

Islamic University – Gaza
Deans of Graduate Studies
Faculty of Commerce
Department of Accounting and Finance



الجامعة الإسلامية – غزة
عمادة الدراسات العليا
كلية التجارة
قسم المحاسبة والتمويل

**Strategic Cost Management To Maximize The Value Of The
Organization And Its Competitive Advantage
(Applied Study at Industrial Companies at Gaza strip)**

By :

Abeer Mohammed El-Hwaity

Supervisor:

Pro. Salem A. Helles

**Thesis Submitted in Partial Fulfillment of the Requirements for the
Master Degree in Accounting and Finance**

May, 2013

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

قال الله تعالى

﴿وَأَنْزَلَ اللَّهُ عَلَيْكَ الْكِتَابَ وَالْحِكْمَةَ
وَعَلَّمَكَ مَا لَمْ تَكُن تَعْلَمُ ۗ وَكَانَ
فَضْلُ اللَّهِ عَلَيْكَ عَظِيمًا﴾.

صَدَقَ اللَّهُ الْعَظِيمُ

سورة النساء الآية "113"

Dedication

To my father who emphasized the importance of education and helped me throughout my life, he is my role-model for hard work, persistence and personal sacrifices; he instilled in me the inspiration to set high goals and the confidence to achieve them. He is a man with a vision and good judgment.

My Mother; the unconditional love ,who taught me that the person who takes responsibility with courage, persistence and conviction and never compromises the quality of life is a person who is capable to make tomorrow better than today; for herself and for the people around, thank you.

To my dear brothers and sisters

To all relatives, neighbors and friends.

Life is a precious gift that we should cherish and invest well; to make it worth living for us and for the generations to come; we must do our best and then; leave the rest to God...

I dedicate this work to all of you and prayed God Almighty to be beneficial.

Researcher

Abeer . M . Elshwaety

Acknowledgement

First and foremost my deep gratitude would be to God, I am grateful for what I am and for everything I have....

- It is an honor for me to thank Dr. Salem Helles, Doctor of accounting at Islamic University-Gaza for his support, great efforts, guidance and knowledge as well as his unending patience. Without such kind of support and supervision, the emergence of this thesis in this image would have been very difficult.
- Professor Issam .M. Buhaisi, professor of accounting at Islamic university-Gaza, who agreed to discuss and test the thesis, then giving his judgment.
- Professor Yousif Jarboa, professor of accounting at Islamic university-Gaza, who agreed to discuss and test the thesis, then giving his judgment.
- To the staff of faculty of commerce at Islamic university- Gaza.

Abstract

Cost management has moved from a traditional role to a strategic role, The study explained that the term strategic cost management has a broad focus. It is not confined to the continuous reduction of costs and controlling of costs and it is far more concerned with management's use of cost information for decision-making and managing the cost.

Strategic cost management is important to organizations because it is more than focusing on costs; in the successful companies of the 21st century costs will not be the only most important factor, but also value and revenue consider critical factors in the success of companies. Strategic cost management has been discussed from many aspects in the study as it is a philosophy, an attitude, and a set of techniques to contribute in shaping the future of the company.

This study aims to investigate the importance of interrelation of strategic cost management tools. It also aims to examine the possibility of applying this methodology at industrial companies in Gaza strip. The study used a questionnaire to collect the primary data. The questionnaire was distributed to 44 companies. The response rate was 86% as 38 questionnaires were returned.

The study had some conclusions including the possibility of applying the methodology of integration of strategic cost management tools in industrial companies. However, there were some restrictions of applying it including lack of effective costing system in industrial , despite the fact that most of the sample studies gathered by the researcher show that the company used the integration of strategic cost management tools and method, this was not done following specific scientific and systematic procedures, Even though some of the respondents adopted more than one method of cost management but the intent was not to integrate the various methods of strategic cost management tools, The reason why there was not an integration between methods of strategic cost management tools is two fold. One, there was not a way to apply some methods in a complete and systematic way. In addition, decision makers in the firms lacked knowledge of how to do this integration as well as they don't know the benefits from implementing such integration , the researcher recommend that the Palestinian firms need to do efforts to reconsider the applied cost system and developing it to keep pace with requirements and variables of economic and industrial environment for what it has benefit for managing and cost reduction in order to enhance and improve the various administrative decisions

الملخص

انتقلت إدارة التكاليف من دورها التقليدي في التخفيض المستمر للتكلفة إلى الدور الاستراتيجي الذي يساعد إدارة الشركات في اتخاذ القرار المناسب من خلال تزويدها بالمعلومات الخاصة بالتكاليف وإدارة التكلفة والتحكم بها . الإدارة الإستراتيجية للتكلفة تعتبر عاملا أساسيا لتقدم الشركات الصناعية حيث إن مفهومها لا ينحصر في التركيز على التكلفة فقط. في القرن الحادي والعشرون لا يقتصر نجاح الشركات على عامل التكلفة فحسب بل تعتبر القيمة والإيراد عاملان مهمان لنجاح الشركات .

وقد تم مناقشة الإدارة الإستراتيجية للتكلفة من عدة جوانب حيث أنها تعتبر فلسفة وأساليب واتجاه مبادر بالفعل تساهم في تشكيل مستقبل الشركات.

تهدف هذه الدراسة إلى بيان أهمية تكامل أدوات وأساليب التكلفة الإستراتيجية للتكلفة لتعظيم قيمة المنشأة وتدعيم المزايا التنافسية وما إذا كانت هناك إمكانية لتطبيق هذا المنهج في الشركات الصناعية في قطاع غزة ، مع الوقوف على المعوقات التي تحول دون تطبيقه في الشركات الصناعية، والمزايا التي يمكن تحقيقها من خلال تطبيقه، ولتحقيق هدف الدراسة تم استخدام الاستبيان لجمع البيانات من 44 شركة بواقع استبيان واحد لكل شركة ، وقد بلغ عدد الاستبيانات المستردة والصالحة للتحليل (38) استبياناً بنسبة 68% من الاستبيانات الموزعة، ولقد أسفرت الدراسة عن مجموعة من النتائج منها :إمكانية تطبيق منهج تكامل أساليب إدارة التكلفة، مع وجود بعض المعوقات، ومن أهمها :عدم وجود نظام تكاليفي فعال في الشركات الصناعية، كما وبينت الدراسة أهمية تطبيقه والمزايا المتنوعة المتحققة من خلال تطبيق هذا المنهج، يرجع السبب في عدم اخذ الشركات محل الدراسة بفكرة الربط والتكامل بين أدوات وأساليب إدارة التكلفة إلى عدم إمكانية تطبيق بعض الأساليب بشكل منهجي وكامل من ناحية، ومن ناحية أخرى لعدم دراية متخذي القرار في بعض تلك الشركات بالمنافع المتوقعة من تحقيق هذا التكامل، على الرغم من إجماع معظم مفردات العينة على استخدام شركاتهم لأدوات وأساليب أدوات إدارة التكلفة محل البحث ، إلا أن الباحثة ترى أن الشركات التي تطبق هذه الأدوات تطبقها بشكل مبسط دون إتباع إجراءات علمية ومنهجية محددة. وأوصت الدراسة بعدة توصيات منها :ضرورة بذل الجهود لإعادة النظر في أنظمة التكاليف المطبقة في بعض الشركات الفلسطينية وتطويرها بما يتواءم مع متطلبات ومتغيرات البيئة الاقتصادية والصناعية ؛ لما له من فوائد ومزايا في إدارة وتخفيض التكلفة ؛ لما يحققه ذلك من ترشيد وتحسين في القرارات الإدارية المختلفة.

TABLE OF CONTENTS

Page #

CHAPTER ONE: RESEARCH BACKGROUND.....	1
1.1 Introduction.....	1
1.2 Statement of problem	2
1.3 Research Hypotheses	2
1.4 Research Objectives.....	3
1.5 Research important	3
1.6 Research limitation	4
1.7 Research Methodology.	4
1.8 Comment On The Pervious Study.....	10
 <i>Chapter Two</i>	
<i>Strategic Cost Management</i>	<i>12</i>
2.1 Introduction.....	12
2.1 Definition of strategic cost management.....	12
2.1.1 Strategic Cost Management As a Philosophy	14
2.1.2 Strategic cost management as attitude.	14
2.1.3 Strategic cost management as a techniques.....	15
2.2 Factors affecting on strategic cost management	16
2.3 Shifts in the basis of Competition.....	16
2.4 Computer integrated manufacturing.....	17
2.5 Time based competition.....	18
2.6 Focus in customer	18

2.7	Service verse manufacturing firms.....	19
2.8	Advances in Information Technology	19
2.9	E. Commerce	20
2.10	New Product Development.....	21
2.11	Objectives of Strategic Cost Management.....	21
2.11.1	The dominant focus	22
2.11.2	Trend and Perspective	23
2.11.3	The primary concern.....	23
2.11.4	Cost driver	24
2.11.5	Key disciplines	24
2.11.6	Management responsibility.....	25
2.11.7	The primary role	25
Chapter Three Strategic Cost Management Tools.....		26
3.1	INTRODUCTION	26
3.2	Value Chain Management Concept	26
3.2.1	A company’s Value Activities Fall Into Nine Generic Categories (Ritson , Neil., 2008).....	27
3.2.2	The Strategic Importance Of Supply China Management.	28
3.3	Product Life Cycle	30
3.3.1	The Strategic Importance For Product Life Cycle	34
3.4	Target Cost	35
3.4.1	Definition Of The Target Cost	36
3.4.2	Target Costing has the Following Properties (Monden &Hamada 1991).....	38
3.4.3	The Strategic Importance for Target Costing.....	38
3.5	Activity Based Costing / Management	40
3.5.1	The Relationship Between Activity Based And Activity Based Management	41

3.5.2	The Strategic Importance For Activity Based Costing / Management.	43
3.6	Competitive Advantage Analysis.....	44
3.6.1	Strategic Position Analysis.....	44
3.6.2	Environmental Analysis	45
3.6.3	Organizational Capability Analysis.....	45
3.6.4	Competitive Forces Analysis	46
3.6.5	Strengths, Weaknesses, Opportunities, and Threats Analysis	47
3.6.6	Core Competencies	48
3.6.7	Selecting The Appropriate Strategy	48
3.6.7.1	Cost Leadership Strategy	48
3.6.7.2	Differentiation Strategy	49
3.6.7.3	Focus Strategy.....	49
3.6.8	The Importance Of Strategic Cost Management For Competitive Advantage	49
3.6.8.1	The steps of strategic cost analysis as follow (Porter 1985).....	50

Chapter Four

Proposed Framework For Achieving Integration Strategic Cost Management Tools.. 51

4.1	The Need For The Strategic Cost Management.....	51
4.2	The Primary Features Of This Research Which Differentiate From Other Research.....	52
4.3	Proposed Framework - The Integration Among Methods And Tools Of The Strategic Cost Management Tools.	53
4.4	The Benefit From Using The Value Chain Management.....	55
4.4.1	Determine The Activity Of Value Chain Management	55
4.4.2	Determine The Cost Driver	56
4.4.3	Identify Linkages And Interrelationships In The Value Chain.....	57
4.4.3.1	Linkages Within The Value Chain Of A business Unit	58
4.4.3.2	Linkages Across Business Units Value Chains Within The Company ...	58

4.4.3.3	Linkages With Customers.....	59
4.4.3.4	Linkages With Suppliers.....	59
4.4.3.5	Redefine The Value Chain For Reducing Costs And/ Or Improving Value	60
4.5	The Benefit From Product Life Cycle As A strategic Tools For Proposed Framework	61
4.5.1	The Mechanism Of Working The Suggested Framework And The Integration Of Its Components	61
4.5.1.1	First step Competitive Advantage Analysis (Strategic Position Analysis)	62
4.5.1.1.1	Strategic Direction Analysis	62
4.5.1.1.2	Determine The Strategic Goals Of The Organization.....	63
4.5.1.1.3	The Analysis Of Strategic Position For Internal And External Environment.....	63
4.5.1.1.3.1	The Capability of Organization Analysis.....	63
4.5.1.1.3.2	External Environment Analysis	64
4.5.1.1.3.3	The Competitors Forces Analysis :	64
4.5.1.1.4	Selection Between Alternatives Of Differentiation Strategy.....	64
4.5.1.1.5	Continuous Evaluation For Strategic	66
4.5.1.2	The Pillars Of Strategic Cost Management Tools Integration Are Value Chain Management And Product Life Cycle.....	66
4.5.1.2.1	Research , Development And Design Stage	67
4.5.1.2.1.1	Target Costing Technique	67
4.5.1.3	Planning And Design Product	68
4.5.1.4	Target Selling Prices For Product.....	68
4.5.1.5	Set Product Level Target Cost.....	69
4.5.1.5.1.1	Activity Based Costing / Management System.....	69
4.5.1.5.1.2	Agreement For Final Product Design Form	70
4.5.1.5.2	Production Stage	70

4.5.1.5.2.1 Activity Based Costing For Dividing And Analyzing The Functions Of This Stage (Gupta ,. & Galloway ,. 2003)	71
4.5.1.5.2.2Kaizen Costing Approach	71
4.5.1.5.2.3 Benefit From Relations With External Parties Of The Organization , Especially Suppliers And Customers	72
4.5.1.5.3 Sale Stage , After Sales Services And Disposal Of The Product.....	72
4.5.1.5.3.1 Activity Based Costing For Managing Customers Services	72
4.6.2.1 .2 .6.2.....	73
4.5.1.6 The Final Step In Proposed Framework : Return To The Point Where The Proposed Framework Started	74

Chapter Five

<i>Research Methodology</i>	75
5.1 Introduction:	75
5.2 Study Method And Data Collection:	75
5.2.1 Secondary resources:	75
5.2.2 Primary resources:	75
5.3 Population study	76
5.4 Sample study	76
5.4.1 Companies data	76
5.4.1.1 Companies capital.....	76
5.4.1.2 Second: Personal data:	76
5.5 Costing system applied at industrial companies	78
5.6 Questionnaire content	79
5.7 Pilot Study	80
5.8 Validity of the Research	80
5.8.1 Content Validity of the Questionnaire	80

5.8.2	Statistical Validity of the Questionnaire	81
5.8.3	Criterion Related Validity :	81
5.8.4	Structure Validity of the Questionnaire	89
5.9	Reliability of the Research	90
5.9.1	Half Split Method.....	91
5.9.2	Cronbach’s Coefficient Alpha	92
5.10	Statistical Manipulation:	94
 <u>Chapter Six</u>		
	<i>Data Analysis and Discussion</i>	<i>95</i>
6.1	Test of normality	95
6.2	Shapiro-Wilk	95
6.3	Test of Hypothesis:.....	96
6.4	One Way ANOVA test And Scheffe Multiple Comparisons test.....	115
 <u>Chapter Seven</u>		
	<i>Conclusions and Recommendations</i>	<i>119</i>
7.1	Conclusions.....	119
7.2	Recommendations	119
	<i>Appendix A Questionnaire (Arabic Version).....</i>	<i>129</i>
	<i>Appendix B Questionnaire (English Version).....</i>	<i>141</i>
	<i>Appendix C (Referees).....</i>	<i>151</i>

List of figures

2.1 Strategic cost management concept.....	14
3.1 Supply chain management model.....	28
3.2 Areas of life cycle cost management	33
3.3 The different between traditional and target cost approach.....	37
3.4 Cost Dimension and A process Dimension.....	42
3.5 Five forces that shape industry competition.....	47
4.1 Proposed Framework For The Integration Between The Strategic Cost Management tools.....	55
4.2Generating Alternative Strategies Using a SWOT Matrix	66

List of Abbreviations

SCM	Strategic cost management
JIT	Just-In-Time
LCC	Life Cycle Costing
IT	Information Technology
TC	Target Costing
R&D	Research and Development
VA	Value Engineering
ABC/M	Activity-based Costing and Management
ABM	Activity-based Management
ABC/M	Activity-based Costing and Management
ABM	Activity-based Management
KC	Kaizen costing
EDI	Electronic data interchange
CIM	Computer integrated manufacturing
ERP	Enterprise resources planning
BSC	Balance Score Card

CHAPTER ONE: RESEARCH BACKGROUND

1.1 Introduction

During the past two decades, organizations have had to respond to the trends and changes in the business environment with newer and better approaches to managing their businesses. These new approaches are being implemented in organizations under names such as: total quality management, employee involvement and empowerment, business process reengineering, continuous improvement, and other approaches. These philosophies require organizations to be responsive, agile, and flexible in profitably providing value-added products and services to customers at competitive prices. There has been a significant reduction in product life cycles arising from technological innovations and the need to meet increasingly discriminating customer demands thus organizations are now discovering that they must be able to manage a complex and rapidly changing environment without the significant costs that traditionally have attended these characteristics. Within this changing environment, organizations have witnessed a significant rebirth of new accounting approach; strategic cost management. (Blocher, E , 1998)

Strategic management seeks to develop the competitive position in which the firm's competitive advantage provides continued success. A strategy is a set of goals and specific action plans, which, if achieved, will provide the desired competitive advantage (Thompson ,1995) Strategic management involves the identification and implementation of these goals and action plans. Effective strategic management is critical to the success of the firm. The growing pressures of global competition, technological innovation, and changes in business processes have made strategic cost management much more critical and dynamic than ever before. While traditional cost management focuses on using unit-based drivers, allocation-intensive, narrow and rigid product costing, managing costs, little activity information, maximization of individual unit performance, using financial measures of performance, internal orientation and short-term perspective, strategic cost management, on the other hand, focuses on using unit and non-unit-based drivers,

tracing-intensive, broad product costing, managing activities, detailed activity information, system-wide performance maximization, using of both financial and non-financial measures of performance, both internal and external orientation and long term (Wilson, R.M.S & Chua , 1993).

Strategic cost management is not only cost management but also can increase revenues, improve productivity and customer satisfaction, and at the same time improve the strategic position of the company. The key is that costs must be viewed by looking simultaneously at the value they provide. In other words, strategic cost management is "strategic success-driver" of the company and contributes to shaping the future of the company.

1.2 Statement of problem

The firm's cost management systems must be more dynamic to deal with the more rapidly changing environment and the increasing diversity of products and manufacturing processes. Therefore, in the literature, the conceptual approaches of strategic cost management in generally are rare. The existing conceptual approaches only consider certain individual contributions and therefore focus on specific aspects of strategic cost management. There is a need for a comprehensive conceptual framework that covers all aspect of strategic cost. The research problem can be formulated in the following question:

How can industrial companies in Gaza strip achieve consistency and integration of using tools and methods of strategic cost management and how to combined and linked together in a comprehensive framework in order to maximize the value of organization and support the competitive advantages of that organization ?

1.3 Research Hypotheses

- Industrial companies applied the concept of strategic cost management
- Industrial companies applied the concept of supply chain management

- Industrial companies applied the concept of product life cycle
- Industrial companies applied the concept of target cost
- Industrial companies applied the concept of activity based system
- Industrial companies applied the concept of competitive advantage
- What extend availability of factors and requirement of applying integration framework on organization under the study
- What extend applying the proposed framework in intent of achieving substantial cost-saving which result in sustainable competitive on organization

1.4 Research Objectives

- Study and evaluate the concept of strategic cost management from all aspects in industrial companies in Gaza strip.
- Present the pervious study which talked about the concept of strategic cost management.
- Introduce proposed framework includes a set of tools of strategic cost management to reflect the overall vision for the most suitable tools that can be used together, the reasons for their use, how it can be used together and the benefits of using these tools to maximize the value of organization and its competitive advantage in industrial companies in Gaza strip.

1.5 Research important

1. This study it seems to be important for accounting and management which is treating the cost from strategic prospective , especially the failure of traditional cost tools in manage the cost to support the competitive advantage and increase the value of organization which talked about it all the pervious studies

2. This research would assist to understand framework from theoretical and practical perspectives. which the organization can link and integrate all strategic cost tools together to achieve competitive advantage
3. The researcher want to contribute in the field of strategic cost management tools or how to applied these tools in industrial companies in Gaza strip especially the lack of Arabic studies in this field.

1.6 Research limitation

1. The industrial companies in the west bank were not included due to the closure on Gaza and the geographical barriers to get to the west bank.
2. Due to limitation of this research, this research will study five techniques of strategic cost management which is supply chain management, product life cycle, activity base system, target cost and competitive advantage.

1.7 Research Methodology.

The researcher analyzed data by using a descriptive analytical approach which involved collecting data from secondary sources (books, references, studies, websites, articles ... etc.).

The questionnaires and the meetings were considered to be the primary sources that were prepared and distributed to a sample of the population under consideration

1.8 Previous studies

1. **Zorap (2013)An Integral Approach of Managing the Strategic Cost to Support the Competitiveness Capabilities of Service Companies Listed in Palestinian Stock Exchange: A Field Study.**

The study aimed at highlighting the extent of applying strategic cost management approach by service companies listed in Palestinian stock exchange. The researcher conducted a field study using a questionnaire specifically designed for this purpose. A sum of 24 questionnaires were distributed, collected and analyzed. The study conclusions

revealed that the strategic cost management approach played a main role in economic units regardless of their activities, since it helped in performing managerial processes. In addition, it operated independently and in a balanced manner to connect the strategic long-term objectives with short-term objectives. The use of strategic cost management in evaluating investment decisions in light of Technology Information System would support the development of the evaluation stages of investment decisions. Further, the service companies listed in Palestinian stock exchange do not use a systematic methodology in using strategic tools for cost management. The paper presented many recommendations including: companies should consider strategic cost analysis. They should use strategic cost management tools to reduce cost and improve companies' competitive position. They should publish the theoretical and applied thought of cost strategic management concept in order to be able to face dramatic and dynamic changes in the contemporary business environment.

2. Zorap & Aoda.(2012)The importance of using Targeted cost in Improving Pricing Efficiency of Banking Services: an Empirical study on Banks in the Gaza Strip

This study aims to investigate the importance of using targeted cost in improving pricing efficiency of banking services. It also aims to examine the possibility of applying this methodology at banks in the Gaza Strip. Furthermore, constrains and benefits of applying targeted cost will be highlighted. The study used a questionnaire to collect the primary data. The questionnaire was distributed to 20 banks and 4 people in each bank answered the questions. The response rate was 75% as 60 questionnaires were returned.

The study had some conclusions including the possibility of applying the methodology of targeted cost in banks. However, there were some restrictions of applying it including lack of effective costing system in banks. Further, the study revealed that the banks management was aware of the benefits of applying the methodology. The study offered some recommendations including bank management should give extra efforts to apply targeted cost methodology to upgrade bank. efficiency and effectiveness and improve

pricing efficiency. Moreover, banks should develop their accounting systems to match continuous development in banking sector. This would help improve and rationalize managerial decisions.

