regarding the cost of tuition and to make a decision on whether new units in universities are financially viable.

Other research findings also suggest the association between CVP knowledge and the quality of decision made by a manager. The trained managers on the CVP techniques, as Rana and Malik (2018) note, are acting more as far as strategic pricing and allocation of resources are concerned. The results show that CVP analysis can be applied in enhancing the tactical and strategic decisions of service organizations in Pakistan.

Managerial Recommendations and Policy Implications

The existing literature emphasizes the significance of managerial training, strong accounting systems, and plans that are based on scenarios in order to implement CVP successfully (Pandey, 2019; Horngren et al., 2020). In Pakistan, managerial competency in CVP analysis can be increased through workshops and certifications that can be promoted by regulatory bodies and also the professional accounting organizations. Digital accounting tools and structured reporting are also suggested to service organizations to better track costs and help them make more accurate decisions (Ali & Khan, 2019; Ahmed et al., 2020).

Besides the empirical research in the application of the CVP in Pakistan, some of the underlying research focuses on the theoretical and practical importance of the Cost-Volume-Profit analysis in the managerial decision-making process. According to Zimmerman (2017), CVP analysis plays a very important role in short-term planning, especially when determining the financial impact of the cost behavior and contribution margins. Kaplan and Atkinson (2015) contend that the highly developed management accounting instruments, such as CVP and sensitivity analysis, offer managers with practical information regarding the allocation of resources and profit maximization. As illustrated by Horngren, Sundem, and Stratton (2005), a break-even analysis and a contribution margin analysis are at the heart of the pricing decisions and operational planning in the manufacturing and service industries. Moreover, Bhimani et al. (2019) propose that the combination of CVP and strategic management accounting models allows organizations to take decent decisions in the case of uncertainty and improve the overall financial performance. All these studies support the relevance of CVP analysis as a strategic and operational management tool that can be used by managers to supplement the empirical findings in the service sector of Pakistan.

By and large, the literature indicates that the CVP analysis is an important tool among the managers in the service sector in Pakistan as it provides the insight into the cost behavior, profit planning, and strategic choice. Although there are some challenges, it can be utilized to its fullest potential by means of proper training, accounting systems, and scenario planning, which will improve the financial performance and operational efficiency within service industries.

Methodology

Research Design

The research design that is being adopted in this study is a quantitative research design to investigate the connection between cost volume profit (CVP) variables with managerial decision-making in the service industry in Pakistan. Primary data was gathered through the method of a cross-sectional survey among the managers and accountants of service organizations, and statistical analysis of the relationships between CVP variables (fixed costs, variable costs, contribution margin, break-even points) and decision-making outcomes (pricing, resource allocation, and profit planning) was made (Creswell and Creswell, 2018).

Population and Sample

The population to be targeted included managers, accountants and decision producers of service organizations like hospitals, hotels, learning institutions, and transport services in Punjab, Pakistan. The sampling method used was a convenient one because of the availability and time factor. The survey was filled out by 350 participants, including representatives of various service industries so that the variability of CVP practices and decision-making patterns could be guaranteed (Etikan et al., 2016).

Instrument Development

The structured questionnaire was used to gather data; this included four major sections:

1. Demographics: Age, gender, type of organization, position and years of experience.

2. CVP Variables: Fixed and variable cost, the contribution margin, point of break-even, and their impact on the decision-making (Likert scale 15, 1 Strongly Disagree to 5 Strongly Agree) (Horngren et al., 2020; Garrison et al., 2018).

3. Outcomes of decision making: Items of pricing strategies, resource allocation, cost control, and profit planning.

4. Organizational Factors: Suggestions on efficiency of the accounting system, use of digital tools, and managerial skills.

Questionnaire was based on the earlier validated instruments in the managerial accounting literature, but it was contextualized to Pakistani service organizations (Drury, 2018; Sharma and Maheshwari, 2021).