3. Saif et al. (2011), Organizational Culture & Cost Management Strategies – Developing A Model

This study is about exploring the linkages between organizational culture and the role of cost management strategies in creating value creation through cost efficiency and effectiveness.

The study covers theoretical discussion of the linkages between the explanatory and outcome variables. On the basis of the theoretical findings through the review of literature a model is developed to portray the diagrammatic presentation of the variables

The most important conclusion of the study are :

1. There is a lack of integration between financial and managerial accounting research.
2. There is a gap between theory and practice in the area of management accounting.
3. Accountants need to understand modern management and organizational systems.
4. Accounting professionals need more information about the systems and the factors influencing them.
5. The development of management accounting is presently undergoing rapid changes.
6. Traditional management accounting techniques are heavily used as against advanced ones
7. Accounting is depicted as a societal and organizational practice.
8. The national culture and values influence the accounting practices
9. Organizational factors affect more activity management success than cultural factors.

4. Camacho (2008), Target costing in hospital services: a study from a strategic cost management focus

This paper aims to apply the Target Cost in hospital services. The caesarian section was selected as the research product for testing, carried out in patients hospitalized in a standard room, using a health insurance. To achieve the research aims, the single case study method was used, and also several data sources, such as: bibliographic survey, application of questionnaire, interviews, direct observation of processes and activities, and analysis and interpretation of accounting, financial and administrative reports from the hospital entity chosen for this study. The questionnaire was applied to a group of 50 (fifty) women in order to verify their perception concerning the degree of importance they attach to each main characteristic of the test product. The interviews, performed with the main entity directors, aimed to verify how the prices and margins are established. The documental analysis, carried out in cost spreadsheets, balance sheets and other accounting, financial and administrative reports, contributed to get to know the procedures adopted by the entity to measure and control its costs and revenue.

The results demonstrated that the Target Costing process can successfully be applied to hospital entities.

5. Cinquini & Tenucci (2008), Strategic management accounting and business strategy: a loose coupling?

The purpose of this paper is to investigate whether business strategy influences strategic management accounting (SMA) usage. Business strategy has been operationalized through strategic pattern, mission and positioning.

The paper is based on an internet questionnaire survey of Italian companies. Multiple regression analysis is used to test the impact of strategic variables (pattern, mission and positioning) on SMA usage. Company size is included as control variable.

The study concludes that several SMA techniques appear to be used in Italian companies as they are in other countries investigated in different studies. Customer accounting, competitive position monitoring, competitor performance appraisal based on published

financial statement and quality costing represent the most widely used SMA techniques in the Italian sample. From the regression analysis, both defender- and cost leader-type of strategy are found to be more willing to use SMA techniques addressing cost information.

6. Fouda (2007), "Proposed Framework for integration between the target cost and strategic analysis of the cost in order to reduce the costs of activities through the concept of a supply chain management : theory and exploratory study. "

This study aimed to build a framework proposal for integration between the target and strategic cost analysis in order to reduce the costs of activities through the concept of the value chain management under the modern of production environment. The researcher used inductive and deductive approaches, and the research distributed questionnaire for some of Egyptian industrial companies.

The study conclude that target cost is consider the one of strategic cost, which aims to reduce the cost of the product life cycle with maintain the quality of product and its functional capabilities and the degree of customer confidence on that product

The concept of value chain management is considered as a tool of link between the target cost and the strategic analysis of the cost,

7. El Kelety, (2006) .Towards a conceptual framework for strategic cost management the concept, objectives, and instruments.

Strategic cost management is in its infancy. Researches and studies are still in an early exploratory stage and have not yet developed a consistent theory for strategic cost management. In view of this, the main objective of this study is to suggest a comprehensive conceptual framework for strategic cost management. In particular the study attempts to contribute to filling the gap in the literature of strategic cost management, and to give complete coverage of the concepts, objectives, analysis fields and activities and instruments in this vital theme.

In order to achieve this objective, the study analyzed the effects of changes in the business environment (such as changes of the markets and a greater focus on the customer, shifts in the basis of competition, advances in the manufacturing and information technologies and new forms of management organization) on cost management systems. The study showed that the trends and changes in the business environment affect the costs structure and the composition of life-cycle costs. Thus, cost management systems should be adapted to meet the needs of the business environment. In addition, the study evaluated the traditional cost management systems in the light of the trends and changes in the business environment. The study introduced some examples that assure that traditional cost management should move to strategic cost management.

8. Venkatramanan, (2006).Developing a strategic cost management model combining the balanced scorecard and activity based costing in the contest of diabetes education .

The study presents the development of a strategic cost management model that combines activity-based costing (ABC) with principles of the balanced scorecard (BSC). The purpose of the combined ABC/BSC model is to provide cost information that could be used to evaluate strategy implementation, monitor premises underlying strategy that may need to be revised, and provide a strategic perspective to operational decisions. While ABC provides activity-specific cost information, the BSC framework of different performance perspectives (or activity dimensions) provides structure to data collection and organization, and facilitates strategic analysis. The model is applied in the healthcare context of a diabetes client education program, and the study includes a list of activities, activity drivers, and cost drivers for Type-2 diabetes education. It also provides a summary of costs per client category and proportion of resources consumed by different activity dimensions for a specific program.

9. Silvi (2002), A Strategic Cost Management Perspective

The purpose of this study was to verify if knowledge costing might be performed and presented any meaningful for management and measurement issues in four Italian companies operating in the mechanical industry.

This research project was developed around the primary question related with the possibility that strategic cost management frameworks could represent a valuable source for understanding the critical aspects related with knowledge management and measurement. Even though this study is at an early stage and has to be considered as a work-in-progress it provides theoretical and methodological contributions. At the theoretical level this research extends the SCM field of application at the knowledge theory of the firm. Evidence from the field suggests that SCM framework (firm's value chain analysis and cost driver analysis) can be applied for supporting the comprehension of where knowledge is embedded and what is its impact on a firm's cost structure in terms of value added, non value added but required and waste activity.

this paper is a work in progress, evidence shows that strategic cost management framework might represent a valuable source for understanding and managing the critical aspects related with knowledge management and measurement (specifically what a firm knows or should know, which activities should a firm perform in order to capture, develop or leverage its knowledge).

1.8 Comment On The Pervious Study

The conceptual approaches of strategic cost management in generally are rare. The previous studies have focus in conceptual approaches only consider certain individual contributions or therefore focus on specific aspects of strategic cost management , or its come to study strategic cost management in general, So there is a need for a comprehensive conceptual framework for strategic cost management that covers the concept, the concerns and objectives, the principles, the analysis fields & activities, the objects, the instruments , the key support factors of strategic cost management and how to

link and integrate the tools of strategic cost management in order to maximize the value of organization and its complete advantage.

This study is believed by the researcher to be the first of its kind that focuses on a set of integrated strategic cost management tools intended to ensure a product's competitive advantage and maximize its value to the organization. This approach uses five tools (i.e., activity based costing, activity based management, target costing, competitive advantage, product life cycle). Additionally, this research suggests a framework for how to use these tools in every stage of a product's life cycle. Previous studies provided just one or two tools, and ignore a number of other useful tools presented in this study.

The researcher adds value to her study from other researchers' efforts in the same field of search, where strategic cost management is one of the new sciences in Palestine, as well as the techniques and systems used by the industrial countries in the world that follow these fields in Palestine.

Chapter Two

Strategic Cost Management

2.1 Introduction

Since late 20th century, many organizations in both the manufacturing and service sectors have faced dramatic changes in their business environment and many new management methods and manufacturing technologies have come into being in the fierce competitive environment in which international enterprises try to survive. There has been a significant reduction in product life cycles arising from technological innovations and the need to meet increasingly discriminating customer demands. To compete successfully in today's highly competitive global environment companies have made customer satisfaction an overriding priority. They have also adopted new management approaches, changed their manufacturing systems and invested in new technologies. These changes have had a significant influence on management accounting systems (Kirli & Gumus, 2011).

2.1 Definition of strategic cost management

In today's highly competitive environment, cost management has become critical survival skill for many firms, but it is not sufficient to simply reduce costs instead, costs must be managed strategically. *strategic cost management* is the application of cost management techniques so that they simultaneously improve the strategic position of a firm and reduce costs , strategic cost management can be applied in service and manufacturing setting and in not for profit environments (Cooper& Slagmulder , 2003).

According to (Hansen& Mowen , 2006) the concept of strategic cost management is Decision making that affects the long-term competitive position of a firm must explicitly consider the strategic elements of a decision. The most important strategic elements for a firm are its long-term growth and survival. Thus, **strategic decision making** is choosing among alternative strategies with the goal of selecting a strategy, or strategies, that provides a company with reasonable assurance of long-term growth and survival, the key to achieving this goal is to gain a competitive advantage. **Strategic cost management** is

the use of cost data to develop and identify superior strategies that will produce a sustainable competitive advantage (Hansen & Mowen, 2006).

According to (Govindarajan & Shank 1992): Strategic cost management can be defined as the use of cost information to do the following: help formulate and communicate strategic. And then develop and implement controls that monitor success at achieving strategic objective. Under this view business management is continuously cycling *four stages process*:

1. Formulating strategies.
2. Communicating those strategies throughout the organization.
3. Developing and carrying out tactics to implement the strategies.
4. Developing and implementing controls to monitor the success of the implementation steps and hence the success in meeting the strategic objective.

The strategic cost management has a broad focus, it is not confined to the continuous reduction of costs and controlling of costs and it is far more concerned with management's use of cost information for decision making. Strategic cost management is also not confined to use cost management techniques that reduce costs and improve the strategic position of a firm at the same time. When most authors talk about strategic cost management, they are really thinking about cost reduction. However, it is often difficult to demean the importance of cost factor for the success of company, but the challenge is to increase revenue, which can be facilitated by strategic cost management. Cost-management knowledge and information is critical to their organization's success. Strategic cost management is important to organizations because it is more than focusing on costs; in the successful companies of the 21st century costs will not be the only most important factor, but also value and revenue consider critical factors in the success of companies. So the strategic cost management can be defining as *a philosophy, an attitude, and a set of techniques* to contribute in shaping the future of the company (Hilton et al. 2001).

2.1.1 Strategic Cost Management As a Philosophy

Strategic cost management is a philosophy of improving cost and revenue; strategic cost management is not only cost management but also revenue management, therefore, it is seeking to improve productivity, maximize profit, and improve customer satisfaction. This philosophy plays a vital role in determining the future of the company because it promotes the idea of continually finding ways to help organizations make the right decisions to create more customer value at lower cost. An organization's products and services are measures of customer value through quality products, superior customer service, fair pricing, etc. Customer value is measured by both the price that customers are willing to pay and their satisfaction with products and services (McNaughton et al ,2001). Efficient companies provide products and service that customer's want by using the minimum of the organization's scarce resources, while continuously seeking to improve value, costs, and revenue (Hilton et al. 2001).

2.1.2 Strategic cost management as attitude.

Strategic cost management represents a proactive attitude that all the costs of the products and services result from management decisions within the company and with customers and suppliers. Thus, this proactive attitude requires that strategic cost management must have the following attributes:

- Market orientation: strategic cost management considers customer needs and competitive behavior.
- Holistic overview: strategic cost management takes a broad focus including the entire value chain and product life cycle.
- Anticipatory approach: strategic cost management starts in the product design stage and aims to influence the future cost position.
- Continuous: strategic cost management is a permanent task. It ensures continuous improvements.
- Participation: strategic cost management requires involvement of every employee.

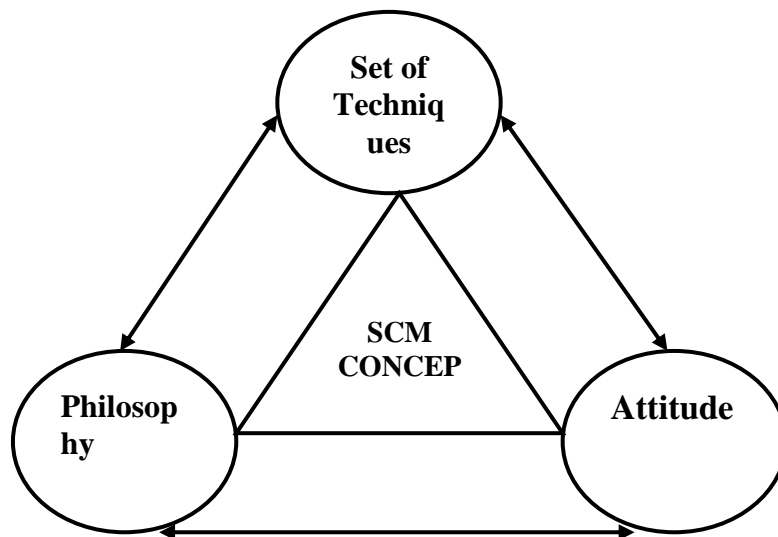
Cross-functional: strategic cost management integrates business functions (Hilton et al. 2001).

2.1.3 Strategic cost management as techniques.

Strategic cost management is a set of reliable techniques. These techniques or instruments may be used individually to support a specific goal or together to serve the overall needs of the organization. A set of strategic cost-management techniques that function together to support the organization's goals and activities is called a strategic cost-management system when designing a cost-management system, we must consider many tradeoffs such as costs and benefits of cost management system. For example, the "ideal" cost-management system may provide any desired information, in any desired format, and on demand to any authorized person in the organization. However, the benefits of such an ideal system may not justify the cost of building and maintaining such a system. In general, an organization should seek to build the simplest, most economical cost-management system that serves the overall needs of management in the contemporary business environment (Hilton et al. 2001).

The above overview reveals that the strategic cost management: It's a process that can control and track the cost throughout all stages of product life cycle to reach to the lower cost with focusing in analysis the internal and external environment and provide products and service that satisfy the customers in order to improve the strategic position of the organization and competitive advantage by using the tools to control and track cost.

Figure (2.1) Strategic Cost Management Concept



Source : (Hilton et al. 2001)

2.2 Factors affecting on strategic cost management

Over the last 25 years, worldwide competitive pressures, deregulation, growth in the service industry, and advances in information and manufacturing technology have changed the nature of our economy and caused many manufacturing and service industries to dramatically change the way in which they operate. These changes, in turn, have prompted the development of innovative and relevant cost management practices.

For example, activity-based accounting systems have been developed and implemented in many organizations. Additionally, the focus of strategic cost management accounting systems has been broadened to enable managers to better serve the needs of customers and manage the firm's business processes that are used to create customer value. A firm can establish a competitive advantage by providing more customer value for less cost than its competitors. To secure and maintain a competitive advantage, managers seek to improve time-based performance, quality, and efficiency. Accounting information must be produced to support these three fundamental organizational goals (Hansen & Mowen, 2006).

The researcher briefly discusses the primary trends and changes of the business environment and their effects on accounting and management methods and concepts, particularly cost accounting and management. The researcher analyze change of the markets and a greater focus on the customer, shifts in the basis of competition, advances in the manufacturing and information technologies and finally new forms of management organization.

2.3 Shifts in the basis of Competition

Prior to the 1989 many organization in western countries operated in a protected competitive environment, Barriers of communication and geographical distance and sometimes protected markets, limited the ability of overseas companies to compete in domestic markets, there was little incentive for firms to maximize efficiency and improve management practices or to minimize costs, as cost increases could often be passed on to customers. During the 1980s however manufacturing organization began to encounter

severe competition from overseas competitors that offered high quality products at low prices, by establishing global networks for acquiring raw material and distributing goods overseas, competitors were able to gain access to domestic markets throughout the world, to be successful companies now have to compete not only against domestic competitors but also against the best companies in the world (Dury 2001).

One of the prime uses of inter-firm comparisons by businesses is the need to identify their own strengths and weaknesses in relation to that of their competitors as part of long term planning. The forgoing inter-firm comparisons can provide some useful insight into a competitor's business (Coates , rickwood , Stacey ,1996).

In order to be compete in the market there is two way can use it Low cost: the primary focus of this strategy is to achieve low cost relative to competitors. Cost leadership can be achieved through approaches such as economics of scales in production, learning curve effects, tight cost control and cost minimization in areas such as research and development, service, sales force or advertising. Differentiation the primary focus of this strategy is to differentiate the product offering to create something that customers perceive as unique. Approaches to product differentiation include brand loyalty, superior customer service dealer network, product design and features, and product technology (Govindarajan and Shank, 1992).

2.4 Computer integrated manufacturing

Over a long period of time , manufacturing processes have evolved from labor intensive methods to more automated processes in which most of the work is accomplished by machines .This trend continues today as computer integrated – manufacturing or (CIM) system become more common .A CIM process is fully automated with computers controlling the entire production process. In CIM systems the types of costs incurred by the manufacturer are quite different from those in traditional manufacturing environment (Hansen and Mowen2006).

2.5 Time based competition

Response time , lead time , on time , and downtime are a among the many time based phrases that dot the conversations of today managers why are managers so concerned with time , in the global competitive environment , time has become a crucial element in many companies strategies for success , by reducing the time it takes to develop a new product and getting the product on the market more quickly a company can gain an important a advantage over its competitors (Hilton , R., 2001).

Time is a crucial element in all phases of the value chain. Firms can reduce time to market by redesigning products and processes, by eliminating waste, and by eliminating Non -value-added activities. Firms can reduce the time spent on delivery of products or services, reworking a product, and unnecessary movements of materials and Subassemblies. Decreasing non-value-added time appears to go hand-in-hand with increasing quality. With quality improvements, the need for rework decreases, and the time to produce a good product decreases. The overall objective is to increase customer responsiveness. Time and product life cycles are related. The rate of technological innovation has increased for many industries, and the life of a particular product can be quite short. Managers must be able to respond quickly and decisively to changing market conditions. Hewlett- Packard has found that it is better to be 50 percent over budget in new product development than to be six months late. This correlation between cost and time is a part of the cost management system (Hansen and Mowen2006).

2.6 Focus in customer

In order to compete in today's competitive environment companies are having to become more customer driven and make customer satisfaction an overriding priority, customers are demanding ever improving levels of service in cost, quality, reliability, delivery, and the choice of innovative new products, In addition to concentrating on these factors organizations are adopting new management approaches in their quest to achieve customer satisfaction. Since customers will buy the product with the lowest price all other things being equal keeping costs low and being cost efficient provides an organization

with a strong competitive advantage, Firms are concentrating on the delivery of value to the customer with the objective of establishing a competitive advantage. Accountants and managers refer to a firm's value chain as the set of activities required to design, develop, produce, market, and deliver products and services to customers. As a result, a key question to be asked about any process or activity is whether it is important to the customer. The cost management system must track information relating to a wide variety of activities important to customers (e.g., product quality, environmental performance, new product development, and delivery performance). Customers now count the delivery of the product or service as part of the product. Companies must compete not only in technological and manufacturing terms but also in terms of the speed of delivery and response (Hansen and Mowen2006).

2.7 Service verse manufacturing firms

The service sector occupies a growing in the united stated economy. moreover , several key service industrial have been deregulated by the government , the telecommunication , financial services and airline industrial are among them, managerial accounting must adopted to meet the needs of managers in those industries . the key difference between service and manufacturing firm is that most services are consumed as they are produced (Hilton , R., 2001).

2.8 Advances in Information Technology

One of the advances relate to information technology is intimately connected with computer-integrated applications. With automated manufacturing, computers are used to monitor and control operations. Because a computer is being used, a considerable amount of useful information can be collected, and managers can be informed about what is happening within an organization almost as it happens. It is now possible to track products continuously as they move through the factory and to report (on a real-time basis) such information as units produced, material used, scrap generated, and product cost. The outcome is an operational information system that fully integrates manufacturing with marketing and accounting data. Enterprise resource planning (ERP)

software has the objective of providing an integrated system capability—a system that can run all the operations of a company and provide access to real-time data from the various functional areas of a company. Using this real-time data enables managers to continuously improve the efficiency of organizational units and processes. To support continuous improvement, information that is timely, accurate, and detailed is needed. Automation and integration increase both the quantity and the timeliness of information. For managers to fully exploit the value of the more complex information system, they must have access to the data of the system they must be able to extract and analyze the data from the information system quickly and efficiently. This, in turn, implies that the tools for analysis must be powerful. ((Hansen and Mowen ,2006)

2.9 E. Commerce

Electronic commerce (e-commerce) is any form of business that is executed using information and communications technology. Internet trading, electronic data interchange, and bar coding are examples of e-commerce. Internet trading allows buyers and sellers to come together and execute transactions from diverse locations and circumstances. Internet trading allows a company to act as a virtual organization, thus reducing overhead. Electronic data interchange (EDI) involves the exchange of documents between computers using telephone lines and is widely used for purchasing and distribution. The sharing of information among trading partners reduces costs and improves customer relations, thus leading to a stronger competitive position. EDI is an integral part of supply chain management (value-chain management). Supply chain management is the management of products and services from the acquisition of raw materials through manufacturing, warehousing, distribution, wholesaling, and retailing. The emergence of EDI and supply chain management has increased the importance of costing out activities in the value chain and determining the cost to the company of different suppliers and customers (Hansen and Mowen , 2006)

2.10 New Product Development

A high proportion of production costs are committed during the development and design stage of new products. The effects of product development decisions on other parts of the firm's value chain are now widely acknowledged. This recognition has produced a demand for more sophisticated cost management procedures relating to new product development procedures such as target costing and activity-based management. Target costing encourages managers to assess the overall cost impact of product designs over the product's life cycle and simultaneously provides incentives to make design changes to reduce costs. Activity-based management identifies the activities produced at each stage of the development process and assesses their costs. Activity-based management is complimentary to target costing because it enables managers to identify the activities that do not add value and then eliminate them so that overall life cycle costs can be reduced (Hansen and Mowen , 2006).

2.11 Objectives of Strategic Cost Management

Change is an imprint of contemporary business environment that cannot be avoided. In the 21st century, strategic cost management is facing just such a challenge. Strategic cost management has both the opportunity - and difficult task - of defining and shaping its own future as well as the future of companies. Trends and changes in the business environment such as: increase of global competition, increasingly demanding customers and shareholders, and rapid advances in information and manufacturing technology - traditional cost management may be not adaptable to these events (McNair ,2000). In fact, there are many cost management systems, have been offered many solutions for companies, but their primary concern was cost reduction as result, the late 20th century found organizations anxiously to, not deciding, their future.

The key is that costs must be viewed by looking simultaneously at the value they provide. Strategic cost management must recognize that cost/value and revenue are complementary, not competing terms - both must be understood if an organization is to intelligently choose its customers and markets (McNair ,2000). Strategic cost

management must bridge the gap between cost and value as well as between the language of the market and the language of the business. Traditional cost management during the 20th century faced many criticisms which are explained above; however, strategic cost management during 21st century faces a future that will be unique and rewarding compared to its current realities. According to McNair (2000). The key objective and shifts that define this transition are

1. The dominant focus
2. The trend and perspective
3. The primary concern
4. The primary role
5. Cost analysis
6. Key disciplines
7. Management responsibility

2.11.1 The dominant focus

Traditionally, cost management has been concerned with internal issues including

- Emphasizing the current costs of production
- Allocating the pool of shared resources to various products and services
- Summarizing results

These have been the dominant activities that defined cost management practice throughout most of the 20th century

In the emerging world of 21st century strategic cost management however recognition is increasing that external events and relationships define and constrain the costs and potential profits of a firm, with this recognition has come a rapid increase in tools and techniques that measure key external relationships, identify the relative costs and benefits of different products and customer segments and support the search for competitive advantage. (McNair, 2000).

2.11.2 Trend and Perspective

Traditional cost management has focused on the notion of value added (selling price less cost of purchased raw materials) under the mistake impression that this is the only area in which a firm can influence costs.

The value chain can be quite misleading for at least three reasons

1. It arbitrarily distinguishes between raw materials and many other purchased inputs. Purchased services such as maintenance or professional consulting services are treated differently than raw materials purchased.
2. Value added does not point out the potential to exploit the linkages between a firm and its suppliers or between a firm and its customers with a view to reducing costs or enhancing differentiation.
3. Competitive advantage cannot be fully explored without considering the interaction between purchased raw materials and other cost elements (e.g. purchasing higher-quality, higher-priced raw material could reduce scrap significantly and thus lower total cost).

Strategic cost management-perspective is based on value chain analysis is more meaningful way to manage costs, improve profits, and explore competitive advantage. (McNair, 2000).

2.11.3 The primary concern

Strategic cost management has always been obsessed with the cost estimate defining, improving, and using it, finding ever better ways to match resources to their uses, the profession has faced the formidable task of providing reliable, timely cost estimates in a world of shared resources and change never an easy task.

Currently, the need to understand the cost of specific course of action or potential opportunity remains though the focus has shifted from precision to relevance. The goal of strategic cost management is to more thoroughly understand measure and portray the cost, value revenue relationships that define a firm's competitive position and long term success. Clearly not every dollar of cost is equal. Some costs lead directly to customer

value creation and profits, others do not. Knowing which cost, activities and efforts yield the optimal return to the firm and its stakeholders is the new objective the raison of 21st century cost management (McNair, 2000).

2.11.4 Cost driver

In strategic cost management its acknowledged that cost is caused or driven by many factors that are interrelated in complex ways , understanding cost behavior mean understanding the complex interplay of the set if cost drivers at work in any given situation. In management accounting cost is a function , primarily of only one cost driver , output volume . cost concept related to output volume permeate the thinking and the writing about cost : fixed variable cost , average cost verse marginal cost , cost volume profit analysis break even analysis , flexible budget and contribution margin , in strategic cost management output volume as such is seen to capture very little of the richness of cost behavior , management accounting in this regard tends to draw upon the simple models of basic microeconomic, strategic cost management in other hand tends to draw upon the richer models of the economics of industrial organization (McNair ,2000).

2.11.5 Key disciplines

Strategic cost management has always been seen as an extension of accounting and finance in some ways, a poor relation to these disciplines.

Cost analyst have often felt that they got no respect with the world if finance and accounting , cost management was simply the source of budget estimated and the keeper of cost allocation schemes . Cost was but a small part of the larger world of finance.

As any modern strategic cost management expert can attest the profession is rapidly trading in its financial identity for one that reflects key tenets of marketing and economics the question of the day in most companies is not, what does this cost? But rather, how much value is being created for customers with this expenditure? The goal is not to develop standards that support inventory valuation and balance the general ledger instead strategic cost management experts seek to help their firm understand and leverage their recourses and competencies to create a competitive advantage. Strategic cost management

will serve to bridge the gap between finance and marketing between customer value and shareholder value (McNair, 2000).

2.11.6 Management responsibility

The traditional finance manager has often been more of a follower than a leader, reacting to requests and events rather than anticipating them. In this reactive role, strategic cost management has often needed to rely on accounting data and a hodgepodge of operating information as it pieced together reports and analyses. Strategic cost management was more apt to attend and assist during the phasing out rather than the inaugural stages of projects, as the 21st century unfolds. The unique knowledge and skills of the cost management professional are being increasingly turned toward assessing and shaping the future. In this new business environment cost professionals must be proactive, exhibiting leadership skills as they work on teams and with other organization to find new ways for their firm to compete. Strategic cost management professionals have unique capabilities that enable them to both identify opportunities and assess them. No other discipline has access to the rich knowledge that strategic cost management professionals have come to take granted (McNair, 2000).

2.11.7 The primary role.

The literature of the industry offers significant proof that the key role played by strategic cost management in organization has been one of scorekeeper and police officer, strategic cost management kept the facts and sought the truth, internal control and various forms of management control dominated. The arrival of the cost accountant at a manager's desk was often accompanied by a sudden onset of heartburn some problem had turned up, some error had been made. As the profession makes the transition to the 21st century evidence increasingly shows that it is abandoning such traditional roles and analyst, shared service structures in the finance area have created these internal consulting opportunities. Strategic cost management is emerging as the source of information and analysts, of insights and opportunities (McNair, 2000).

Chapter Three

Strategic Cost Management Tools

3.1 INTRODUCTION

Currently, economic and technological developments are growing faster in an unprecedented way. The outcome is changing a great deal of concepts, transactions, and increasing competition all over the world. In addition, the improvements in information technology, communication means, and production systems open new horizons. To respond, organizations should create sustainable competitive advantages to maintain current customers and acquire more customers. Strategic management is the best means to exceed rivals at short and long runs (El-Dyasty no Date)

3.2 Value Chain Management Concept

An important concept that highlights the role of information technology in competition is the value chain; this concept divides a company's activities into the technologically and economically distinct activities it performs to do business. The value a company creates is measured by the amount that buyers are willing to pay for a product or service (Porter, 1998).

Define value chain management is to gain competitive advantage over its rivals, a company must either perform these activities at a lower cost or perform them in a way that leads to differentiation and premium price (more value). In the strategic framework managing costs effectively required a broad focus , external to the firm , this focus to the value chain , the value chain for any firm in any business in the linked set of value creating activities all the way from basic raw material sources for component suppliers through to the ultimate end use product delivered into the final consumers hands , this focus is external to the firm , seeing each firm in the context of the overall chain of value creating activities of which it is only a part ,from basic raw material components to end use consumers (Shank and Govindarajan , 1993).

3.2.1 A company's Value Activities Fall Into Nine Generic Categories (Ritson , Neil., 2008).

Primary activities are those involved in the physical creation of the product .Support activities provide the inputs and infrastructure that allow the primary activities to take place.

Primary activity

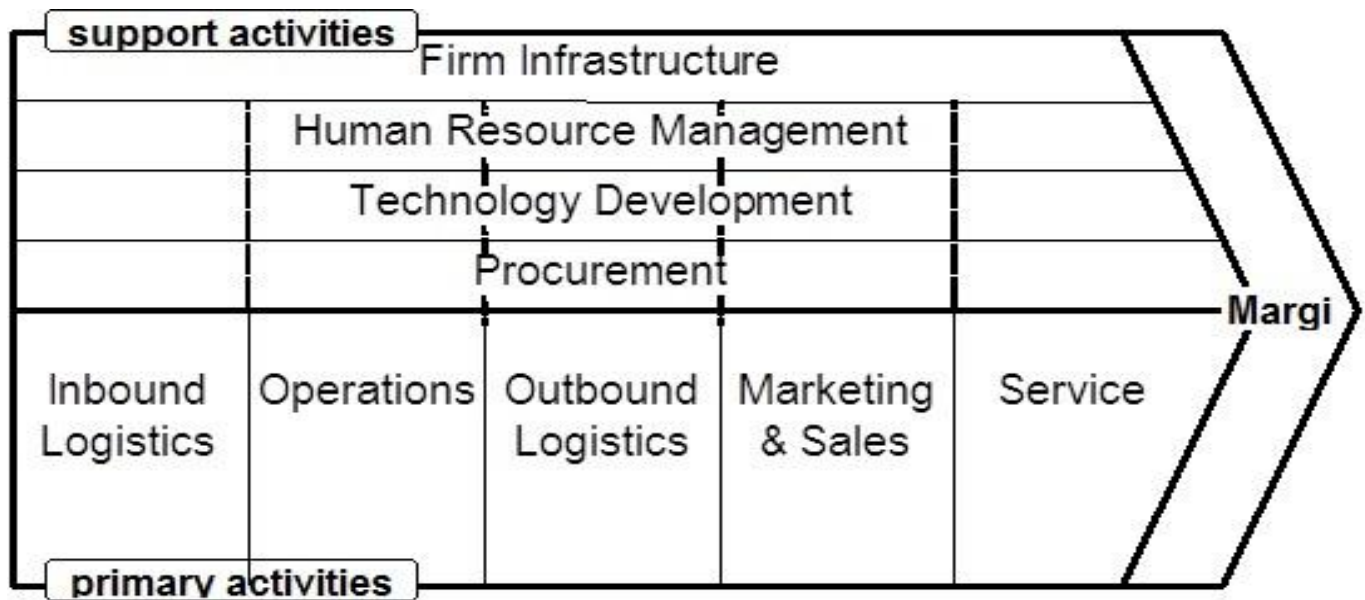
- Inbound logistics: this deal with the delivery, movement and handling of raw materials from suppliers.
- Operations: transformational activities which create end products from raw materials, inputs.
- Outbound logistics: Refers to the processes which transfer products to distribution channels.
- Marketing / sales: includes such activities as advertising, promotion, product mix, pricing, working with buyers and wholesalers and sales force issues.
- Service: customer service issues include warranty, repair, installation, customer support, product adjustment and modification.

The support activities

- Procurement: firm's purchasing of material and supplies for its activities.
- Technology development: focuses on improving the processes in primary value adding activity.
- Human resource management: hiring, training, compensating, developing and relation with the firm's people.
- Infrastructure: abroad term for such activities as finance, accounting, legal, government relations.

- A company's value chain is a system of interdependent activities, which are connected by linkages. Linkages exist when the way in which one activity is performed affects the cost or effectiveness of other activity is performed affects the cost or effectiveness of other activities.

Figure (3.1) supply chain management model



Source : (Ritson , Neil., 2008)

3.2.2 The Strategic Importance Of Supply Chain Management.

Choosing an optimal strategic position requires managers to understand the activities that contribute to its achievement. Successful pursuit of a sound strategic position mandates an understanding of the *industrial value chain*. Every company's business consists of a collection of activities undertaken in the course of designing, producing, marketing, delivering, and supporting its product or service. A company's value chain consists of the linked set of value-creating activities the company performs internally. The value chain includes a profit margin because a markup over the cost of performing the firm's value-creating activities is customarily part of the price (or total cost) borne by buyers a fundamental objective of every enterprise is to create and deliver a value to buyers whose margin over cost yields an attractive profit The central idea of the analysis is to break up "the chain of activities that runs from basic raw materials to end-use customers into

strategically relevant segments in order to understand the behavior of costs and the sources of differentiation . Value chain analysis gives us a framework of activities those inside and outside a firm, and makes the competitive strength of the firm combine together. So, it assesses the value of each activity which increases the products and services to a firm. The ability to perform particular activities and to manage the linkages between these activities is a source of competitive advantage. Value chain analysis is a way of assessing competitive advantage by determining the strategic advantages and disadvantages of the full range of activities that shape the final offering to the end user. The goal of a firm is to maximize value creation and at the same time to reduce costs by minimizing. The costs and value drivers have been determined by every value activity. The value chain analysis has opened a road for the management with a powerful analysis tool of the strategic planning. The competition between enterprise and the first kind competitor mainly is embodied in the price, production, service quality and marketing measures. Through “value chain analysis” to competitors, enterprise can find out their every unit value activity and analyze them how to perform value activities, through adopting the same analysis method with the method of value chain analysis for enterprise itself (Kirli & Gumus , 2011).

Shank and Govindarajan (1993), Donelan and Kaplan (1998) and Blocher et al. (1999) stated that using value chain analysis for strategic cost management could help a company to assess and improve its strategic position :

- By improving quality by providing better understanding of customer requirements
- When products are assembled from multiple input sources (e.g. cars, computers...).
- Providing a way to evaluate competitive cost position and thereby improving
- Strategic positioning.
- Reducing time when there is a great deal of interdependency between the
- Participants in a value chain.
- Reducing cost by focusing attention on areas needing cost reduction and by
- Reconfiguring the value chain (Kirli & Gumus , 2011).

Based on the information provided above, the researcher offers the conclusion that the value chain analysis is a way of assessing competitive advantage by determining the strategic advantages and disadvantages of the full range of activities that shape the final offering to the end user. By implementation of value chain costing, the combined costs of all the various activities in a company's value chain can define the company's internal cost structure. The value chain costing depends on "value creation". On the other hand, traditional management accounting has been "value added-oriented" which is a very narrow approach in today's competitive environment. Today's cost accountant must understand many functions of a business's value chain, from manufacturing to marketing to distribution to customer service. The company's internal accountants have moved beyond the traditional manufacturing cost approach to a more inclusive approach. This newer approach to product costing may take into account the costs of the value-chain activities defined by initial design and engineering, manufacturing, distribution, sales, and service.

3.3 Product Life Cycle

Traditional management accounting control procedures have focused primarily on the manufacturing stage of a products life cycle , pre-manufacturing cost such as research and development and design and post-manufacturing abandonment and disposal costs are treated as period costs therefore they are not incorporated in the product cost calculations , nor are they subject to the conventional management accounting control procedures .

Life cycle costing estimates and accumulates costs over a products entire life cycle in order to determine whether the profits earned during the manufacturing phase will cover the costs incurred during the different stages of products life cycle provides an insight into understanding and managing the total costs incurred throughout its life cycle , in particular life cycle costing helps management to understand the cost consequences of developing and making a product and to identify areas in which cost reduction efforts are likely to be most effective (Drury , 2001).

The issue of life cycle costing arrives in the context of at least two aspects: one related to the development of new products, the other in the evaluation of strategic investments

The first refers to the application of life cycle costing to identify measure and evaluate the costs associated with the entire life cycle of a new product, especially in the case of complex and durable products. The second concerns the application of LCC as a tool for comparative analysis of long-term investment projects and in managing the cost of a new product. (Testa , et al ,2011)

The application of LCC in the management of the product can be seen from two distinct perspectives:

1. From the economic perspective of a producer, to support management in planning and managing the product throughout its life cycle, calculations consist of the estimation of the costs of design, engineering, industrialization and production of a new product and in the analysis of these costs throughout the life cycle.

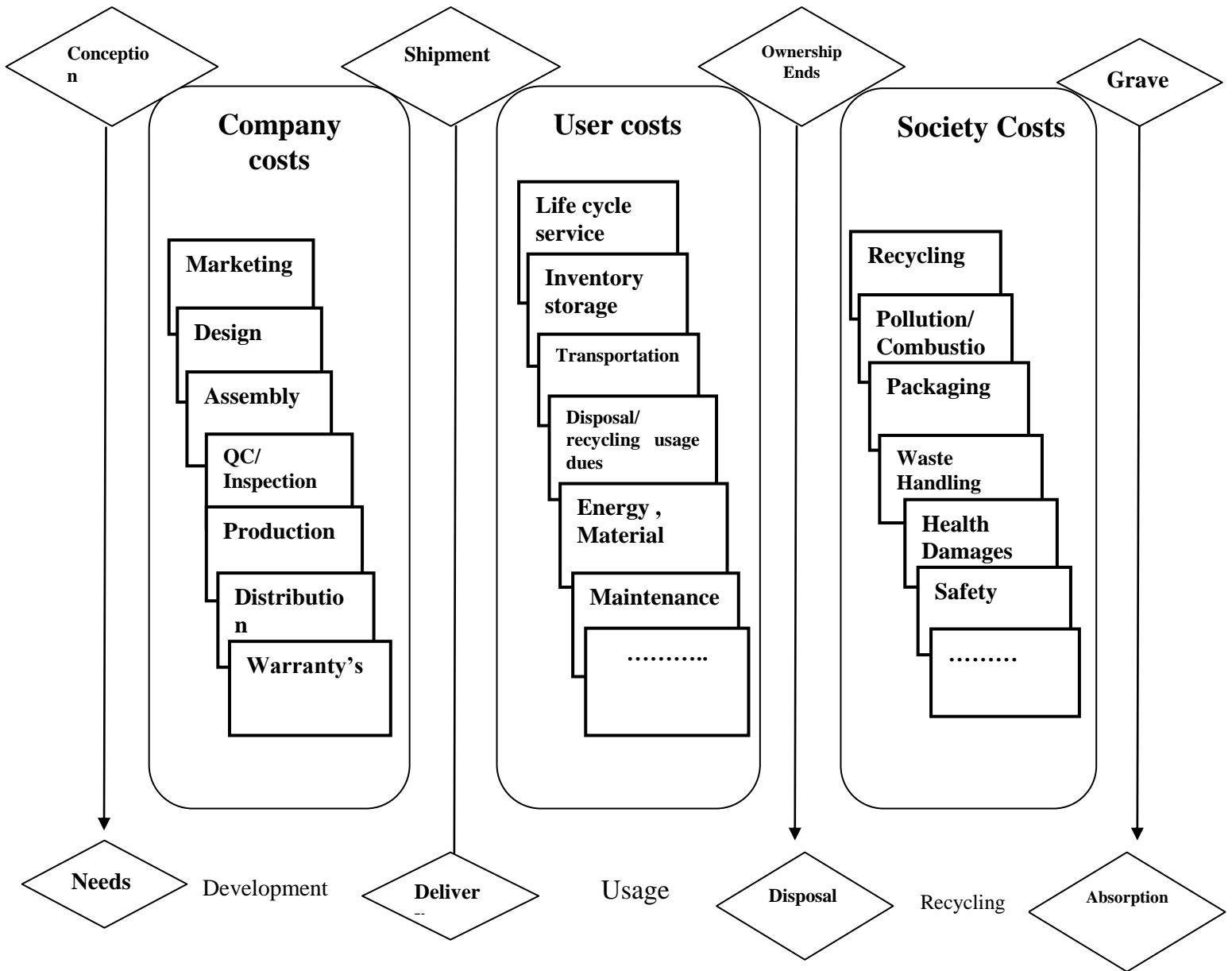
2. From the economic perspective of a customer, or as an aid in the purchasing stage aimed at determining the total cost for the entire life cycle. The LCC aspect of the concept of total Cost of Ownership (TCO) is defined as a philosophy of cost calculation aimed at determining the total cost of purchase, possession and use of a particular product (Testa , et al ,2011)

The product life cycle is most frequently understood to mean the life cycle of a particular product on the market. From this perspective the product life cycle involves multiple stages from product introduction onto the market, through the stages of growth, maturity and decline to the actual taking out of the product from the company's manufacturing programmer. However, if we are to respect the requirements of customers and society in a comprehensive manner, we need a broader concept of the product life cycle that also involves the value the product brings to customers and society. Life cycle management in this broader sense focuses on three main areas in the management of product life cycle cost: the costs incurred by the company (manufacturer), user costs and society costs,

The objective of product life cycle cost management is to maximize the value (benefits)

of a product while controlling the costs on the part of the manufacturer, user and society. The manufacturer's costs include the costs of activities carried out, for example, as part of product planning, design, development, assembly, distribution and servicing. These are all costs incurred from the moment of a request for product delivery until the moment of dispatching the product to the customer. The user costs entail the costs of activities carried out by the user. They cover the period from delivering the product until termination of its economic life span. This may also include the recycling and disposal costs that are paid by the user. Society costs comprise the costs that constitute a burden to society at the product manufacturing and use stages, particularly the costs related to the recycling of materials and the impact of the manufacturing and use of the product on the environment. (Freiberg , F., & Sujova , E ., 2011)

Figure (3.2) Life Cycle Cost Management Model .



Source : (Freiberg , F., & Sujova , E ., 2011)

3.3.1 The Strategic Importance For Product Life Cycle

Product life cycle cost analysis forms an important part of product life cycle management. This is a technique for comprehensive assessment of the product costs from the product idea stage to termination of its life cycle. This makes it possible to analyze product costs throughout the various stages of its life span, as well as the interaction between the cost elements with a view to identify an optimal choice for the product variant in terms of cost. Incorporating life cycle costs as a parameter into the product development process (systems, facilities, projects) facilitates the development of cost-effective products that are interesting for the buyer both in terms of the purchasing price and in terms of operational and logistical costs as well as recycling or disposal costs.

(Freiberg , F., & Sujova , E ., 2011)

Following the product throughout its life cycle ensures a useful flow of information to all business functions regarding the elements that determine the success of a product, allowing them to react promptly and effectively to resolve any weaknesses. From this perspective, Life Cycle Costing moves from a mere trend costing instrument to assuming a key role in the support strategies and decisions of business management

The two features for product life cycle are in the following (Asiedu ,Y& Gu, P.,1998).

- Cost reduction
- Revenue enhancement

Cost Reduction

Cost reduction, not cost control, is the emphasis of life-cycle cost management. Cost reduction strategies should explicitly recognize that actions taken in the early stages of the production life cycle can lower costs for later production and consumption stages.

Since 90 percent or more of a product's life-cycle costs are determined during the development stage, it makes sense to emphasize management of activities during this phase of a product's existence. (Asiedu ,Y & Gu, P ., 1998)

Revenue enhancement

Revenue-generating approaches depend on marketing life-cycle stages and on customer value effect. Pricing strategy, for example, varies with stages. In the introductory stage, as mentioned earlier, higher prices can be charged because customers are less price sensitive and more interested in performance.

In the maturity stage, customers are highly sensitive to both price and performance.