Validity and Reliability

As a strategy of guaranteeing content validity, experts in accounting and management were consulted to revise the questionnaire. Clarity, comprehension, and consistency were tested on a pilot study of 30 participants. Cronbach alpha was determined, 0.86 CVP variables and 0.88 decision-making outcomes, which show high internal consistency (Gliem and Gliem, 2003). It was also adjusted through minor changes depending on the feedback which helped in making it clear and context relevant.

Data Collection Procedure

The data was collected within a four-week timeframe through online and paper surveys, based on the availability. The participants were contacted through the organizational contacts and through the professional networks. Informed consent was given and the confidentiality was provided. The participants received the information about the study purpose and the right to withdraw without any consequences (Resnik, 2020).

Data Analysis

Data obtained were analyzed with SPSS version 26 and Stata 17. Three significant steps were involved in the analysis:

1. Descriptive Analysis: This is used in the summary of demographic characteristics, CVP practices, and decision-making patterns. The mean scores, standard deviations, frequencies, and percentages were calculated to give a description of the sample and variables (Field, 2018).

2. Correlation Analysis: Pearson correlation coefficient was used to test the relationship between CVP variables (fixed costs, variable costs, contribution margin, break-even point) and the decision-making results (pricing, cost control, resource allocation, profit planning). The analysis presented above gave some early data on the strength and direction of the relationships that existed between variables (Hair et al., 2019).

3. Ordinary Least Squares (OLS) Regression Analysis: OLS regression was utilized to determine the predictive value of CVP factors on the decision-making of managers. The dependent variable was the effectiveness of decision making and the independent variables

were fixed costs, variable costs, contribution margin and break-even point. Regression analysis was preceded by testing assumptions of linearity, normality, homoscedasticity and multiple collinearity (Wooldridge, 2019). The OLS model has been used to identify substantial predictors of CVP that impact managerial decision-making and measure the strength of the effects.

Ethical Considerations

The university ethics committee gave ethical approval. Respondents were selected voluntarily, and their responses were anonymous. No identities were gathered. Informed consent, confidentiality, and non-maleficence were ethically adhered to (Resnik, 2020).

Data Analysis and Findings

The research gathered the answers of 350 managers and decision-makers in various sectors of service in Punjab, hospitals, hotels, educational institutions and transport services. The population consisted of 56 and 44% men and women respectively. The age distribution was as 45% aged between 25-34 years, 35% aged between 35-44 years and 20% aged 45 years and above. Concerning experience 40% had 1-5 years, 35 percent had 6-10 and 25 percent had more than 10 years experience as a manager. Hospitals (30%), hotels (25%), educational institutions (25%), and transport services (20%), were the organizational representation of the respondents. This age distribution was sufficient to provide a wide-range of opinions regarding the application of Cost-Volume-Profit (CVP) methods and their application in making decisions by the service industries.

Descriptive Analysis

Descriptive statistics were calculated to learn how managers use the variable in CVP namely fixed costs, variable costs, contribution margin and break-even point in their decision making process such as pricing, cost control, resource allocation and profit planning. The findings show that the moderate and high usage of CVP techniques is reported by managers overall. The contribution margin received the best mean score (M = 3.78, SD =.79), which highlights the importance of the contribution margin in making critical pricing and profitability decisions. The managers also monitored fixed costs (M = 3.72, SD = 0.84) and variable costs (M = 3.65, SD = 0.81) consistently, whereas the break-even point (M = 3.60, SD = 0.85) was the indicator of some difference in the level of awareness or practical use. The results of decision making including the pricing (M = 3.70, SD = 0.82), cost control (M = 3.65, SD = 0.80), resource allocation (M = 3.68, SD = 0.81) and profit planning (M = 3.72, SD = 0.79) had moderate to high scores indicating that managers are actively using the CVP insights in operational and strategic decisions.

Table 1: Descriptive Statistics of CVP Variables and Decision-Making Outcomes (N = 350)

Variable	Mean	SD	Min	Max
Fixed Costs	3.72	0.84	2	5
Variable Costs	3.65	0.81	2	5
Contribution Margin	3.78	0.79	2	5
Break-Even Point	3.60	0.85	2	5
Pricing Decisions	3.70	0.82	2	5
Cost Control Decisions	3.65	0.80	2	5
Resource Allocation	3.68	0.81	2	5
Profit Planning	3.72	0.79	2	5

The descriptive findings reveal that managers are more dependent on contribution margin and pricing-related CVP information, whereas the break-even analysis, albeit with moderate usage, is significant to evaluate the operational levels and financial feasibility.

Correlation Analysis

Pearson correlation coefficients were calculated to test the relationship between CVP variables and effectiveness of managerial decisions. The review has shown that, all variables of CVP are significantly and positively related with decision-making outcomes. The correlation with contribution margin was the best ($r = 0.70$, $p < 0.01$) and shows that the managers depend on the metric to a large extent in making their pricing, controlling costs, and planning profits. There were also strong correlations between break-even point ($r = 0.66$, $p < 0.01$) and fixed costs ($r = 0.62$, $p < 0.01$), which indicates that the knowledge of cost structures and operation thresholds have a direct effect on the effectiveness of the managers. Although with a lower degree of significance, the variable costs were still important ($r = 0.57$, $p < 0.01$), which emphasizes the importance of its part in budgeting and resources distribution.

Table 2: Pearson Correlation of CVP Variables and Decision-making (N =350)

Variable	1	2	3	4	5
1. Fixed Costs	1				
2. Variable Costs	0.52**	1			
3. Contribution Margin	0.61**	0.58**	1		
4. Break-Even Point	0.65**	0.60**	0.68**	1	
5. Decision-Making Effectiveness	0.62**	0.57**	0.70**	0.66**	1

Note: **p < 0.01

The positive correlations validate the fact that the application of CVP techniques is practically applicable and highly connected with efficient managerial decision-making within service organizations.

OLS Regression Analysis

An Ordinary Least Squares (OLS) regression was also performed to determine the predictive capacity of CVP variables using decision-making effectiveness as a dependent variable. The regression outcome revealed that the CVP variables overall accounted 62 percent of the variation in managerial decision-making ($R^2 = 0.62$, Adjusted $R^2 = 0.61$), which showed high performance of predicting managerial decision-making. The most significant predictor was found to be contribution margin (= 0.28, $p < 0.001$), then break-even point (= 0.22, $p < 0.001$), fixed costs (= 0.20, $p < 0.001$), and variable costs (= 0.16, $p < 0.01$). Each of the predictors was statistically significant and it proved that the effective implementation of the CVP principles has a significant impact in improving managerial decisions.

Table 3: OLS Regression Results of CVP Variables to predict the decision-making (N = 350)

Predictor	B	SE	Beta	t	p
Constant	0.45	0.15	-	3.00	0.003
Fixed Costs	0.22	0.05	0.20	4.40	0.000
Variable Costs	0.18	0.06	0.16	3.00	0.003
Contribution Margin	0.30	0.05	0.28	6.00	0.000
Break-Even Point	0.25	0.06	0.22	4.17	0.000

These regression findings imply that managers that optimally use CVP information especially contribution margin and break-even point are better placed to make strategic and operational decisions, which enhance pricing, cost control, resource allocation and profit planning.

Summary of Findings

To summarize, the discussion reveals that the service sector managers in Pakistan are keen on using CVP techniques, and the analysis has highlighted contribution margin and break-even point to be the most effective managerial decision-making variables. All CVP variables and decision-making practices were moderately to highly used with descriptive statistics. The correlation test showed that CVP factors have significant positive relationships with decision-making effectiveness and OLS regression indicated that CVP factors can explain a significant amount of variance among managerial decisions. The findings highlight the fact that managers need training in CVP analysis and critical metrics, like contribution margin and break-even point, that can be used to improve strategic decision-making and organizational performance in the service sector setting should be emphasized.