This suggests that adding features, increasing durability, improving maintainability, and offering customized products may all be good strategies to follow. In the decline stage, revenues may be enhanced by finding new uses and new customers for the product. (Asiedu ,Y& Gu, P.,1998)

3.4 Target Cost

In today's rapidly changing business environment, product innovation is one of the keys to a company's survival and competitiveness. Manufacturers can no longer produce and market large volumes of standard products with a relatively stable market and technological climate. There has been a shift toward unstable, rapidly changing markets and technologies. To implement market-driven management across the organization, measurement and cost control systems must be designed to motivate the desired consumer-oriented behavior. The strategies that determine the direction of product innovation have become crucial to corporate management. Industrial marketers play a major role in product innovation, and cost accounting must support this role.

Cost management methods must help with the production of new products which meet customer demands at the lowest cost, as well as with cost reduction of existing products by eliminating waste. (Gagne& Discenza , 2000)

Strategic management accountants have recognized that traditional methods (for example, standard costing) may not work well in the modern competitive environment and have responded. Traditional costing systems have been modified to promote automated factories, standardized parts and reduced lead times, all in an atmosphere of restructuring and globalization. Strategic management accountants also need to modify cost methods to

promote the successful introduction of new products. One of the ways they can do this is through target costing. (Gagne& Discenza .,2000)

3.4.1 Definition Of The Target Cost

Target costing is an important technique for managing product costs during the design stage. It is essentially concerned with setting a target cost to be achieved in the product development process, such that a sufficient profit margin is realized when the product is introduced into the market. (Dekker& Smidt , 2003)

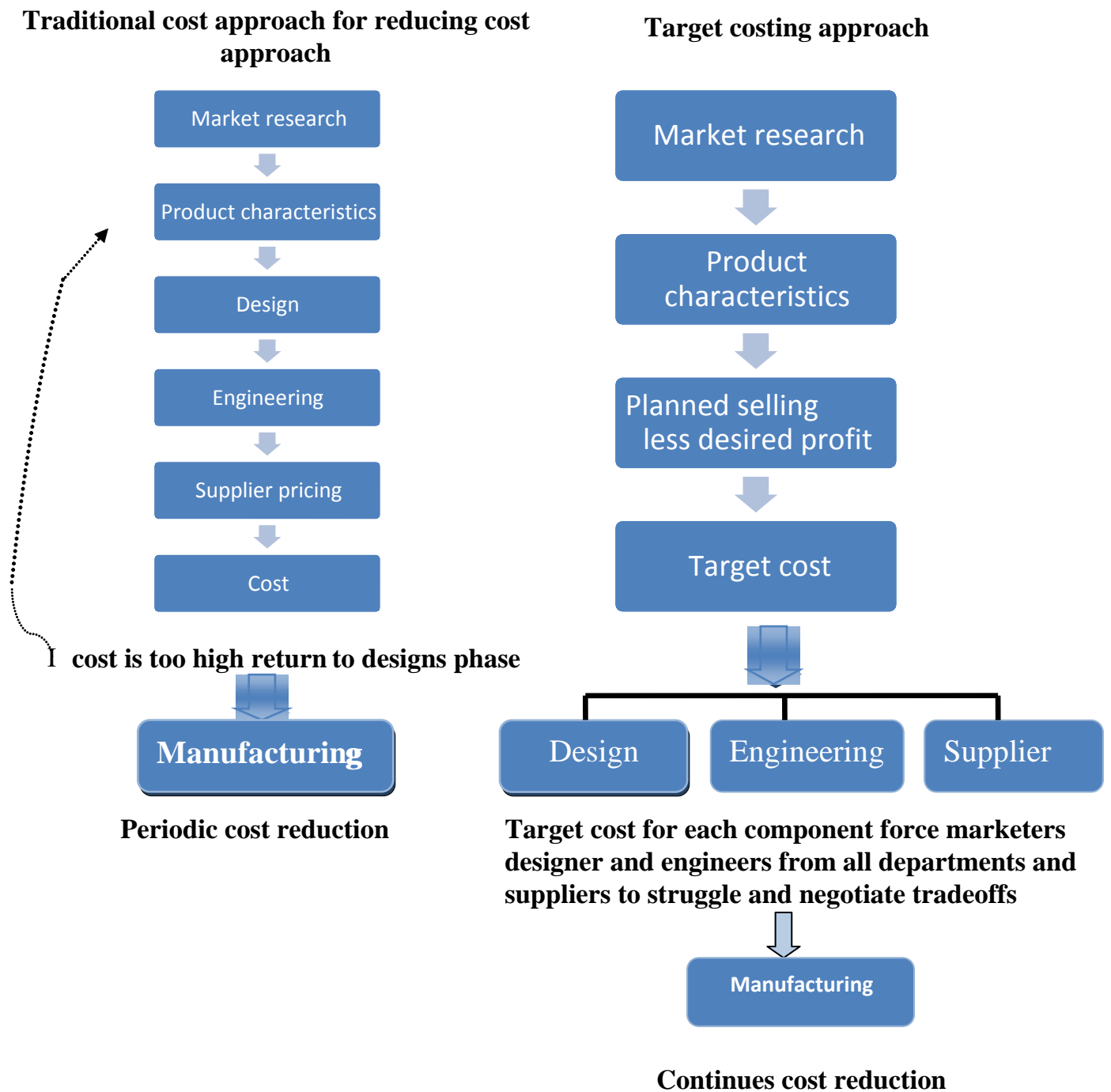
Traditional cost product development starts with a basic product design developed in the research and development branch of the firm, the initial idea for the product may have come from the market. After the basic product design has been developed the price is typically found by adding all costs and desired profit margin. If this price is acceptable in the market is only experienced when the product is actually introduced and offered to potential customers, if it is more than the attainable market price for the product, the product has to be redesigned until the market price can be met, and it is calculated as follows (Hergeth, H., 2001):

Selling price = cost of product + target profit margin

On the other side the target costing approach brings the management accountant into the process at the early planning stage. The management accountant is contributing to the early decisions: should the company be making this kind of product? What constraints need to be applied in the design stage? Is the market demand consistent with our projections? Can we achieve the determined return in this competitive market?

Target Cost = Target Price - Desired Profit (Robin Cooper, 1998).

Figure (3.3) The Different Between Traditional Cost Approach For Reducing Cost And Target Cost Model’.



Source :(Atkinson ., et al., 2012)

3.4.2 Target Costing has the Following Properties (Monden & Hamada 1991)

- Target costing is applied in the developing and designing stage and it is different stages, but it is one which intends to reduce costs.
- Target costing is not a management method for cost control in a traditional sense, but it is one which intends to reduce costs.
- In the target costing process, many methods of management science are used, because the managerial objects of target costing include the techniques of development and product design
- The cooperation of many departments is needed in the execution of target costing.

3.4.3 The Strategic Importance for Target Costing

Target costing is a market-oriented approach focused on achievement of low costs that are regarded as the basis for gaining competitive advantage. This concept is based on the idea that the costs of a future product should be managed in the earliest phases of the product's life cycle because these phases offer the biggest possibilities for significant cost reduction. Namely, since changed business environment is characterized by the application of new production and information technologies, diversified demand on the part of the customers and shortened product's life cycle, the costs that occur prior to the production phase tend to increase. Under these conditions, the product design phase determines 80% of total costs, so that the highest potential for successful cost reduction lies in the ascending phases of the product's life cycle. The chances of cost reduction are limited with progressing from product design phase. It means that they become limited when the production phase starts. Due to its chances in the process of cost reduction, target costing becomes a strategic tool that the company's management uses in the process of gaining competitive advantage. Moreover, target costing is not only regarded as the strategic tool for cost reduction, but it is also significant for profit planning. (Antić, L & Novičević, B., 2011)

Once the target cost has been set for the entire product, the engineers next determine the target costs for each component in the product. The **value engineering process** examines the design of each component to determine whether it is possible to reduce costs while maintaining functionality and performance. All of these decisions and trade-offs are best made during the R&D stage when the product's design is still fluid rather than during the manufacturing stage when it is far more costly to do a major redesign of a product. Several iterations of value engineering usually are needed before the final target cost gets achieved. Two other differences characterize the target costing process. First, throughout the entire process, **cross-functional product teams** made up of individuals representing the entire value chain both inside and outside the organization. For example, it is not uncommon for a team to consist of people from inside the organization (such as design engineering, manufacturing operations, management accounting, and marketing) and representatives from outside the organization (including suppliers, customers, distributors, and waste disposers). A second difference is that suppliers play a critical role in making target costing work. Often the company asks its suppliers to participate in finding ways to reduce the cost of specific components or an entire subassembly or module. Companies offer incentive plans to suppliers who come up with the largest cost reduction ideas. As companies work more closely with their suppliers during the R&E stage, they use a set of methods collectively known as **supply chain management**. Supply chain management develops cooperative, mutually beneficial, long-term relationships between buyers and suppliers. The benefits are many. For example, as trust develops between buyer and supplier, decisions about how to resolve cost reduction problems can be made with shared information about various aspects of each other's operations. In some organizations, the buyer may even expend resources to train the supplier's employees in some aspect of the business, or a supplier may assign one of its employees to work with the buyer to understand a new product. Such interactions are quite different from the short-term, arms-length relationships that are characteristic of a transactions based buyer, seller relationship (Atkinson, A., et al., 2012).

The researcher summarizes the difference between the target cost and traditional cost for managing cost since the target cost showed the integration and compatibility between the target cost and the characteristics and goals of strategic cost management. As is clear above that the target cost is one of the effective tools for managing cost in comprehensive and integrative way with the concept of supply chain management and product life cycle. And it also focused on achievement of low costs that are regarded as the basis for gaining competitive advantage. This concept is based on the idea that the costs of a future product should be managed in the earliest phases of the product's life cycle because these phases offer the biggest possibilities for significant cost reduction.

3.5 Activity Based Costing / Management

Many firms operate in rapidly changing environments. Typically, these firms face stiff national and international competition. This stringent competitive environment demands that firms offer customized products and services to diverse customer segments. The firms must find cost efficient ways of producing high-variety, low-volume products. To find ways to improve performance, firms operating in this kind of environment not only must know what it currently costs to do things, but they must also evaluate *why* and *how* they do things. Improving performance translates into constantly searching for ways to eliminate waste a process known as **continuous improvement**. Activity-based costing and activity based management are important tools in this ongoing improvement effort

ABC is not a method of costing, but a technique for managing the organization better. It is a one-off exercise which measures the cost and performance of activities, resources and the objects which consume them in order to generate more accurate and meaningful information for decision-making. (CIMA,. 2011)

Activity based costing (ABC) assigns manufacturing overhead costs to products in a more logical manner than the traditional approach of simply allocating costs on the basis of machine hours. Activity based costing first assigns costs to the activities that are the real

cause of the overhead. It then assigns the cost of those activities only to the products that are actually demanding the activities ⁽¹⁾ .

3.5.1 The Relationship Between Activity Based And Activity Based Management

Activity-based management (ABM) is a system wide, integrated approach that focuses management's attention on activities with the objectives of improving customer value and the profit achieved by providing this value. ABC is the major source of information for activity-based management (Hansen & Mowen., 2006).

Management gains a thorough understanding of its business processes and cost behavior during the ABC analysis process; and also management applies the insights gained during ABC fact gathering and analysis to improve decision making at both operating and strategic levels. This is the essence of ABM.

ABC prompts managers to ask the right questions. ABC becomes ABM (management) when it is used to:(CIMA,2011)

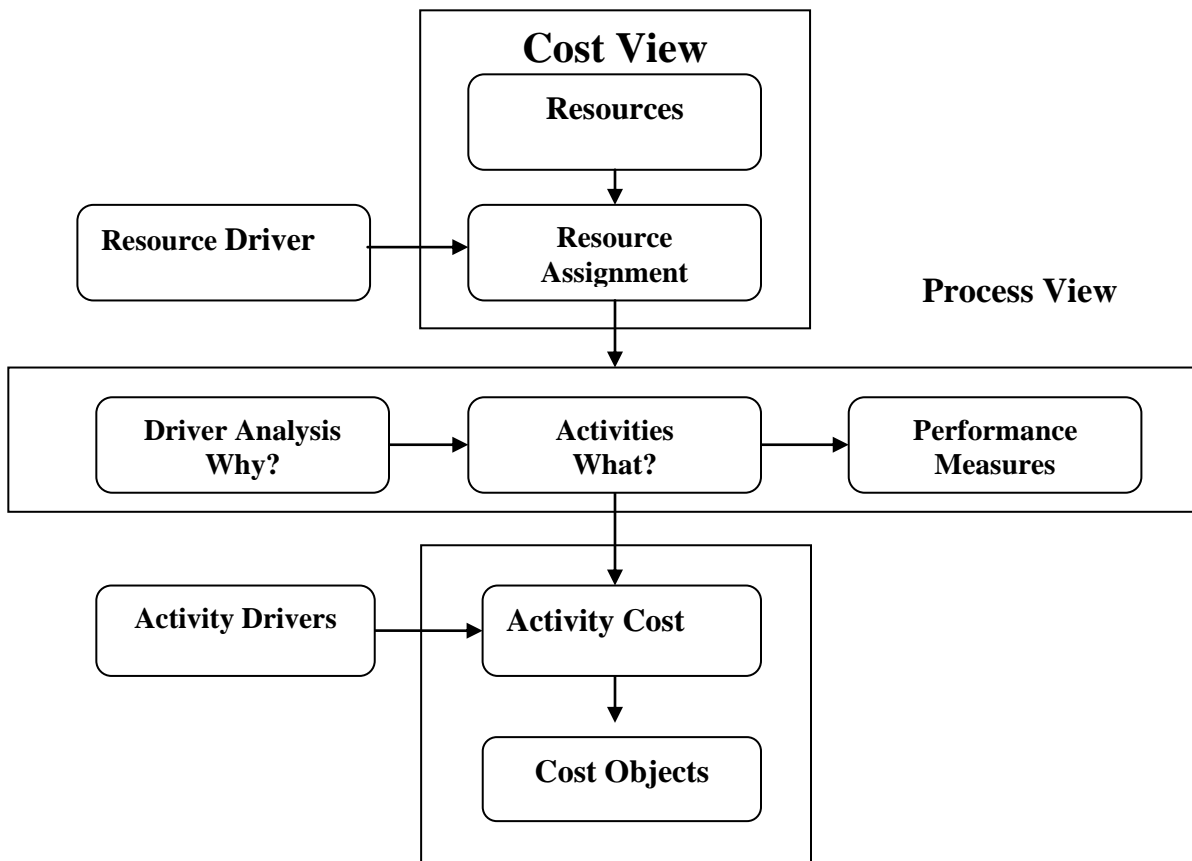
- Design products and services that meet or exceed Customers' expectations and can be produced and delivered at a profit;
- Signal where either continuous or discontinuous (re-engineering) improvements in quality, efficiency and speed are needed;
- Guide product mix and investment decisions; choose among alternative suppliers;
- Negotiate about price, product features, quality, delivery and service with customers;
- Employ efficient and effective distribution and service processes to target market and customer segments;
- Improve the value of an organization's products and services.

(¹) <http://www.accountingcoach.com/online-accounting-course/35Xpg01.html>.

Activity Based Management has Two Dimensions: a cost Dimension and a process Dimension.

The cost dimension provides cost information about resources, activities, and cost objects of interests such as products, customers, suppliers, and distribution channels. The objective of the cost dimension is improving the accuracy of cost assignments. As the model suggests bellow, the cost of resources is traced to activities, and then the cost of activities is assigned to cost objects. This activity-based costing dimension is useful for product costing, strategic cost management, and tactical analysis. The second dimension, the process dimension, provides information about what activities are performed, why they are performed, and how well they are performed. This dimension's objective is cost reduction. It is this dimension that provides the ability to engage in and measure continuous improvement (*Hansen and Mowon 2006*).

Figure (3.4) Cost Dimension and A process Dimension'



Source : Hassan and Mowon 2006.

3.5.2 The Strategic Importance For Activity Based Costing / Management.

ABC/M systems continue to gain acceptance as a tool useful for managing costs, improving the value received by customer and the profits by providing this value. The greater use of information technologies, mass customization, and globalization has increased competitive pressures and has created a greater need for cost management techniques. Many organizations have realized that one cost system is not enough and that traditional methods need to be supplemented with cost management. ABC/M systems can provide information to support specific management decisions such as outsourcing, budgeting, reengineering and determining customer profitability. (Cooper, R. & Kaplan, R.,1998).

To achieve continuous improvement, management needs accurate and timely information about the work done (activities) and the objects of that work (e.g. products, services and customers). But gaining more accurate cost information through ABC is only half the battle. The real key to success is to use ABC information to identify appropriate strategies, improve product design, and remove waste from operating activities. Competitive conditions dictate that companies must deliver products the customers want, on time, and at the lowest possible cost. That means an organization must continually strive for cost improvement. The heart of ABC and ABM is the activity. Cost management focuses on the performance of each activity and its resulting use of resources. Managing activities better is the key to permanent cost reduction. Reducing cost is only one of several focal points of ABM. Improving quality, flexibility, and service - the importance of which vary from one business to another - is also central to ABM. Cost reduction is best achieved by changing the way activities are used or performed, then redeploying resources freed by the improvement. Finally, to attain those benefits, a company should develop and implement integrated cost management such as target costing, life cycle costing, and activity-based costing and management successfully. This requires many factors such as top management support, commitment to work, cross-functional teams, employee education and training, etc (Turney, 1996).

Based on the information provided above, the researcher offers the conclusion that activity based costing is an effective cost tool applied together with other cost tools in order to measure the cost , objects, activities , resources , connect the activities with resources , link the activities with the objects cost .

Applying the activity based costing /management works to improve the efficiency and effectiveness of the operation, increasing the competitive advantages and the value of organizations.

3.6 Competitive Advantage Analysis

Nowadays, enterprises have entered the era of low profit and increasing competition.

And they also behave more and more similar to each other. Competition is already up to the strategic level and becomes the key to success. Therefore, under the competitive environment, achieving competitive advantage is considered as the ability for a company to stay ahead of present or potential competition (Porter, 1985).

Porter (1985) define “Competitive Advantage” that competitive advantage comes from the values business creates for customers, and he defined competitive advantage as a company having a long-term, unique and advantageous competitive position relative to other competitors. He argued that competition is the key to success and determines all the activities related to the company’s overall performance, such as: innovation, cultural cohesion and the efficiency of implementation; while advantage means company can gain ascendancy in any environment.

3.6.1 Strategic Position Analysis

The strategic position is concerned with the impact on strategy of the external environment, internal resources and competences, and the expectations and influence of stakeholders.

The important of strategic position analysis is: organizational capability analysis , environmental analysis ,competitive forces analysis , strength , weaknesses , opportunities , threats analysis ,core competencies analysis .

3.6.2 Environmental Analysis

Environmental analysis can be described as “the study of the organizational environment to pinpoint environmental factors that can significantly influence organizational operations. With this type of analysis it is possible to improve understanding of the makeup and extent of uncertainty in the environment, to figure out the opportunities available worth seizing and the threats that need to be dealt with. It provides executives with a high degree of sensitivity to signals from the environment, allowing businesses to react strategically ahead of time. It enables businesses to match their capabilities to the external environment through creating and implementing relevant strategy. It allows proactive management to establish the extent to which it can increase the control of the business over its environment. It also helps provide an understanding of the key dynamics at play both inside and outside the business. It increases the chances that the strategy developed will provide a suitable response to the environment. The environmental analysis includes the political, economic, social, technology situation.

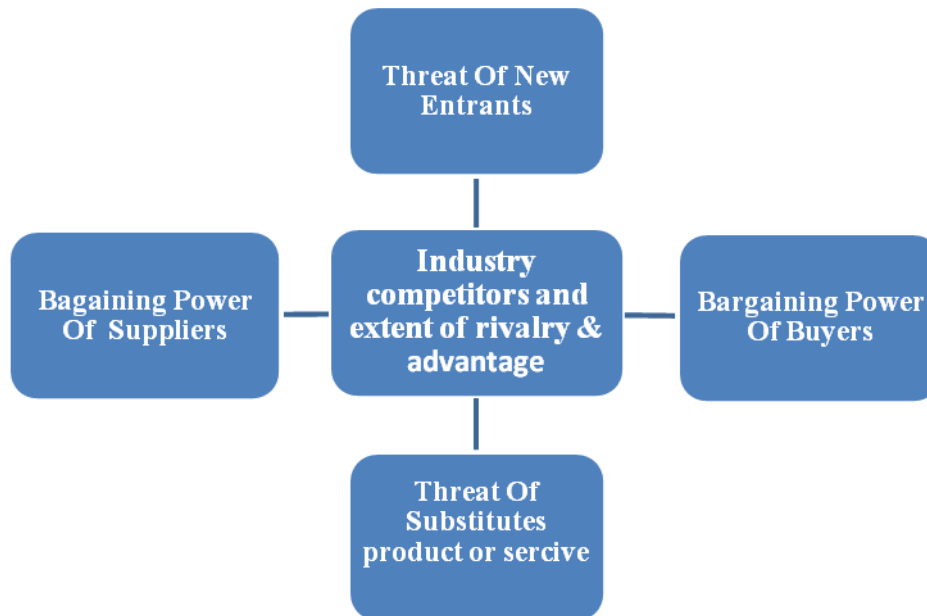
(Zhang, X ,. 2008)

3.6.3 Organizational Capability Analysis

The capabilities use of a company’s unique capability to develop and implement the competitive strategy and access the competitive advantage. Capability as the abilities companies have to achieve specific business goals through allocation of resources. a very successful company must pay attention to its behaviors, that is, the organization activities and business processes, and consider improving these activities and processes as a primary strategic objective. Therefore, they proposed the concept of overall capacity as the collective skills and knowledge within the organizational members and the organizational procedures of people interact with each other in the organization (Zhang, X , 2008)

3.6.4 Competitive Forces Analysis

Figure (3.5) The five forces that shape industry competition



Source : (Porter, 1985)

Michael Porter's five forces model is based on the insight that a corporate strategy should meet the opportunities and threats in the organizations external environment. Especially, competitive strategy should based on an understanding of industry structures and the way they change. These forces determine the intensity of competition and hence the profitability and attractiveness of an industry. The objective of corporate strategy should be to modify these competitive forces in a way that improves the position of the organization. Porter's model supports analysis of the driving forces in an industry. Based on the information derived from the Porter's five forces Analysis, management can decide how to influence or to exploit particular characteristics of their industry.

The Competitive Forces analysis is made by the identification of five fundamental competitive forces (Porter, 1985).

- The entry of competitors (how easy or difficult is it for new entrants to start to compete, which barriers do exist)
- The threat of substitutes (how easy can our product or service be substituted, especially cheaper)
- The bargaining power of buyers (how strong is the position of buyers, can they work together to order large volumes)
- The bargaining power of suppliers (how strong is the position of sellers, are there many or only few potential suppliers, is there a monopoly)
- The rivalry among the existing players (is there a strong competition between the existing players, is one player very dominant or all equal in strength/size)

3.6.5 Strengths, Weaknesses, Opportunities, and Threats Analysis

SWOT Analysis is a strategic planning method used to evaluate the Strengths, weaknesses, Opportunities, and Threats involved in a project or in a business venture. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieve that objective

- **Strengths:** characteristics of the business or team that give it an advantage over others in the industry.
- **Weaknesses:** are characteristics that place the firm at a disadvantage relative to others.
- **Opportunities:** external chances to make greater sales or profits in the environment.
- **Threats:** external elements in the environment that could cause trouble for the business.

Identification of SWOTs are essential because subsequent steps in the process of planning for achievement of the selected objective may be derived from the SWOTs. First, the

decision makers have to determine whether the objective is attainable, given the SWOTs. If the objective is NOT attainable a different objective must be selected and the process repeated. The aim of any SWOT Analysis is to identify the key internal and external factors that are important to achieving the objective. These come from within the company's unique value chain. (Porter 1985)

3.6.6 Core Competencies

Core competencies are a set of unique internal skills processes and systems that provide competitive advantage in the market. A good way to think of core competency analysis is to list the values of both product and service from the point of manufacturer or distribution to consumption. In what activities or skills does your company add value better than competitors? Are you better at research? Distribution? Marketing or Selling? Or perhaps manufacturing? In what functional discipline does your company add value for the customers? Core Competency analysis provides an opportunity to insightfully look at the skills processes and system of the company. Another advantage of developing a short list of distinctive, unique core competencies is that it will lead to improved access to new markets and success in new products. These benefits further leverage the well developed competence. The analysis of Core Competence creates a realistic view of the skill sets, processes and systems the company is uniquely good at performing. It helps to generate focus on the value adding activities. And, finally it helps in the decision process used to determine which activities are candidates for outsourcing. (Dix & Lee 2002)

3.6.7 Selecting The Appropriate Strategy

Porter has described a category scheme consisting of three general types of strategies that are commonly used by businesses to achieve and maintain competitive advantage. These three generic strategies are

3.6.7.1 Cost Leadership Strategy

Cost leadership is gained by being the lowest cost producer in the industry; this affords the company flexibility in responding to competitive moves by always being able to offer

the lowest price to the consumer. This strategy usually wins the company a large market share (Porter 1985).

3.6.7.2 Differentiation Strategy

this strategy creates competitive advantage by offering products with unique customer benefits or features not available from competitive offerings , here the company concentrates on creating a highly differentiated product line and marketing program so that it come across as the leader in the industry (Porter 1985).

3.6.7.3 Focus Strategy

This narrow focus strategy achieves competitive advantage by concentrating on narrow segments of a larger market. Emphasis is often on quality or benefits in tightly defined market sub segment .Each strategy are a fundamentally different approach to creating and sustaining a competitive advantage. Usually a firm will need to make a choice about which it will pursue. Implementing differentiation and cost leadership strategies simultaneously is usually impossible for a company. For example, it is difficult to be a cost leader which pursuing differentiation strategy because differentiation costs money(Porter 1985).

3.6.8 The Importance Of Strategic Cost Management For Competitive Advantage

When a firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals, the goal of much of business strategy to achieve a sustainable competitive advantage. Competitive advantage arises from the differential among firms along any dimension of firm attributes and characteristics that allows one firm to better create customer value than do others. Generic sources of competitive advantage include ownership of assets or position; access to distribution and supply, as well as proficiency knowledge, competence, and capability in business operation (Porter 1985).

3.6.8.1 The steps of strategic cost analysis as follow (Porter 1985)

- Identify the appropriate value chain and assign costs and assets to it
- Diagnose the cost drivers of each value activity and how they interact
- Identify competitor value chains and determine the relative cost of competitors and the sources of costs differences
- Develop a strategy to lower relative cost position through controlling cost drivers or reconfiguring the value chain and or downstream value
- Ensure that cost reduction efforts do not erode differentiation or make a conscious choice to do so
- Test the cost reduction strategy for sustainability.

The appropriate unit of analysis in setting competitive strategy is industry (which is a group of enterprise in direct competition). Strategically, an industry may be distinguished from another by the fact it proposes products that have similar sources of competitive advantage. The enterprise, with its competitive advantage, must define and elaborate a profitable approach of its industry. There is no universal strategy: to be successful, a strategy must be specific to the enterprise and the industry under consideration. The strategy must be based on the enterprise's scope of competence and real means. On every competitive strategy, there are two components to distinguish. First, the structure of the industry in which evolves the enterprise: From one industry to another, the profitability may change. Second, the positioning of the enterprise within the industry (some positions will be more advantageous than another whatever the profitability level) (Porter 1983).

Chapter Four

Proposed Framework For Achieving Integration Strategic Cost Management Tools.

4.1 The Need for The Strategic Cost Management

During the past two decades, organizations have had to respond to the trends and changes in the business environment with newer and better approaches to managing their businesses. These new approaches are being implemented in organizations under names such as: total quality management, employee involvement and empowerment business process reengineering, continuous improvement, and other approaches. These philosophies require organizations to be responsive agile, and flexible in profitably providing value-added products and services to customers at competitive prices. Thus organizations are now discovering that they must be able to manage a complex and rapidly changing environment without the significant costs that traditionally have attended these characteristics. Within this changing environment, organizations have witnessed a significant rebirth of new accounting approach; strategic cost management (Kumar & Sonapat 2011).

In the modern business environment, cost management has become a critical survival skill for many organizations. But it is not sufficient to simply reduce costs instead, costs must be managed strategically (Cooper & Slagmulder 1998).

Managers today operate in a dynamic environment that reflects the convergence of profound technological, competitive, and behavioral changes. These forces of change are compelling executives to challenge the most fundamental operational and economic assumptions of their businesses. Strategic cost management takes a broad view of the organization's costs, both internal and external in such a way as to enhance competitive advantage. Strategic cost management tools could help with this issue by providing important information for strategy formulation, evaluation of strategy implementation,

and highlighting the practical limitations or problems with the adopted strategy (Shank & Govindarajan , 1993).

4.2 The Primary Features Of This Research Which Differentiate From Other Research

1. Focus on supporting activities of external and internal environment for the organization by considering the external parties have direct effect on both the organization performance and the cost in order to reach the competitive advantage which distinguishes the organization from other competitors.
2. Adopting inclusive and integrated concept in value analysis for the organization , suppliers , customers and competitors and focus on the interrelationships between these parties where the effectiveness of proposed framework has become clear through its ability for managing those relationships and reconcile the different goals for organization, customers, suppliers and society ,or in other words, to maximize the total value of the organization.
3. Achieve connection and integration between the strategic cost management tools which are :
 - a) The value chain analysis: the researcher believes that the value chain analysis is the cornerstone and infrastructure for this framework that connecting internal and external viewpoints in order to achieve sustainable competitive advantages.
 - b) The researcher believes that the product life cycle tool represents the general framework in which many strategic tools might be integrated and organized to reduce cost and reach competitive levels which could be achieved by the integration and interrelation between the product life cycle and the strategic cost management tools which are target cost, activity

based system and others of strategic cost management tools will not study it in this research.

4. All components of proposed framework focus on increasing revenues, decreasing costs, improving production, and customers which lead to improve the strategic position for the organization that also represent the same goals in which cost strategic management concept seek to achieve.
5. The proposed framework aims to rely on sophisticated tools for managing the cost which help to provide the appropriate information for customers, suppliers, competitors and the external environment which helps in development and putting strategies for organization on one hand, studying, analyzing and putting various alternatives for management on the other hand for the purposes of decreasing cost and continuous improvement, which will actually support competitive advantage for organization.

4.3 Proposed Framework - The Integration Among Methods And Tools Of The Strategic Cost Management Tools.

Referring to the indicative form concerning framework, and from strategic view point we note that many factors, methods, and tools for strategic cost management are included but through having a deep look for such framework it would be noted that there are approaches or methods represent bases that proposed framework depends on which also involved in value chain analysis and product life cycle because they are considered the corner stone for building the frame work to apply one of these approaches alone would normally lead to cost reduction and build competitive advantage for the firm. Moreover, both approaches take into consideration a comprehensive view to achieve value that based on linkage and interaction among all internal and external environmental factors for the firm, and also take into consideration all stages of product life cycle in order to improve the firm competitive situation and achieve conscious value.

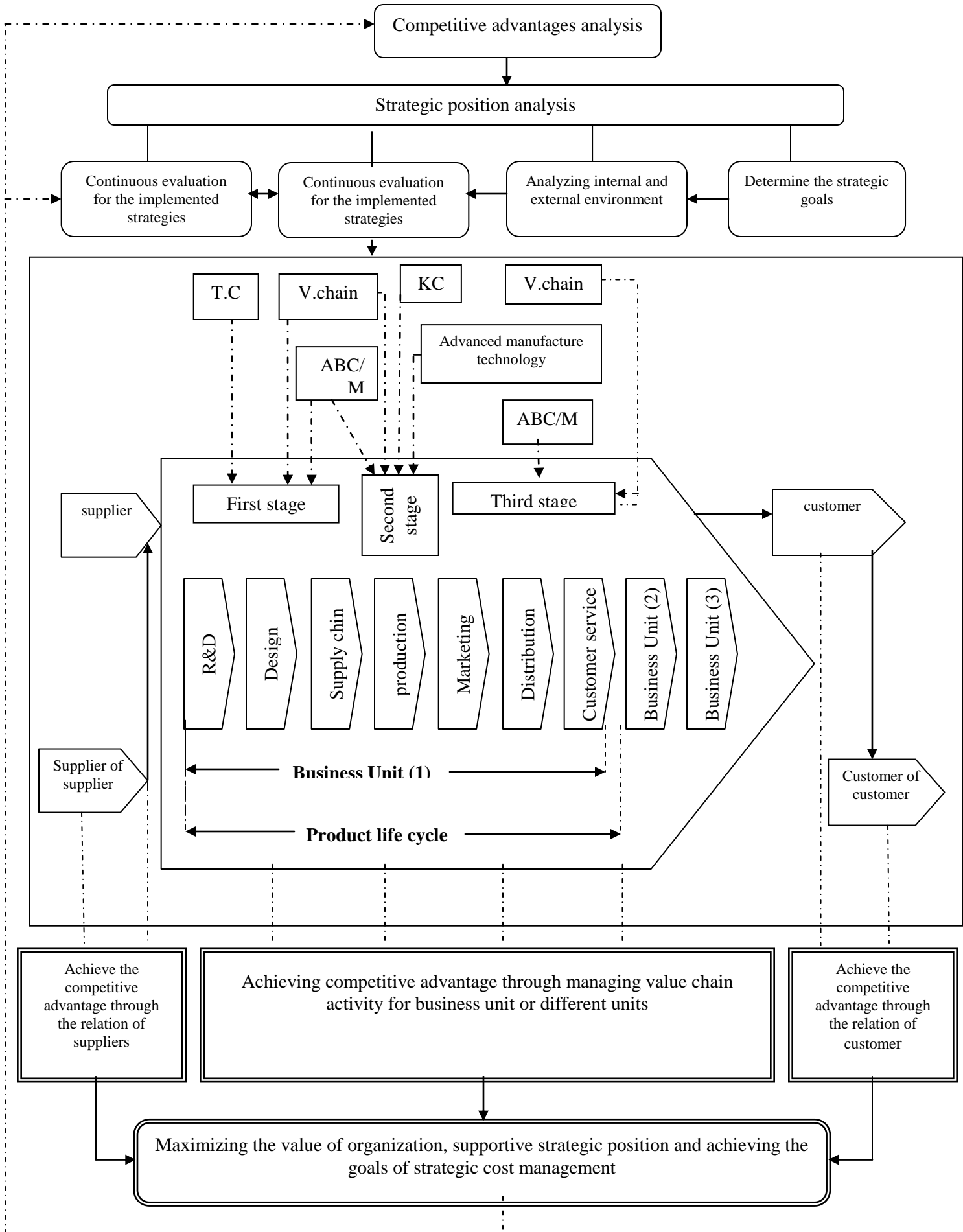


Figure 4.1 Proposed Framework For The Integration Between The Strategic Cost Management Tools

4.4 The Benefit from Using the Value Chain Management

The value chain management is considered the main pillar for suggested framework. Value chain management is a way for assessing competitive advantage by determining the strategic advantages and disadvantages of the full range of activities that shape the final offering to the end user. The value chain management is considered the corn stone of for competitive advantage through providing the financial and nonfinancial information for all activities of the organization.

It could be cleared that taking benefit of using value chain analysis approach and factors that should be focused in which competitive advantage might be achieved as the following:

- Determine activities of value chain management
- Determine cost driver
- Determine Linkages and Interrelationships of the Value Chain
- Redefine The Value Chain For Reducing Costs And/ Or Improving Value

4.4.1 Determine The Activity Of Value Chain Management

The industry value chain begins with the basic raw material producer and ends with the delivery of the final product to the customer (Shank and Govindarajan 1993). A company should identify the specific value activities that it performs in the process of design, manufacturing, and customer service in the industry.

(Shank and Govindarajan 1993) argued that a company must give a lot of attention to the following considerations, when it isolates and separates value chain activities

Activities represent a significant percentage of total costs; that mean, activities should be separated if they represent a significant or rapidly growing percentage of total costs.

A company can identify the large components of their cost, however, the company should not ignore growing small activities because activities that represent a small and growing

percentage of costs can effect on its cost structure. On the other hand, if activities are a small percentage of costs, a company can group them together into broader categories.

The cost behavior of the activities (or cost drivers) is different; that mean for each activity, there is factor(s) determines cost level or cost behavior of this activity. In the value chain analysis, activities with similar cost drivers can be grouped together

Activities are performed by competitors in different way; that mean significant activities should be treated separately when competitor performs them in a different way.

Activities have a high potential for creating differentiation. a company may determine the appropriate chain activities through which activities have a high potential for creating differentiation. A company can differentiate itself when it is able to deliver benefits that exceed those of competing products. The industry value chain embraces upstream links and downstream links. For example, in upstream links include completed product design, mining, development, and refining raw materials. Downstream links include marketing, distribution, and service (Shank and Govindarajan 1993).

4.4.2 Determine The Cost Driver

Every organization is a collection of activities that are performed to design, produce, and market, deliver and support its products and services. All these activities can be represented generically through the value chain (Porter 1998).

(Shank & Govindarajan, 1993) argued that the basic concept of strategic cost drivers is to get away from the notion that volume drives cost. In strategic cost management, cost is caused by a multitude of factors that are related to each other in complex ways. Identifying and analyzing these factors mean best explaining the changing relationship between these factors and costs over time and therefore understanding the cost behavior and cost structure of a company. A company can develop a cost advantage by controlling cost drivers of value activities which represent a significant percentage of total costs, or by reconfiguring the value chain. Reconfiguration the value chain means structural changes such as a new production process, new distribution channels, or a different sales approach. A company can achieve superior position through controlling cost drivers of

significant activities in the value chain. Activities that represent significant percentage of total cost will offer a greater potential for improving relative cost position. Identification of activities in the value chain and their costs allows management to decide on the most cost beneficial manner in employing the activities, thus, the cost system should trace costs to separate value activities in order to enable the company to manage its activities better than its competitors. Operation costs should be assigned to activities in which they are incurred. To effectively management value chain costs, it is important for a firm to select a cost tracing approach and track costs by cost objects that can provide necessary information at the lowest possible cost.

(Shank & Govindarajan , 1993) stated that organization activities are of three types: structural activities (such as the number of production facilities and selecting and using process technologies) which determine the underlying economic nature of the company, executional or procedural activities (such as total quality management and designing products) which pervade all aspects of company operation and reflect the company's ability to perform processes efficiently and effectively, and operational activities (such as product assembly, setting up equipment, and scheduling), are the day-to-day activities of the company.

4.4.3 Identify Linkages And Interrelationships In The Value Chain

It is important not to think of the value chain merely as a set of independent activities. In the value chain, costs are associated with value-creating activities. Thus, by reducing the costs in the various activities of the value chain, the company may be able to reduce costs effectively. However, consideration must be given to linkages between activities. The cost of performing one activity will often be influenced by the way in which other activities are performed. Thus, the costs of activities should not be reduced independently, but they should be optimized together. This way it is possible to achieve an overall cost reduction throughout the whole value chain resulting in a competitive advantage.

Value chain concept emphasizes the following four areas for improving the company's cost position and also customer value (Kirli & Gums., 2011).

- Linkages within the value chain of a business unit
- Linkages across business units value chains within the company
- Linkages with suppliers
- Linkages with customers

4.4.3.1 Linkages Within The Value Chain Of A business Unit

Activities before and after production must be identified and their linkages recognized and exploited. Exploiting internal linkages means that relationships between activities are assessed and used to reduce costs and increase value. For example, product design and development activities occur before production and are linked to production activities. The way the product is designed affects the costs of production. How production costs are affected requires knowledge of cost drivers. Thus, knowing the cost drivers of activities is crucial for understanding and exploiting linkages. If design engineers know that the number of parts is a cost driver for various production activities (material usage, direct labor usage, assembly, inspection, materials handling, and purchasing are examples of activities where costs could be affected by number of parts), then redesigning the product so that it has standard parts, multiple sources, short lead times, and high quality can significantly reduce the overall cost of the product.

The design activity is also linked to the service activity in the firm's value chain. By producing a product with fewer parts, there is less likelihood of product failure and, thus, less cost associated with warranty agreements (an important customer service). Furthermore, the cost of repairing products under warranty should also decrease because fewer parts usually mean simpler repair procedure (Hansen & Mowen 2006).

4.4.3.2 Linkages Across Business Units Value Chains Within The Company

Interrelationships between one business unit and another within the firm are highly relevant to the diversified firm . Some companies consist of many different business units as well as shared service or support units such as General Electric and Honda.

Interrelationships or linkages across business unit value chains within the firm result from sharing activities of a value chain category across business units or entering new businesses in order to share activities for example, marketing and distribution activities across different divisions, procurement, logistics, product design, and selling are all good candidates for sharing. Thus, a business unit can potentially share one or more value activities with another business unit within the firm. (Shank and Govindarajan, 1993)

4.4.3.3 Linkages With Customers

Customer linkage is concerned with planning, implementing, and evaluating successful relationships between providers and recipients either upstream or downstream of supply chain. Accordingly, customer relationships management (CRM) is not only focusing on inbound customer relationships but also on outbound customer relationship in SCM. Customer linkage deals with the ability to communicate delivery of the right products and services to customers locally and globally in the right time, right place, and right quantity with correct invoice. Customer linkage is mainly sharing product information with customers, accepting customer orders, interacting with customers to manage demand, having an order placing system, sharing order status with customers during order scheduling, and product delivery phase (Shank and Govindarajan , 1993).

4.4.3.4 Linkages With Suppliers

Supplier linkage, deals with strategic linkages with suppliers, involving suppliers in new products during the design stage, in production planning and inventory management, developing a rapid response order processing system with suppliers, placing a supplier network that assures reliable delivery, and exchanging information with suppliers. Linkages with activities external to the firm can also be exploited. Exploiting external linkages means managing these linkages so that both the company and the external parties receive an increase in benefits (Hansen & Mowen 2006).

4.4.3.5 Redefine The Value Chain For Reducing Costs And/ Or Improving Value

Opportunities to reduce costs and improve value can also arise from redefining or reconfiguring the value chain. A company can redefine its value chain to adopt different and more efficient activities to design, produce, distribute, or market the product.

There are several ways in which a company can reconfigure its value chain in order to achieve superior position. Porter (1998) stated some of these ways, for example:

- A new production process
- New process technologies
- Utilize new distribution channels
- A different sales approach
- A new raw material
- Major differences in forward or backward vertical integration
- Shifting the location of facilities relative to suppliers and customers
- New advertising media

The value chain describes a series of value-adding activities connecting a company's supply side (raw materials, inbound logistics, and production processes) with its demand side (outbound logistics, marketing, and sales). By analyzing the stages of a value chain, managers may be able to redesign their internal and external processes to improve efficiency and effectiveness. Thus, a company must examine value chain activities as well as the value chain activities of its competitors in order to find creative options or ways to perform its activities differently and more efficiently.

For example, Dell Computer, one of the fastest-growing computer companies in the United States, has successfully reconfigured its value chain through a different sales approach to become leader in the PC industry from the above it shows the importance of value chain management in achieving the competitive advantage and cost reduction for the organization which consider the one of pillars of the suggested frame work the other pillar that underlying the suggested framework is the product life cycle which can explain the importance in the following parts (Porter ,1998).

4.5 The Benefit From Product Life Cycle As A strategic Tools For Proposed Framework

Shrinking product life cycles, global competition, supply chain complexity, and increasing customer demands have made it more challenging than ever to bring winning products to the market. To increase revenue, market share, quality, and product profitability, manufacturers must achieve operational excellence throughout the product lifecycle and across the extended enterprise.

Most eminent among these instruments are life cycle costing, target costing and activity-based costing and management. The general features of these instruments are to provide accurate product cost information to determine the accurate profit of this product and to emphasize on intermediate or long-term cost management (Ewert & Ernst .,1997).

Target costing and activity-based costing and management can be applied together under life cycle costing and can be seen as distinctive representation of strategic cost management.

Researcher claims that a company can only achieve the goal of a successful long term and market-oriented cost management, if it integrates various cost management instruments such as life cycle costing and target costing into one coherent concept.

There are three stages for product life cycle

- Research and development (before production)
- Production stage
- Customers service and disposal of product stage (after production)

Hansen &Mowen, 2006, Claim that a company can only achieve the goal of a successful long term and market-oriented cost management, if it integrates various cost management instruments such as life cycle costing and target costing into one coherent concept.

4.5.1 The Mechanism of Working the Suggested Framework And The Integration Of Its Components.

First step: Competitive advantage analysis (strategic position analysis).

*Strategic direction analysis.

*Determine the strategic goals of the organization.

*The strategic position analysis for internal and external environment of the organization.

*Selection between alternatives of differentiation strategy.

*Continuous evaluation for the implemented strategies.

The second step: Reliance on value chain analysis and product life cycle style as pillars for the integration of strategic cost management tools.

*Research and development stage and design (pre-production).

*Production stage (manufacturing) .

*Sale stage and after-sales service and disposal of the product (post-production).

Third step: Return to the first step which started on it the suggested framework.