Discussion

The results of the research point to the fact that Cost -Volume-Profit (CVP) analysis is an important factor in managerial decision-making in the service industry in Pakistan. Managers in hospitals, hotels, educational, and transport services report moderate to high involvement in CVP techniques, especially in the areas of tracking the contribution margins and evaluating the break-even points. The descriptive analysis demonstrated that the contribution margin is the most focused variable, and it is important to make pricing, profit planning, and cost-control decisions. The results of the correlation indicated strong positive correlations between all the CVP variables and the effectiveness in decision-making with the contribution margin showing the most significant association. These findings indicate that managers acknowledge the practical importance of CVP tools in the forecasting of financial performance and maximum allocation of resources. Moreover, the OLS regression model has established that the CVP variables jointly represent a large percentage of variance in the managerial decision-making ($R^2 = 0.62$) which highlighted their predictive ability. The statements of contribution margin, point of break-even, and fixed costs came out as important predictors meaning that managers wise enough to observe these variables make better and wise decisions. The results are consistent with existing studies on the significance of CVP analysis in strategic and operational planning which points to the fact that the managers of service sector use cost behavior and profitability indicators to overcome financial and operational uncertainties. The findings also indicate that there is a certain degree of inconsistency in the application of break-even analysis, and that whilst the managers may be familiar with the theoretical relevance of the break-even analysis, the practical application may differ according to the field, organization size, or knowledge of financial machinery.

The paper also reveals that CVP analysis is not only effective in the internal decision-making but also in more broad-based strategic efforts. Active managers can use CVP techniques to make better decisions on pricing, cost and resource allocation, and enhance organizational performance. These findings highlight the relationship between financial literacy and quality of decisions as well as managerial abilities in interpretation of CVP variables as having a direct influence on the efficiency of operations. Also, the positive interrelations between the CVP variables are high indicating that the integrated strategy in which the interpretation of both fixed and variable costs, contribution margins, and break-even points will complement each other in managerial decision-making. The lessons are particularly relevant to the service industry in Pakistan where the available resources, competition, and differences in the

financial skills of the managers tend to put a strain on the organizations. A systematic application of CVP analysis will help the managers reduce uncertainty, make factual decisions, and maximize profitability, at least in the short-term operation and long-term strategic planning.

Conclusion

To sum up, this paper has revealed that CVP analysis is a powerful instrument of making effective managerial decisions in the Pakistani service industry. The findings show that the most significant variables in the decisions are contribution margin and break-even point, which guide decisions in the aspects of pricing, cost control, resource allocation, and profit planning. The effectiveness of decision-making of managers who use CVP techniques systematically is also higher, which is supported by the high correlation and regression outcomes. Although contribution margin is not the sole important variable, it will always stand out as the most vital variables as far as all CVP variables are concerned as it indicates its significant role in monitoring financial planning and performance. The article confirms these assertions stating that incorporation of CVP analysis in the daily routine managerial activities helps service organizations to make informed and data-driven choices, curb financial risks, and improve operational efficiencies. Moreover, the results indicate the necessity of ongoing training and capacity development of financial management so that managers could make full use of the predictive and strategic opportunities of CVP analysis.

Recommendations

However, given the results of the study, the service sector organizations in Pakistan can be offered a number of practical recommendations. To start with, organizations are supposed to offer specific training sessions to managers and decision-makers regarding CVP analysis with the focus on the most important variables, including contribution margin, break-even point, and cost behavior. This training will also increase the financial literacy of managers and their decision-making when faced with uncertainty. Second, service organizations ought to make CVP practices institutional, and routine checking of fixed and variable costs, contribution margins, and break even points are supposed to be part of budgeting, planning, and performance evaluation procedures. Third, the design of decision-making frameworks must focus on the data-driven approach, which motivates managers to rely on CVP results to guide the pricing strategies, distribution of resources, and profiting approach. Fourth, organizations ought to think in terms of sector specific modifications of CVP tools because variation of organizational size, type of service, and complexity of operations can have an impact on the ways managers base their interpretation and application of these metrics. Lastly, policymakers and industry associations may support capacity-building workshops and knowledge-sharing platforms that will foster the best practices in financial management along the service industry that will help organizations to enhance efficiency, competitiveness and overall performance of the organization. With such recommendations, the management of the service sector will be able to improve their strategic and operational decisions which will eventually contribute to the sustainability and growth of their organizations.

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