4.5.1.1 First step Competitive Advantage Analysis (Strategic Position Analysis)

The strategic position analysis rely on managing and reducing cost which include the strategic direction analysis, determine the suitable strategy for organization,

The global competition relies on putting the strategy not longer in products competition.

The following steps must organization start on it

- Strategic direction analysis.
- Determine the strategic goals of the organization
- The strategic position analysis for internal and external environment of the organization
- Selection between alternatives of differentiation strategy
- Continuous evaluation for the implemented strategies

4.5.1.1.1 Strategic Direction Analysis

The planned objectives that an organization strives to achieve. Most senior managers will take the time to develop and articulate appropriate strategic goals for their business in order to demonstrate to sub-ordinate employees what their plans and vision for the company are , to support competitive advantage and increase the value of organization .

Such strategic goals should be achievable and should reflect a realistic assessment of the current and projected business environment.

The strategic direction analysis is the direction which select it the economic unit to face the competition in market in order to survive and continue in market.

In order to select the right direction the organization must do the following analysis.

4.5.1.1.2 Determine The Strategic Goals Of The Organization

Each organization must determine its strategic goals in order to achieve it easily.

4.5.1.1.3 The Analysis Of Strategic Position For Internal And External Environment

The basic goals of analyze of internal and external environment is to know the organization position (where the organization are), in order to know where the organization are, we must do the following analysis as bellow

4.5.1.1.3.1 The Capability of Organization Analysis

The internal environment of a corporation consists of variables (strengths and weaknesses) that are within the organization itself and are not usually within the short-run control of top management. These variables form the context in which work is done. They include the corporation's structure, culture, and resources.

The simplest way to begin an analysis of a corporation's value chain is by carefully examining its traditional functional areas for strengths and weaknesses. Functional resources include not only the financial, physical, and human assets in each area, but also the ability of the people in each area to formulate and implement the necessary functional objectives, strategies, and policies. The capabilities include the knowledge of analytical concepts and procedural techniques common to each area and the ability of the people in each area to use them effectively. If used properly, these capabilities serve as strengths to carry out value-added activities and support strategic decisions. ((Hunger & Wheelen, 2011).

4.5.1.1.3.2 External Environment Analysis

The **external environment** consists of variables (opportunities and threats) that are outside the organization and not typically within the short-run control of top management. These variables form the context within which the corporation exists. They may be general forces and trends within the natural or societal environments.

The external environment include of many of variables which influence on organization performance directly in short and long term. Strategic managers must first be aware of the many variables within a corporation's natural, societal environment

The **natural environment** includes physical resources, wildlife, and climate that are an inherent part of existence on Earth. These factors form an ecological system of interrelated life like consumer, competitors, suppliers, stakeholders, financial organization, and employee.

The **societal environment** is mankind's social system that includes general forces that do not directly touch on the short-run activities of the organization that can, and often do, influence its long-run decisions like Economic forces, Technological forces, Political legal forces, Socio-cultural forces (Hunger & Wheelen, 2011).

4.5.1.1.3.3 The Competitors Forces Analysis:

Competitors force analysis which are The threat of new coming enterprises , The threat of replacing products , The suppliers' power of bargaining , The customers , power of bargaining, The rivalry inside between the firms of the same sector (Passemard & Kleiner ,2000).

4.5.1.1.4 Selection Between Alternatives Of Differentiation Strategy

SWOT can be used to generate a number of possible alternative strategies. SWOT Matrix illustrates how the external opportunities and threats facing a particular corporation can be matched with that company's internal strengths and weaknesses to result in four sets of possible strategic alternatives.

This is a good way to use brainstorming to create alternative strategies that might not otherwise be considered. It forces strategic managers to create various kinds of growth as

well as retrenchment strategies. It can be used to generate corporate as well as business and functional strategies.

Figure (4.2) Generating Alternative Strategies Using a SWOT Matrix.

External Factors (EFAS)	Internal Factors (IFAS)	Strengths (S)	Weaknesses (W)
	Opportunities (O)	SO Strategies Generate strategies here that use strengths to take advantage of opportunities	WO Strategies Generate strategies here that take a advantage of opportunities by overcoming weaknesses
Threats (T)		ST Strategies Generate strategies here that use strengths to avoid threats	WT Strategies Generate strategies here that minimize weaknesses and avoid threats

Source : . (Hunger & Wheelen, 2011)

- In the Opportunities(O) block, list the external opportunities available in the company's or business unit's current and future environment from the EFAS Table.
- In the Threats(T) block, list the external threats facing the corporation now and in the future from the EFAS Table.
- In the Strengths (S) block, list the current and future strengths for the corporation from the IFAS Table.

- In the Weaknesses(**W**) block, list the current and future weaknesses for the corporation from the IFAS Table.

Generate a series of possible strategies for the corporation under consideration based on particular combinations of the four sets of strategic factors:

- **SO Strategies** are generated by thinking of ways a corporation could choose to use its strengths to take advantage of opportunities.
- **ST Strategies** consider a corporation's strengths as a way to avoid threats.
- **WO Strategies** attempt to take advantage of opportunities by overcoming weaknesses.
- **WT Strategies** are basically defensive and primarily act to minimize weaknesses and avoid threats. . (Hunger& Wheelen, 2011)

4.5.1.1.5 Continuous Evaluation For Strategic

It's the process by which corporate activities and performance results are monitored so that actual performance can be compared with desired performance. The process provides the feedback necessary for management to evaluate the results and take corrective action, as needed. (Hunger , Wheelen, 2011)

4.5.1.2 The Pillars Of Strategic Cost Management Tools Integration Are Value Chain Management And Product Life Cycle

From the above the researcher showed the value chain management and product life cycle consider pillars for this suggested framework so the organization must apply these two techniques and connect them with other managing cost tools.

Value chain gives us a framework of activities those inside and outside a firm, and makes the competitive strength of the firm combine together. So, it assesses the value of each activity which increases the products and services to a firm. The ability to perform particular activities and to manage the linkages between these activities is a source of competitive advantage

In other side the product life cycle is a technique which enables comparative cost assessments to be made over a specified period of time, taking into account all relevant economic factors both in terms of initial costs and future operational costs.

The research suggest to divide the product life cycle to three stages

- Research , development and design stage
- Production stage
- Customer service stage and disposal form the product (after production)

4.5.1.2.1 Research , Development and Design Stage

The stage of research, development and design of product is the important and core stage in product life cycle because it is determined the large a proportion of product cost

Strategic cost management and its techniques can really help the design team to make good cost conscious decisions. Strategic cost management considers the design of products and processes key to cost management. It helps engineers to look at the cost impact of product and process designs on all stages, from research and development to the end stage of the product development cycle. This allows cost reduction over the entire life cycle of a product. The researcher suggests using the following strategic cost management tools as bellow

- Target costing technique
- Activity based costing/ management technique.
- Agreed for final design for product

4.5.1.2.1.1 Target Costing Technique

The main motivation for managing costs during product design is that after the product development stage most costs have been “designed” into the product and during production cannot be influenced (significantly) .

Target costing is an important technique for managing product costs during the design stage. It is essentially concerned with setting a target cost to be achieved in the product development process, such that a sufficient profit margin is realized when the product is introduced into the market (Dekker & Smidt, 2003).

4.5.1.3 Planning And Design Product

Planning and design product to meet the customer's needs and competition conditions.

Its required determined the customers and desired needs in the level of competitor's performance for products and market requirement by using of attributes activity based costing.

4.5.1.4 Target Selling Prices for Product

Target selling prices are determined within the context of the long-term sales and profit objectives of the firm. Market share, profitability objectives, and image of the firm are factors that must be taken into account when setting the target selling price.

The first step is *a company can only expect customers to pay more for a product than its previous product* if the perceived value of the new product is higher. However, the availability of competitive products and their perceived value have a dampening effect on price increases associated with incremental perceived value.

The second step in the process is *the determination of the desired profit or target profit margin*. Profits and profit margin should be reasonable and cover planned costs, additional required investment, and decommissioning or disposal costs over the product's life cycle. Similarly, the profit margin should be sufficient to support continuing product research and development. Some companies, for example, Sony Corporation, build in more flexibility in establishing the desired profit or target profit margin. They allow for tradeoffs between different products, i.e., within the product group some products will have some profit margins higher and some lower. The desired profit margin should be meet the company's objectives.

The third step *computation of the allowable product cost* is the difference between the target selling price and the target profit margin. The objective is to meet the cost constraints placed on the company, or establishing the target cost reduction objective (Mehmet, K & Austill A .,2006)

4.5.1.5 Set Product Level Target Cost

The second part of the target costing process involves product designers finding ways of developing products that satisfy customers at the allowable cost. As product designers may not always achieve this, the product-level target costing process increases the product's allowable cost to a target cost that the company can reasonably expect to achieve, considering its capabilities and suppliers

Subtracting the allowable cost from the current product cost derives the cost-reduction objective i.e. Cost reduction objective = current cost – allowable cost. Since the allowable cost calculation is based on external factors and does not take into account the company's design and production capabilities, the risk exists that the allowable cost will not be achievable.(Slater , M., 2010)

From the above the target costing technique can be integrated with the product life cycle technique that consider both of them inclusive approach for strategic cost management which can focus in all product life cycle stages Starting from stage of research , development and design to the disposal of the product.

4.5.1.5.1.1 Activity Based Costing / Management System

Companies need to be equipped with accurate cost modeling techniques in order to manage their costs and assure an acceptable profit margin. As competition increases, new-product innovations must outpace product obsolescence. Most of a product's costs are determined during the product design stage. Managing the cost of a product already in production can be achieved only by minimizing unfavorable cost variances from the product's standard cost and by applying process improvements. After a new product is launched, the potential to reduce costs from the product's perspective rapidly falls. Costs must be managed early on in a product's life. Target costing and ABC data can be used to achieve this.⁽²⁾

⁽²⁾ <http://maaw.info/ArticleSummaries/ArtSumCokins2002.htm>

Both ABC and target costing are considered as modern approaches of strategic cost management. Whereas ABC costing provides the more accurate basis for calculating product cost, the target costing aims at better planning for attaining the target cost price. These approaches to cost accounting help the management to set the selling price suitably. If these approaches are used in combination, these can help in avoiding wasteful expenditures. These approaches are most suitable when an entirely new product is launched in the market. These are also important to assess and evaluate the effect of new technology. ABC costing advocates the concentration on activities while target costing helps the business in keeping the target costs under control by concentrating on the final product. The ABC approach is on the belief that the business should try to cut the *indirect costs* to reduce the cost of product and it is not possible to cut the direct costs. The target costing aims at cutting direct as well as *indirect costs* to attain the target level of costs. However the application of ABC and target costing in combination can provide the better results (Currie ,J, no date).

4.5.1.5.1.2 Agreement For Final Product Design Form .

After performing the previous steps, the organization agrees to final product design with taking on to consideration the quality of product, cost and time to submit it to the second stage which is the production stage which starting on product life cycle in order to reduce and control the cost.

4.5.1.5.2 Production Stage

The researcher suggests using the following tools for strategic cost management and it could be useful for the framework

- Activity based costing for dividing and analyzing the functions of this stage
- Kaizen costing system for continuous reduction for the cost of activity for this stage
- Benefit from the interrelations of external parties for organization (suppliers and customers).

4.5.1.5.2.1 Activity Based Costing for Dividing and Analyzing the Functions of this Stage (Gupta ., & Galloway ., 2003)

- Identify the activities that consume resources and assign costs to them.
- Identify the cost driver(s) associated with each activity. A **cost driver** is any factor that causes, or “drives,” an activity’s costs.
- Compute a cost rate per cost driver unit or transaction. Each activity could have multiple cost drivers.
- Assign costs to products by multiplying the cost driver rate by the volume of cost driver units consumed by the product.
- Compute activity based product costs

4.5.1.5.2.2 Kaizen Costing Approach

Kaizen costing is a cost-reduction system that is applied to a product in production. It comes from the combination of the Japanese characters ‘kai’ and ‘zen’ which mean ‘change’ and ‘good,’ respectively. The word ‘Kaizen’ translates to ‘continuous improvement’ or ‘change for the better’ and aims to improve productivity by making gradual changes to the entire manufacturing process. Some of the cost-reduction strategies employed involve producing cheaper re-designs, eliminating waste and reducing process costs. Ensuring quality control, using more efficient equipment, utilizing new technological advances and standardizing work are additional elements.

The goal here is to reduce the difference between profit estimates and target profits. The cost deviation analysis done in Kaizen costing examines the difference between the target Kaizen costs and the actual cost reduction achieved. The basic idea here is to make tiny incremental cost reductions on a continual basis in a product's life cycle.

Since the goal is to reduce costs on a monthly basis, every department in the company makes an effort to introduce operational changes on a daily basis. The Kaizen approach calls for analyzing every part of the process and generating ideas on how they can be further improved. Kaizen costing takes into account aspects such as time-saving

strategies, employee efficiency and wastage reduction while incorporating better equipment and materials. ⁽³⁾

The use of multiple generations of products to meet the challenge of gradually reducing costs. The market price continues to drop over time, which forces a company to use both target and kaizen costing to reduce costs and retain its profit margin. ⁽⁴⁾

4.5.1.5.2.3 Benefit From Relations With External Parties Of The Organization , Especially Suppliers And Customers

The organization can do that by connecting with suppliers and customers through the value chain management (supply chain)

The reliance on the technology communication system and online exchange information which aims to reducing and excluding any non value added to the product

4.5.1.5.3 Sale Stage , After Sales Services And Disposal Of The Product

We can benefit from this stage by using the following cost tools

- Activity based costing for managing customers services
- Activity based costing for managing the environmental cost and disposal of product cost.

4.5.1.5.3.1 Activity Based Costing For Managing Customers Services

ABCM would be used by higher-performing, low-price oriented firms. However, they found it used actually highest among strong performing firms with a customer-service / flexibility strategic focus. One explanation is that ABCM can help customer service-oriented firms better understand the costs of meeting their customers' needs. If management uses the better activity cost information to take actions that help ensure their customer service efforts are appropriate and profitable, then the firm will have better

⁽³⁾ <http://www.wisegeek.com/what-is-kaizen-costing.htm>

⁽⁴⁾ <http://managerial-accounting.blogspot.com/2012/09/what-is-kaizen-costing.html>

performance outcomes. Firms with a customer service orientation may enhance performance with ABCM when used with customer profitability analysis, the benefits of using ABCM with customer profitability analysis, including more profitable pricing structures aimed at turning unprofitable customers into profitable ones.

Profitable customers analysis: There is three way for managing profitability customers

- Increase the customer's needs through introducing high services
- Decreasing the price of products for profitability customers if there probability of moving to others competitors
- Introduce the new ways for customer service if the cost of this service is low and increasing the customer needs

Un profitability customers analysis: There is new ways for managing un profitability customers

- introduce the required services in effective way
- Increase the price of products to reflect the cost of sources
- Decreasing the customers service for un-profitability customers

The others costs that must manage it which related to marketing and selling stage (after production)

- Advertisement cost
- Fright cost
- Warranty cost
- Packaging cost

(Krumwiede ,K& Charles , S., 2011)

4.6.2.1 .2 .6.2 Activity Based Costing For Managing The Environmental Cost And Disposal of Product Cost

disposal of product is consider the last stage in product life cycle , in this stage the organization can rely on integrate the activity based costing with product life cycle cause it assign the environmental expenditure to the product in effective way (Hansen& Mowen , 2006.)

4.5.1.6 The Final Step In Proposed Framework : Return To The Point Where The Proposed Framework Started

in this step , the organization should return to the point where the proposed framework started , which means we have to return back to the first step to assess the strategies and the planned goals to stand once more on the competitive position of the company and to which extent the goals and the strategies have been achieved in advance and to work on modification , changing or consolidation of any required action for the assessment process and then the rest of the steps of the proposed framework are completed so that the process will peruse in a form of a continuous cycle aiming to support the competitive advantage and maximize the value of organization .

Chapter Five

Research Methodology

5.1 Introduction:

This chapter describes the methodology that was used in this research Strategic cost management to maximize the value of the organization and its competitive advantage. The adopted methodology to accomplish this study uses the following techniques: the information about the research design, research population, questionnaire design, statistical data analysis, content validity and pilot study.

5.2 Study Method And Data Collection:

Analytical descriptive method has been used to sustain quantitative measurement and analysis. Data has been collected through different means which include:

5.2.1 Secondary resources:

To introduce the theoretical literature of the subject, the researcher has depended on the following data resources:

- Books and references in Arabic and English about Relationship strategic cost management.
- Periodicals, articles, published papers and referred previous studies in different countries which have been conducted on the same subject.
- The Internet sites and the available electronic versions.

5.2.2 Primary resources:

To analyze the qualitative and quantitative characteristics of the phenomena, it has been depended on collecting the primary data by the questionnaire and meeting (see appendix 1) as a main tool for the study, it saves time and effort.

The aim of the questionnaire is to measure the strategic cost management tools applied by industrial companies in Gaza Strip or not? Every question has five alternative answers according to Likert Scale which consists of five degrees.

5.3 Population study

Population consist of industrial companies in Gaza strip

5.4 Sample study

We select random from the population with size equal forty five industrial companies in Gaza strip, and questionnaires were distributed to members of the sample and thirty eight questionnaires are received , and the following tables illustrated the properties of the samples:

5.4.1 Companies data

5.4.1.1 Companies capital

Table No.(1) show that 7.9% of the company's capital from "\$500,000- \$750,000 " , and 10.5% of the company's capital from "\$750,000- \$1000,000 " , and 81.6% of the company's capital from " more than \$1000,000 " that figure mean the target group for this samples are more than 1,000.000\$

Table No.(1)

Companies capital

the company's capital	Frequency	Percentages
\$500,000- \$750,000	3	7.9
\$750,000- \$1000,000	4	10.5
more than \$1000,000	31	81.6
Total	38	100.0

5.4.1.2 Second: Personal data:

1 Job title

Table No.(2) show that 15.8% of the samples Job title are " Director of the company " and 36.8% of the samples Job title are " Financial Manager " , and 39.5% of the samples Job title are " Accountant " , and 7.9% of the samples Job title are " Other " . that mean the majority of the samples job title are from accountant and director of the company.

Table No.(2)

Job title

Job title	Frequency	Percentages
Director of the company	6	15.8
Financial Manager	14	36.8
Accountant	15	39.5
Other	3	7.9
Total	38	100.0

2 Education:

Table No.(3) show that 15.8% of the samples of education are " Higher education " , and 76.3% of the samples of education are " Bachelor degree " , and 7.9% of the samples of education are " Diploma ". The fact that the owners or employees progress hold them of looking to get a better college degree. In addition, this figure sends a positive sign that the employees will be able to deal with proposed framework of strategic cost management.

Table No.(3)

Education

Education	Frequency	Percentages
Higher education	6	15.8
Bachelor degree	29	76.3
Diploma	3	7.9
Total	38	100.0

3 Years of experience :

Table No.(4) show that 5.3% of the samples of experience " Less than 5 years " , and 47.4% of the samples of experience " 5 to 10 years " ,and23.7% of the samples of experience " 11 to 15 years " , and 23.7% of the samples of experience "16 years and over " this figure mean that the majority of employees are experience as it see the 47.4% of samples are from 5 to 10 years experience .

Table No.(4)

Years of experience

Years of experience	Frequency	Percentages
Less than 5 years	2	5.3
5 to 10 years	18	47.4
11 to 15 years	9	23.7
16 years and over	9	23.7
Total	38	100.0

5.5 Costing system applied at industrial companies

Table No.(5) show the methods of the costs system applied in an organization ranked from highest to lowest importance as follows:

- 1- (Competitive advantage analysis Style) with percent 27.7% and ranked "1".
- 2- (Target cost style) with percent 23.8% and ranked "2".
- 3- (the product life cycle style) with percent 19.2% and ranked "3".
- 4- (Value chain analysis style) with percent 15.4% and ranked "4".
- 5- (Activity based Cost system ABC) with percent 13.8% and ranked "5".

Table No.(5)

Costs system applied in organization

Costs system applied in organization.	Frequency	Percentages
Competitive advantage analysis Style	36	27.7
Target cost style	31	23.8
Product life cycle	25	19.2
Value chain analysis style	20	15.4
Activity based Cost system ABC	18	13.8
Total	130	100.0

5.6 Questionnaire content

Two questionnaires was provided with a covering letter explaining the purpose of the study, the way of responding, the aim of the research and the security of the information in order to encourage a high response. The questionnaire included multiple choice questions: which used widely in the questionnaire, the variety in these questions aims first to meet the research objectives, and to collect all the necessary data that can support the discussion, results and recommendations in the research.

The sections in the questionnaires will verify the objectives in this research related to strategic cost management to maximize the value of the organization and its competitive advantage

First section : personal data consist from 5 Sentences.

Second section : related to " strategic cost management to maximize the value of the organization and its competitive advantage" and divided into six fields as follows

- 1) The cost administration's goals applied within your organization. consist from 12 Sentences
- 2) What extent dose the cost system applied within the company provide the needed information to make decisions in order to enhance the competitive advantage consist from 4 Sentences. The first and second section consider one hypotheses
- 3) Company procedures which consist from five sections as follows:
 - Competitive advantage analysis style consist from 7 Sentences.
 - Value chain analysis style consist from 7 Sentences
 - Product life cycle consist from 6 Sentences
 - Target cost consist from 8 Sentences
 - Activity based cost system ABC consist from 7 Sentences
- 4) The availability of components and cost requirements of the application systems used in the company consist from 4 Sentences

- 5) How cost-savings result in achieving sustainable competitive advantages of the company consist from 7 Sentences

The Instruments of the study consist as follow:

	Useless	Low	Average	High	Very high
Level	Very few	Few	Average	Large	Very Large
Scale	1	2	3	4	5

5.7 Pilot Study

A pilot study for the questionnaire was conducted before collecting the results of the sample. It provides a trial run for the questionnaire, which involves testing the wordings of question, identifying ambiguous questions, testing the techniques that used to collect data, and measuring the effectiveness of standard invitation to respondents .

5.8 Validity of the Research

We can define the validity of an instrument as a determination of the extent to which the instrument actually reflects the abstract construct being examined. "Validity refers to the degree to which an instrument measures what it is supposed to be measuring". High validity is the absence of systematic errors in the measuring instrument. When an instrument is valid; it truly reflects the concept it is supposed to measure. Achieving good validity required the care in the research design and sample selection. The amended questionnaire was by the supervisor and four expertise's in the tendering and bidding environments to evaluate the procedure of questions and the method of analyzing the results. The expertise agreed that the questionnaire was valid and suitable enough to measure the purpose that the questionnaire designed for.

5.8.1 Content Validity of the Questionnaire

Content validity test was conducted by consulting two groups of experts. The first was requested to evaluate and identify whether the questions agreed with the scope of the items and the extent to which these items reflect the concept of the research problem. The other was requested to evaluate that the instrument used is valid statistically and that the

questionnaire was designed well enough to provide relations and tests between variables. The two groups of experts did agree that the questionnaire was valid and suitable enough to measure the concept of interest with some amendments.

5.8.2 Statistical Validity of the Questionnaire

To insure the validity of the questionnaire, two statistical tests should be applied. The first test is Criterion-related validity test (Pearson test) which measure the correlation coefficient between each item in the field and the whole field. The second test is structure validity test (Pearson test) that used to test the validity of the questionnaire structure by testing the validity of each field and the validity of the whole questionnaire. It measures the correlation coefficient between one field and all the fields of the questionnaire that have the same level of similar scale.

5.8.3 Criterion Related Validity :

1) Internal consistency:

Internal consistency of the questionnaire is measured by a scouting sample, which consisted of **twenty five** questionnaires, through measuring the correlation coefficients between each paragraph in one field and the whole field. Tables No. (6-14) below shows the correlation coefficient and p-value for each field items. As show in the table the p-Values are less than 0.05 or 0.01,so the correlation coefficients of this field are significant at $\alpha = 0.01$ or $\alpha = 0.05$, so it can be said that the paragraphs of this field are consistent and valid to be measure what it was set for.

Table(6)

The correlation coefficient between each paragraph in the field and the whole field (the cost system applied within the company provide the needed information to make decisions in order to enhance the competitive advantage)

No.	Statement	Pearson coefficient	p-value
1	Costs measured in order to assess inventory and measure business results.	0.609	0.002
2	The control on elements of cost is being applied to ensure the efficiency of using resources.	0.647	0.001
3	cost-indicators are provided to evaluate performance.	0.304	0.148
4	The organization uses modern tools and techniques to reach competitive costs.	0.838	0.000
5	Customer satisfaction is achieved by providing a high quality product.	0.678	0.000
6	Customer satisfaction is achieved by continuous cost reduction.	0.275	0.193
7	Cost data are relayed on to plan the competitive price.	0.742	0.000
8	Cost information are used to put and support the competitive strategy of the organization.	0.701	0.000
9	The relationship between the value presented for the client and the cost for that value is managed (increasing value and income, decreasing the cost at the same time).	0.356	0.088
10	An entrepreneurial approach is adopted to reduce cost starts from the product design stage.	0.849	0.000
11	The company concentrates on customers to identify the qualifications for the product which is considered true causes for the cost.	0.559	0.005
12	The company gives attention to studying and analyzing the bonds and relationships wither inside or outside the facility.	0.757	0.000

Table(7)

The correlation coefficient between each paragraph in the field and the whole field (the cost system applied within the company provide the needed information to make decisions in order to enhance the competitive advantage)

No.	Statement	Pearson coefficient	p-value
1	The applied costing system provides the information about product stages.	0.886	0.000
1.1	The research and development stage.	0.840	0.001
1.2	The designing stage.	0.863	0.000
1.3	Production stage.	0.822	0.000
1.4	Marketing stage.	0.595	0.003
1.5	Distribution and delivery stage.	0.797	0.001
16	Customers services and after sale stage.	0.821	0.000
2	The applied costing system provides reports about the rates of reducing cost and the added value and non-added value activates	0.810	0.000
3	The applied costing system provides reports about quality cost.	0.840	0.000
4	The applied costing system provides reports about the extent of achieving organization's strategies.	0.886	0.000

Table(8)

The correlation coefficient between each paragraph in the field and the whole field
(Competitive advantage analyzing style)

No.	Statement	Pearson coefficient	p-value
1	Strategic goals are determined for the organization	0.477	0.006
2	assessment of capabilities and potentials of the organization	0.602	0.000
3	assessment of internal and external environment	0.772	0.000
4	Analyzing competition forces (suppliers ,investors , new competitors , alternative products , competition between current organizations	0.715	0.000
5	Analyzing the strengths and weaknesses internally and opportunities and threats externally.	0.823	0.000
6	The competition strategy is determined , applied and assessed continuously	0.725	0.000
7	Providing training courses for the human resources in the organization to Rehabilitate them for doing the pervious procedures	0.581	0.002

Table(9)

The correlation coefficient between each paragraph in the field and the whole field
(Value chain analysis style)

No.	Statement	Pearson coefficient	p-value
1	Determine the activities which are done by the organization product to produce the product.	0.528	0.007
2	Determine the cost driver for each activity.	0.588	0.002
3	Determine relation and linkage between activities.	0.705	0.000

4	Differentiate between added value activities and non added value activities.	0.488	0.013
5	Managing relations and linkage between different business units inside the organization.	0.863	0.000
6	managing relations between the organization and both customers and suppliers.	0.811	0.000
7	Rehabilitation of individuals and providing the resources to do the previous procedures.	0.714	0.000

Table(10)

The correlation coefficient between each paragraph in the field and the whole field
(Cost accounting method on the basis of the product life cycle)

No.	Statement	Pearson coefficient	p-value
1	Gather information for customers and competitive organization.	0.591	0.002
2	Determining the costs for each stage in product life cycle.	0.806	0.000
3	Determine the place and time of achieving each goal for improving revenue and reduce cost for all the stages of the product life cycle.	0.548	0.005
4	Using other supporting tools for the product life cycle style.	0.792	0.000
5	Trade-offs and balancing between the standards specified by the customer in terms of the quality and response time and the selling price.	0.704	0.000
6	Rehabilitation of individuals and providing the resources to do the previous procedures.	0.752	0.000

Table(11)

The correlation coefficient between each paragraph in the field and the whole field
(target cost)

No.	Statement	Pearson coefficient	p-value
1	a market survey is conducting to determine the best specifications desired by customers in the product which reflect their value from their point of view.	0.753	0.000
2	Target price of the product is determined which is the price at which the client is willing and able to pay for the value derived from the product specifications.	0.480	0.015
3	Determine the targeted profit margin for the new product.	0.430	0.032
4	Estimating allowable cost which is determined by the different between the target sale price and target profit margin.	0.480	0.015
5	A preliminary design of the product is set that includes desired specifications and determine the cost of this product and comparing that cost with allowable cost.	0.762	0.000
6	Improvements and adjustments are made on the current design of the product, leading to reduction in cost to reach the target cost.	0.826	0.000
7	The proposed design which achieves target cost is converted into an actual product.	0.860	0.000
8	Rehabilitation of individuals and providing the resources to complete the previous procedures.	0.754	0.000

Table(12)

The correlation coefficient between each paragraph in the field and the whole field
(Activity based cost system ABC)

No.	Statement	Pearson coefficient	p-value
1	Organization's operations are transformed into specific activities.	0.641	0.001
2	Costs and activities are linked to determine the cost for each activity.	0.795	0.000
3	Cost drivers for each activity are determined.	0.845	0.000
4	Activity costs are distributed on products according to each product's activity consumption.	0.807	0.000
5	Organization's operations are analyzed through skipping some activities or reengineering the whole operation.	0.665	0.000
6	Activities are analyzed and classified into activities that add value and activities that don't and a performance measures are determined for each activity.	0.804	0.000
7	Trained teams to perform activities related to each operation are determined.	0.461	0.020

Table(13)

The correlation coefficient between each paragraph in the field and the whole field
(The availability of components and cost requirements of the application systems used in the
company)

No.	Statement	Pearson coefficient	p-value
1	The company applies the philosophy of total quality control.	0.889	0.000
2	The company publishes and applies a culture of continuous improvement.	0.910	0.000
3	The company is interest in the application of the concept of market orientation to identify the characteristics and product specifications desired by customers.	0.836	0.000
4	The organization analyzes the competitors in the market according to (quality , cost and the product specifications).	0.824	0.000

Table(14)

The correlation coefficient between each paragraph in the field and the whole field
(How cost-savings result in achieving sustainable competitive advantages of the
company)

No.	Statement	Pearson coefficient	p-value
1	How feasible is using the value chain management in achieving the cost-saving through managing relations between value chain activities.	0.767	0.000
2	How feasible is using the value chain management in achieving the cost-saving through managing relations between the different organization departments.	0.598	0.002
3	How feasible is managing relations with suppliers in	0.722	0.000

	order to achieve mutual benefit between the suppliers and the organization.		
4	How feasible is managing relations with clients in order to achieve mutual benefit between the clients and the organization.	0.710	0.000
5	How feasible is the use of the value chain management in controlling cost drivers and redefining the value chain.	0.638	0.001
6	How feasible is achieving integrated relation between target costing and product life cycle costing.	0.583	0.002
7	How feasible is achieving integrated relation between target costing and activity based costing.	0.616	0.001

5.8.4 Structure Validity of the Questionnaire

Structure validity is the second statistical test that used to test the validity of the questionnaire structure by testing the validity of each field and the validity of the whole questionnaire. It measures the correlation coefficient between one field and all the fields of the questionnaire that have the same level of liker scale. As shown in table No. (15), the significance values are less than 0.05 or 0.01, so the correlation coefficients of all the fields are significant at $\alpha = 0.01$ or $\alpha = 0.05$, so it can be said that the fields are valid to be measured what it was set for to achieve the main aim of the study .

Table No. (15)

Structure Validity of the Questionnaire

No	Section	Pearson correlation coefficient	p-value
1	The cost administration's goals applied within your organization	0.596	0.002
2	What Extent dose the cost system applied within the company provide the needed information to make decisions in order to enhance the competitive ability	0.678	0.000
3	Company procedures		
3.1	First: competitive advantage analyzing style	0.725	0.000
3.2	Second: value chain analysis style	0.749	0.000
3.3	Third: cost accounting method on the basis of the product life cycle	0.826	0.000
3.4	Fourth: target cost	0.784	0.000
3.5	Fifth: Activity based cost system ABC	0.585	0.002
4	The availability of components and cost requirements of the application systems used in the company consist from 4 Sentences	0.695	0.000
5	How cost-savings result in achieving sustainable competitive advantages of the company	0.539	0.001

5.9 Reliability of the Research

Reliability of an instrument is the degree of consistency with which it measures the attribute it is supposed to be measuring . The test is repeated to the same sample of people on two occasions and then compares the scores obtained by computing a reliability coefficient. For the most purposes reliability coefficient above 0.7 are considered satisfactory. Period of two weeks to a month is recommended between two tests Due to complicated conditions that the contractors is facing at the time being, it was too difficult to ask them to responds to our questionnaire twice within short period. The statistician's explained that, overcoming the distribution of the questionnaire twice to measure the

reliability can be achieved by using Kronpakh Alph coefficient and Half Split Method through the SPSS software.

5.9.1 Half Split Method

This method depends on finding Pearson correlation coefficient between the means of odd rank questions and even rank questions of each field of the questionnaire. Then, correcting the Pearson correlation coefficients can be done by using Spearman Brown correlation coefficient of correction. The corrected correlation coefficient (consistency coefficient) is computed according to the following equation:

Consistency coefficient = $2r/(r+1)$, where r is the Pearson correlation coefficient. The normal range of corrected correlation coefficient $2r/(r+1)$ is between 0.0 and + 1.0 As shown in Table No.(16), the general reliability for all items equal 0.8408 , and the significant (α) is less than 0.05 so all the corrected correlation coefficients are significance at $\alpha = 0.05$. It can be said that according to the Half Split method, the dispute causes group are reliable.

Table (16)
Split-Half Coefficient method

Number	Section	person-correlation	Spearman-Brown Coefficient	Sig. (2-Tailed)
1	the cost administration's goals applied within your organization	0.7424	0.8521	0.000
2	extent dose the cost system applied within the company provide the needed information to make decisions in order to enhance the competitive ability	0.6926	0.8184	0.000
3	company procedures			
3.1	- First: competitive advantage analyzing style	0.7832	0.8785	0.000
3.2	-Second: value chain analysis style	0.7143	0.8333	0.000

Number	Section	person-correlation	Spearman-Brown Coefficient	Sig. (2-Tailed)
3.3	- Third: cost accounting method on the basis of the product life cycle	0.7693	0.8696	0.000
3.4	- Fourth: target cost	0.6785	0.8085	0.000
3.5	- Fifth: Activity based cost system(ABC)	0.7296	0.8436	0.000
4	The availability of components and cost requirements of the application systems used in the company consist from 4 Sentences	0.7005	0.8239	0.000
5	How cost-savings result in achieving sustainable competitive advantages of the company	0.6924	0.8182	0.000
	All fields	0.7254	0.8408	0.000

5.9.2 Cronbach's Coefficient Alpha

This method is used to measure the reliability of the questionnaire between each field and the mean of the whole fields of the questionnaire. The normal range of Cronbach's coefficient alpha value between 0.0 and + 1.0, and the higher values reflects a higher degree of internal consistency. As shown in Table No. (17) the Cronbach's coefficient alpha was calculated and the general reliability for all items equal 0.8633. This range is considered high; the result ensures the reliability of the questionnaire.

Table (17)

for Reliability Cronbach's Alpha

NO	Section	No. of Items	Cronbach's Alpha
1	the cost administration's goals applied within your organization	12	0.8364
2	extent dose the cost system applied within the company provide the needed information to make decisions in order to enhance the competitive ability	4	0.8456
3	company procedures		
3.1	- First: competitive advantage analyzing style	7	0.8925
3.2	-Second: value chain analysis style	7	0.8678
3.3	- Third: cost accounting method on the basis of the product life cycle	6	0.8539
3.4	- Fourth: target cost	8	0.8391
3.5	- Fifth: Activity based cost system ABC	7	0.9157
4	The availability of components and cost requirements of the application systems used in the company consist from 4 Sentences	4	0.8513
5	How cost-savings result in achieving sustainable competitive advantages of the company	7	0.8768
	All fields	62	0.8633

5.10 Statistical Manipulation:

To achieve the research goal, researcher used the statistical package for the Social Science (SPSS) for Manipulating and analyzing the data.

Statistical methods are as follows:

- 1- Frequencies and Percentile
- 2- Alpha- Cronbach Test for measuring reliability of the items of the questionnaires
- 3- Person correlation coefficients for measuring validity of the items of the questionnaires.
- 4- spearman –Brown Coefficient
- 5- one sample t test
- 6-independent samples t test
7. one way ANOVA test
8. Scheffe Multiple Comparisons test

Chapter Six

Data Analysis and Discussion

6.1 Test of normality

6.2 Shapiro-Wilk

test will be used to identify if the data follow normal distribution or not, this test is considered necessary in case testing hypotheses as most parametric Test stipulate data to be normality distributed and this test used when the size of the sample are less than 50 , and Results test as shown in table (18) , clarifies that the calculated p-value is greater than the significant level which is equal 0.05 (p-value. > 0.05), this in turn denotes that data follows normal distribution, and so parametric Tests must be used.

Table (18)
One Sample K-S

No.	Section	No. of Items	Statistic	P-value
1	the cost administration's goals applied within your organization	12	0.968	0.334
2	What extent dose the cost system applied within the company provide the needed information to make decisions in order to enhance the competitive advantage	4	0.726	0.667
3	company procedures		0.794	0.554
3.1	First: competitive advantage analyzing style	7	0.974	0.494
3.2	Second: value chain analysis style	7	0.530	0.941
3.3	Third Product life cycle	6	0.960	0.189
3.4	Fourth: target cost	8	0.967	0.307
3.5	Fifth: Activity based cost system ABC	7	0.983	0.828

No.	Section	No. of Items	Statistic	P-value
4	The availability of components and cost requirements of the application systems used in the company consist from 4 Sentences	4	0.796	0.551
5	How cost-savings result in achieving sustainable competitive advantages of the company	7	0.974	0.517
	All fields	62	0.979	0.692

The researcher use a one sample t test to test if the opinion of the respondent in the content of the sentences are positive (weight mean greater than "60%" and the p-value less than 0.05) or the opinion of the respondent in the content of the sentences are neutral (p- value is greater than 0.05) or the opinion of the respondent in the content of the sentences are negative (weight mean less than "60%" and the p-value less than 0.05)

6.3 Test of Hypothesis:

6.3.1.1 The concept of strategic cost management

To test the hypothesis the researcher use a one sample t test and the opinion of the respondent about the concept of strategic cost management ranked descending according to the weight mean as shown in Table No. (19) as follows:

1. In item No. (3) the weight mean equal " 84.32%" and p-value equal " 0.000" which is less than 0.05, that means (cost-indicators are provided to evaluate performance).
2. In item No. (11) the weight mean equal " 83.24%" and p-value equal " 0.000" which is less than 0.05, that means (The company concentrates on customers to identify the qualifications for the product which is considered true causes for the cost).
3. In item No. (4) the weight mean equal " 82.16%" and p-value equal " 0.000" which is less than 0.05, that means (The organization uses modern tools and techniques to reach competitive costs).

For general the results for all items of the field show that the average mean equal 4.19 and the weight mean equal 83.86% which is greater than " 60%" and the value of t test equal 16.198 which is greater than the critical value which is equal 2.0 and the p- value equal 0.000 which is less than 0.05, that means the concept of strategic cost management is available at significance level ($\alpha=0.05$).

The researcher conclude that the respondents agreed to field of availability of strategic cost management in their industrials companies

Table No.(19)
the concept of strategic cost management

No.	Sentence	Mean	standard deviation	Weight mean	t-value	P-value
1	Costs measured in order to assess inventory and measure business results.	4.22	0.750	84.32	9.859	0.000
2	The control on elements of cost is being applied to ensure the efficiency of using resources.	4.54	0.558	90.81	16.808	0.000
3	cost-indicators are provided to evaluate performance.	4.22	0.630	84.32	11.750	0.000
4	The organization uses modern tools and techniques to reach competitive costs.	4.11	0.809	82.16	8.331	0.000
5	Customer satisfaction is achieved by providing a high quality product.	4.49	0.559	89.73	16.180	0.000
6	Customer satisfaction is achieved by continuous cost reduction.	4.11	0.737	82.16	9.143	0.000
7	Cost data are relayed on to plan the competitive price.	4.22	0.712	84.32	10.385	0.000
8	Cost information are used to put and support the competitive strategy of the organization.	4.38	0.721	87.57	11.632	0.000

9	The relationship between the value presented for the client and the cost for that value is managed (increasing value and income, decreasing the cost at the same time).	4.14	0.631	82.70	10.946	0.000
10	An entrepreneurial approach is adopted to reduce cost starts from the product design stage.	3.65	1.160	72.97	3.402	0.002
11	The company concentrates on customers to identify the qualifications for the product which is considered true causes for the cost.	4.16	0.834	83.24	8.478	0.000
12	The company gives attention to studying and analyzing the linkage and relationships wither inside or outside the facility.	3.87	1.143	77.37	4.683	0.000
	All items	4.19	0.454	83.86	16.198	0.000

Critical value of t at df "37" and significance level 0.05 equal 2.0

6.3.1.2 What extent dose the cost system applied within the company provide the needed information to make decisions in order to enhance the competitive advantage ?

To test the hypothesis we use a one sample t test and the opinion of the respondent about the concept of supply chain management ranked according to the weight mean as shown in Table No. (20) as follows:

The applied costing system provides the information about product stages as follows:

1. In item No. (1.1) " The research and development stage " the weight mean equal " 84.76%" and p-value equal " 0.000" which is less than 0.05, and available with percent 55.3%. at industrial companies tested

2. In item No. (1.3) " Production stage." the weight mean equal " 89.71%" and p-value equal " 0.000" which is less than 0.05, and available with percent 92.1% at industrial companies tested
3. In item No. (2)" The applied costing system provides reports about the rates of reducing cost and the added value and non-added value activates "the weight mean equal " 79.26%" and p-value equal " 0.000" which is less than 0.05, and available with percent 71.1%. at industrial companies tested
4. In item No. (4)" The applied costing system provides reports about the extent of achieving organization's strategies "the weight mean equal " 83.87%" and p-value equal " 0.000" which is less than 0.05, and available with percent 81.6%. at industrial companies tested

For general the results for all items of the field show that the average mean equal 4.14 and the weight mean equal 82.87 % which is greater than " 60%" and the value of t test equal 12.418 which is greater than the critical value which is equal 2.0 and the p- value equal 0.000 which is less than 0.05, and available with percent 72.5%,that means the nature and quality of the information provided by the cost system applied and as it noted almost of companies concentrate to provide information about production stage rather than the other stage of product life cycle .

Table No.(20)

the concept of strategic cost management

No	The nature and quality of the information provided by the cost system applied	Available	Available Not	Mean	deviation standard	Weight mean	t-value	P-value
1	The applied costing system provides the information about product stages.							
1.1	The research and development stage.	55.3	44.7	4.24	0.944	84.76	6.012	0.000
1.2	The designing stage.	57.9	42.1	4.05	0.999	80.91	4.909	0.000
1.3	Production stage.	92.1	7.9	4.49	0.562	89.71	15.637	0.000

1.4	Marketing stage.	73.7	26.3	4.41	0.780	88.28	9.761	0.000
1.5	Distribution and delivery stage.	84.2	15.8	4.03	0.740	80.63	7.885	0.000
1.6	Customers services and after sale stage.	68.4	31.6	4.00	0.849	80.00	6.009	0.000
2	The applied costing system provides reports about the rates of reducing cost and the added value and non-added value activates	71.1	28.9	3.96	0.808	79.26	6.195	0.000
3	The applied costing system provides reports about quality cost.	68.4	31.6	4.19	0.801	83.85	7.590	0.000
4	The applied costing system provides reports about the extent of achieving organization's strategies.	81.6	18.4	4.19	0.833	83.87	7.973	0.000
	All items	72.5	27.6	4.14	0.568	82.87	12.418	0.000

Critical value of **t** at df "37" and significance level 0.05 equal 2.0

1.Industrial companies under the study applied the concept of strategic cost management at significance level ($\alpha=0.05$).

To test the hypothesis we use a one sample t test and the opinion of the respondent about the concept of strategic cost management ranked according to the weight mean as shown in Table No. (22) which show that the average mean equal 4.17 and the weight mean equal 83.40% which is greater than " 60%" and the value of t test equal 16.451 which is greater than the critical value which is equal 2.0 and the p- value equal 0.000 which is less than 0.05, that means Industrial companies under the study applied the concept of strategic cost management at significance level ($\alpha=0.05$).

Table No.(22)

the concept of strategic cost management

No.	Sentence	Mean	standard deviation	Weight mean	t-value	P-value
1	The cost administration's goals applied within your organization	4.19	0.454	83.86	16.198	0.000
2	Information needed from cost system to make decisions in order to enhance the competitive advantage ?	4.14	0.568	82.87	12.418	0.000
	All sub section	4.17	0.4377	83.40	16.451	0.000

Critical value of t at df "37" and significance level 0.05 equal 2.0

6.3.2 Industrial companies applied the concept of competitive advantage at significance level ($\alpha=0.05$).

To test the hypothesis we use a one sample t test and the opinion of the respondent about the concept of competitive advantage ranked according to the weight mean as shown in Table No. (23) as follows:

1. In item No. (4) the weight mean equal " 86.32%" and p-value equal " 0.000" which is less than 0.05, that means (Analyzing competition forces (suppliers ,investors , new competitors , alternative products , competition between current organizations).
2. In item No. (5) the weight mean equal " 81.58%" and p-value equal " 0.000" which is less than 0.05, that means (Analyzing the strengths and weaknesses internally and opportunities and threats externally).
3. In item No. (6) the weight mean equal " 78.42%" and p-value equal " 0.000" which is less than 0.05, that means (The competition strategy is determined , applied and assessed continuously).
4. For general the results for all items of the field show that the average mean equal 4.00 and the weight mean equal 79.92% which is greater than " 60%" and the

value of t test equal 11.523 which is greater than the critical value which is equal 2.0 and the p- value equal 0.000 which is less than 0.05, that means Industrial companies under the study applied the concept of competitive advantage at significance level ($\alpha=0.05$). that mean the industrial companies evaluate the weakness and strength inside the company and the threats and opportunities externally and try to use best strategies to able to take place in market and compete in the same time ,

Table No.(23)
Concept of competitive advantage

No	Sentence	Mean	standard deviation	Weight mean	t-value	P-value
1	Strategic goals are determined for the organization	4.29	0.654	85.79	12.158	0.000
2	assessment of capabilities and potentials of the organization	4.34	0.627	86.84	13.192	0.000
3	assessment of internal and external environment	3.89	0.894	77.89	6.169	0.000
4	Analyzing competition forces (suppliers ,investors , new competitors , alternative products , competition between current organizations)	4.32	0.739	86.32	10.975	0.000
5	Analyzing the strengths and weaknesses internally and opportunities and threats externally.	4.08	0.712	81.58	9.340	0.000
6	The competition strategy is determined , applied and assessed continuously	3.92	0.912	78.42	6.227	0.000
7	Providing training courses for the human resources in the organization to Rehabilitate them for doing the pervious procedures	3.13	1.234	62.63	0.657	0.515
	All items	4.00	0.533	79.92	11.523	0.000

Critical value of t at df "37" and significance level 0.05 equal 2.

6.3.3 Industrial companies applied the concept of supply chain management

To test the hypothesis we use a one sample t test and the opinion of the respondent about **the value chain analysis style** ranked according to the weight mean as shown in Table No. (24) as follows:

1. In item No. (4) the weight mean equal " 78.95%" and p-value equal " 0.000" which is less than 0.05, that means (Differentiate between added value activities and non added value activities).
2. In item No. (6) the weight mean equal " 78.42%" and p-value equal " 0.000" which is less than 0.05, that means (managing relations between the organization and both customers and suppliers).
3. In item No. (5) the weight mean equal " 75.26%" and p-value equal " 0.000" which is less than 0.05, that means (Managing relations and linkage between different business units inside the organization).

For general the results for all items of the field show that the average mean equal 3.86 and the weight mean equal 77.22% which is greater than " 60%" and the value of t test equal 8.789 which is greater than the critical value which is equal 2.0 and the p- value equal 0.000 which is less than 0.05, that means industrial companies under the study applied the concept of value chain management. That mean the value chain analysis is a way of assessing competitive advantage by determining the strategic advantages and disadvantages of the full range of activities that shape the final offering to the end user.

Table No.(24)

Value chain analysis style

No.	Sentence	Mean	standard deviation	Weight mean	t-value	P-value
1	Determine the activities which are done by the organization product to produce the product.	4.32	0.574	86.32	14.119	0.000
2	Determine the cost driver for each activity.	4.24	0.542	84.74	14.068	0.000
3	Determine relation and linkage between activities.	3.76	0.852	75.26	5.521	0.000
4	Differentiate between added value activities and non added value activities.	3.95	1.064	78.95	5.488	0.000
5	Managing relations and linkage between different business units inside the organization.	3.76	0.998	75.26	4.713	0.000
6	managing relations between the organization and both customers and suppliers.	3.92	1.024	78.42	5.547	0.000
7	Rehabilitation of individuals and providing the resources to do the previous procedures.	3.08	1.383	61.58	0.352	0.727
	All items	3.86	0.604	77.22	8.789	0.000

Critical value of t at df "37" and significance level 0.05 equal 2.

6.3.4 Industrial companies applied the concept of product life cycle at significance level ($\alpha=0.05$).

To test the hypothesis we use a one sample t test and the opinion of the respondent about the concept of product life cycle ranked according to the weight mean as shown in Table No. (25) as follows:

1. In item No. (5) the weight mean equal " 85.79%" and p-value equal " 0.000" which is less than 0.05, that means (Trade-offs and balancing between the standards specified by the customer in terms of the quality and response time and the selling price.).
2. In item No. (3) the weight mean equal " 83.16%" and p-value equal " 0.000" which is less than 0.05, that means (Determine the place and time of achieving each goal for improving revenue and reduce cost for all the stages of the product life cycle.).
3. In item No. (2) the weight mean equal " 78.42%" and p-value equal " 0.000" which is less than 0.05, that means (Determining the costs for each stage in product life cycle.).

For general the results for all items of the field show that the average mean equal 3.99 and the weight mean equal 79.47% which is greater than " 60%" and the value of t test equal 9.043 which is greater than the critical value which is equal 2.0 and the p- value equal 0.000 which is less than 0.05, that means Industrial companies under the study applied the concept of product life cycle at significance level ($\alpha=0.05$).

The ability of the industrial companies control their product cycles and also can enable managers to implement strategies of development or prolong a product's profitability.

Table No.(25)

The concept of product life cycle

No.	Sentence	Mean	standard deviation	Weight mean	t-value	P-value
1	Gather information for customers and competitive organization.	4.21	0.777	84.21	9.609	0.000
2	Determining the costs for each stage in product life cycle.	3.92	1.050	78.42	5.409	0.000
3	Determine the place and time of achieving each goal for improving revenue and reduce cost for all the stages of the product life cycle.	4.16	0.718	83.16	9.947	0.000
4	Using other supporting tools for the product life cycle style.	3.87	1.119	77.37	4.783	0.000
5	Trade-offs and balancing between the standards specified by the customer in terms of the quality and response time and the selling price.	4.29	0.732	85.79	10.862	0.000
6	Rehabilitation of individuals and providing the resources to do the previous procedures.	3.47	1.246	69.47	2.343	0.025
	All items	3.99	0.673	79.74	9.043	0.000

Critical value of t at df "37" and significance level 0.05 equal 2.0

6.3.5 Industrial companies applied the concept of target cost at significance level ($\alpha=0.05$)

To test the hypothesis we use a one sample t test and the opinion of the respondent about the concept of target cost ranked according to the weight mean as shown in Table No. (26) as follows:

1. In item No. (4) the weight mean equal " 87.89%" and p-value equal " 0.000" which is less than 0.05, that means (Estimating allowable cost which is determined by the different between the target sale price and target profit margin).
2. In item No. (2) the weight mean equal " 86.32%" and p-value equal " 0.000" which is less than 0.05, that means (Target price of the product is determined which is the price at which the client is willing and able to pay for the value derived from the product specifications).
3. In item No. (1) the weight mean equal " 80.53%" and p-value equal " 0.000" which is less than 0.05, that means (a market survey is conducting to determine the best specifications desired by customers in the product which reflect their value from their point of view).
4. In item No. (7) the weight mean equal " 75.26%" and p-value equal " 0.000" which is less than 0.05, that means (The proposed design which achieves target cost is converted into an actual product).
5. In item No. (6) the weight mean equal " 72.63%" and p-value equal " 0.001" which is less than 0.05, that means (Improvements and adjustments are made on the current design of the product, leading to reduction in cost to reach the target cost).

For general the results for all items of the field show that the average mean equal 3.97 and the weight mean equal 79.41% which is greater than " 60%" and the value of t test equal 9.764 which is greater than the critical value which is equal 2.0 and the p- value equal 0.000 which is less than 0.05, that means Industrial companies under the study applied the concept of target cost at significance level ($\alpha=0.05$).

also the managers must seek to manage cost in the earliest phases of the product's life cycle because these phases offer the biggest possibilities for significant cost reduction.

Table No.(26)
Concept of target cost

No.	Sentence	Mean	standard deviation	Weight mean	t-value	P-value
1	a market survey is conducting to determine the best specifications desired by customers in the product which reflect their value from their point of view.	4.03	0.854	80.53	7.410	0.000
2	Target price of the product is determined which is the price at which the client is willing and able to pay for the value derived from the product specifications.	4.32	0.809	86.32	10.027	0.000
3	Determine the targeted profit margin for the new product.	4.42	0.683	88.42	12.825	0.000
4	Estimating allowable cost which is determined by the different between the target sale price and target profit margin.	4.39	0.638	87.89	13.468	0.000
5	A preliminary design of the product is set that includes desired specifications and determine the cost of this product and comparing that cost with allowable cost.	3.79	0.875	75.79	5.563	0.000
6	Improvements and adjustments are made on the current design of the product, leading to reduction in cost to reach the target cost.	3.63	1.051	72.63	3.706	0.001
7	The proposed design which achieves target cost is converted into an actual product.	3.76	1.125	75.26	4.180	0.000
8	Rehabilitation of individuals and providing the resources to complete the previous procedures.	3.42	1.287	68.42	2.017	0.051
	All items	3.97	0.613	79.41	9.764	0.000

Critical value of t at df "37" and significance level 0.05 equal 2.0

6.3.6 Industrial companies applied the concept of activity based system at significance level ($\alpha=0.05$)

To test the hypothesis we use a one sample t test and the opinion of the respondent about the concept of target cost ranked according to the weight mean as shown in Table No. (27) as follows:

1. In item No. (2) the weight mean equal " 85.79%" and p-value equal " 0.000" which is less than 0.05, that means (costs and activities are linked to determine the cost for each activity).
2. In item No. (3) the weight mean equal " 82.63%" and p-value equal " 0.000" which is less than 0.05, that means (Cost drivers for each activity are determined.).
3. In item No. (1) the weight mean equal " 78.42%" and p-value equal " 0.000" which is less than 0.05, that means (Organization's operations are transformed into specific activities).
4. In item No. (6) the weight mean equal " 75.26%" and p-value equal " 0.000" which is less than 0.05, that means (Activities are analyzed and classified into activities that add value and activities that don't and a performance measures are determined for each activity.).

For general the results for all items of the field show that the average mean equal 3.82 and the weight mean equal 76.47% which is greater than " 60%" and the value of t test equal 7.897 which is greater than the critical value which is equal 2.0 and the p-value equal 0.000 which is less than 0.05, that means Industrial companies applied the concept of activity based system at significance level ($\alpha=0.05$) . Applying the activity based costing /management works to improve the efficiency and effectiveness of the operation , increasing the competitive advantages and the value of organizations.

Table(27)

Concept of activity based system

No.	Sentence	Mean	standard deviation	Weight mean	t-value	P-value
1	Organization's operations are transformed into specific activities.	3.92	0.912	78.42	6.227	0.000
2	costs and activities are linked to determine the cost for each activity.	4.29	0.732	85.79	10.862	0.000
3	Cost drivers for each activity are determined.	4.13	0.741	82.63	9.408	0.000
4	Activity costs are distributed on products according to each product's activity consumption.	3.89	0.863	77.89	6.389	0.000
5	Organization's operations are analyzed through skipping some activities or reengineering the whole operation.	3.55	0.950	71.05	3.586	0.001
6	Activities are analyzed and classified into activities that add value and activities that don't and a performance measures are determined for each activity.	3.76	0.883	75.26	5.326	0.000
7	Trained teams to perform activities related to each operation are determined.	3.21	1.277	64.21	1.016	0.316
	All Sentences	3.82	0.643	76.47	7.897	0.000

Critical value of **t** at df "37" and significance level 0.05 equal 2.0

6.3.7 What extend availability of factors and requirement of applying integration framework on organization under the study?

To test the hypothesis we use a one sample t test and the opinion of the respondent about the concept of target cost ranked according to the weight mean as shown in Table No. (28) as follows:

1. In item No. (4) the weight mean equal " 83.16%" and p-value equal " 0.000" which is less than 0.05, that means (The organization analyzes the competitors in the market according to (quality , cost and the product specifications).).
2. In item No. (3) the weight mean equal " 80.00%" and p-value equal " 0.000" which is less than 0.05, that means (The company is interest in the application of the concept of market orientation to identify the characteristics and product specifications desired by customers).
3. In item No. (2) the weight mean equal " 77.37%" and p-value equal " 0.000" which is less than 0.05, that means (The company publishes and applies a culture of continuous improvement.).
4. In item No. (1) the weight mean equal " 76.84%" and p-value equal " 0.000" which is less than 0.05, that means (The company applies the philosophy of total quality control.).

For general the results for all items of the field show that the average mean equal 3.97 and the weight mean equal 79.34% which is greater than " 60%" and the value of t test equal 8.922 which is greater than the critical value which is equal 2.0 and the p- value equal 0.000 which is less than 0.05, that means the availability of components and cost requirements of the application systems used in the company. The management of industrial companies must have the thought which is the link and integrate between more than one tools of strategic cost management is an urgent need and should be given a great importance and priority so the organization can achieve a sustainable competitive advantage in the competitive environment

Table(28)

The availability of components and cost requirements of the application systems used in the company

No.	Sentence	Mean	standard deviation	Weight mean	t-value	P-value
1	The company applies the philosophy of total quality control.	3.84	0.855	76.84	6.071	0.000
2	The company publishes and applies a culture of continuous improvement.	3.87	0.811	77.37	6.600	0.000
3	The company is interest in the application of the concept of market orientation to identify the characteristics and product specifications desired by customers.	4.00	0.805	80.00	7.654	0.000
4	The organization analyzes the competitors in the market according to (quality , cost and the product specifications).	4.16	0.718	83.16	9.947	0.000
	All Sentences	3.97	0.668	79.34	8.922	0.000

Critical value of t at df "37" and significance level 0.05 equal 2.0

6.3.8 What extend applying the proposed framework in intent of achieving substantial cost-saving which result in sustainable competitive on organization

To test the hypothesis we use a one sample t test and the opinion of the respondent about the proposed framework in intent of achieving substantial cost-saving which result in sustainable competitive on organization ranked according to the weight mean as shown in Table No. (29) as follows:

1. In item No. (6) the weight mean equal " 81.58%" and p-value equal " 0.000" which is less than 0.05, that means (achieving integrated relation between target costing and product life cycle costing).
2. In item No. (1) the weight mean equal " 81.05%" and p-value equal " 0.000" which is less than 0.05, that means (using the value chain management in achieving the cost-saving through managing relations between value chain activities).
3. In item No. (7) the weight mean equal " 80.00%" and p-value equal " 0.000" which is less than 0.05, that means (achieving integrated relation between target costing and activity based costing).

For general the results for all items of the field show that the average mean equal 4.11 and the weight mean equal 82.26% which is greater than " 60%" and the value of t test equal 14.146 which is greater than the critical value which is equal 2.0 and the p-value equal 0.000 which is less than 0.05, that means the proposed framework in intent of achieving substantial cost-saving which result in sustainable competitive on organization used in the company at significance level ($\alpha=0.05$)

Table(29)

the proposed framework in intent of achieving substantial cost-saving which result in sustainable competitive on organization

No.	Sentence	Mean	standard deviation	Weight mean	t-value	P-value
1	How feasible is using the value chain management in achieving the cost-saving through managing relations between value chain activities.	4.05	0.769	81.05	8.435	0.000
2	How feasible is using the value chain management in achieving the cost-saving through managing relations between the different organization departments.	4.11	0.764	82.11	8.922	0.000
3	How feasible is managing relations with suppliers in order to achieve mutual benefit between the suppliers and the organization.	4.16	0.679	83.16	10.514	0.000
4	How feasible is managing relations with clients in order to achieve mutual benefit between the clients and the organization.	4.29	0.654	85.79	12.158	0.000
5	How feasible is the use of the value chain management in controlling cost drivers and redefining the value chain.	4.11	0.727	82.11	9.366	0.000
6	How feasible is achieving integrated relation between target cost and product life cycle costing.	4.08	0.712	81.58	9.340	0.000
7	How feasible is achieving integrated relation between target costing and activity based costing.	4.00	0.900	80.00	6.846	0.000
	All Sentences	4.11	0.485	82.26	14.146	0.000

Critical value of t at df "37" and significance level 0.05 equal 2.0

6.4 One Way ANOVA test And Scheffe Multiple Comparisons test

1 -There is a significant difference at significance level ($\alpha=0.05$) among strategic cost management to maximize the value of the organization and its competitive advantage due to demographic characters (the company's capital, job title, Education, years of experience, the costs system applied in organization)

and these hypothesis divided into sub hypotheses as follows:

2 -Here is a significant difference at significance level ($\alpha=0.05$)among strategic cost management to maximize the value of the organization and its competitive advantage due to the company's capital.

To test the question we use the one way ANOVA test and the result illustrated in table no.(30) which shows the following results: the p-value equal 0.843 which is greater than 0.05 and the value of F test equal 0.172 which is less than the value of critical value which is equal 3.27, that's means there is no significant difference among strategic cost management to maximize the value of the organization and its competitive advantage due to the company's capital

Table No.(30)

One way ANOVA test for difference among strategic cost management to maximize the value of the organization and its competitive advantage due to the company's capital

Research problem	Source	Sum of Squares	df	Mean Square	F value	Sig.(P-Value)
strategic cost management to maximize the value of the organization and its competitive advantage	Between Groups	0.054	2	0.027	0.172	0.843
	Within Groups	5.555	35	0.159		
	Total	5.609	37			

Critical value of F at df "2,35" and significance level 0.05 equal **3.27**

3- There is a significant difference at significance level ($\alpha=0.05$) among strategic cost management to maximize the value of the organization and its competitive advantage due to job title.

To test the question we use the one way ANOVA test and the result illustrated in table no.(31) which shows the following results: the p-value equal 0.045 which is less than 0.05 and the value of F test equal 2.974 which is greater than the value of critical value which is equal 2.88, that's means there is a significant difference among strategic cost management to maximize the value of the organization and its competitive advantage due to job title , and from Scheffe Multiple Comparisons test table no.(30) show that there in a difference between " Accountant " , and " Other " , and the difference in favor of " Other "

Table No.(31)

One way ANOVA test for difference among strategic cost management to maximize the value of the organization and its competitive advantage due to job title

Research problem	Source	Sum of Squares	df	Mean Square	F value	Sig.(P-Value)
strategic cost management to maximize the value of the organization and its competitive advantage	Between Groups	1.166	3	0.389	2.974	0.045
	Within Groups	4.443	34	0.131		
	Total	5.609	37			

Critical value of F at df "3,34" and significance level 0.05 equal **2.88**

Table No.(32)

Scheffe Multiple Comparisons test

Mean Difference	Director of the company	Financial Manager	Accountant	Other
Director of the company		0.190	0.425	0.062
Financial Manager	0.190		0.235	0.252
Accountant	0.425	0.235		0.487
Other	0.062	0.252	0.487*	

* The mean difference is significant at the .05 level

4 -There is a significant difference at significance level ($\alpha=0.05$) among strategic cost management to maximize the value of the organization and its competitive advantage due to Education

To test the question we use the one way ANOVA test and the result illustrated in table no.(31) which shows the following results: the p-value equal which is greater than 0.05 and the value of F test equal which is less than the value of critical value which is equal 3.27, that's means there is no significant difference among strategic cost management to maximize the value of the organization and its competitive advantage due to education.

Table No.(33)

One way ANOVA test for difference among strategic cost management to maximize the value of the organization and its competitive advantage due to education

Research problem	Source	Sum of Squares	df	Mean Square	F value	Sig.(P-Value)
strategic cost management to maximize the value of the organization and its competitive advantage	Between Groups	0.059	2	0.029	0.185	0.832
	Within Groups	5.551	35	0.159		
	Total	5.609	37			

Critical value of F at df "2,35" and significance level 0.05 equal **3.27**

5-There is a significant difference at significance level ($\alpha=0.05$)among strategic cost management to maximize the value of the organization and its competitive advantage due to years of experience.

To test the question we use the one way ANOVA test and the result illustrated in table no.(32) which shows the following results: the p-value equal 0.399 which is greater than 0.05 and the value of F test equal 1.014 which is less than the value of critical value which is equal 2.88, that's means there is no significant difference among strategic cost management to maximize the value of the organization and its competitive advantage due to years of experience

Table No.(34)

One way ANOVA test for difference among strategic cost management to maximize the value of the organization and its competitive advantage due to years of experience

Research problem	Source	Sum of Squares	df	Mean Square	F value	Sig.(P-Value)
strategic cost management to maximize the value of the organization and its competitive advantage	Between Groups	0.461	3	0.154	1.014	0.399
	Within Groups	5.149	34	0.151		
	Total	5.609	37			

Critical value of F at df "3,34" and significance level 0.05 equal **2.88**

Chapter Seven

Conclusions and Recommendations

7.1 Conclusions

- Even though some of the respondents adopted more than one method of cost management but the intent was not to integrate the various methods of strategic cost management tools.
- A clear gap exists between academic research studies and the application of such studies in the real business world. In spite of a partial application of the recommended procedures, it is clear from the sample study that there is a lack of knowledge of some of the methods and tools of strategic cost management, as well as the scientific concepts necessary to implement such methods.
- Even though some of the respondents adopted more than one method of cost management but the intent was not to integrate the various methods of strategic cost management tools.
- The reason why there was not an integration between methods of strategic cost management tools is two fold. One, there was not a way to apply some methods in a complete and systematic way. In addition, decision makers in the firms lacked knowledge of how to do this integration as well as they don't know the benefits from implementing such integration.
- Despite the fact that most of the sample studies gathered by the researcher show that the company used the tools and methods of strategic cost management, this was not done following specific scientific and systematic procedures.

7.2 Recommendations

- The researcher recommends that the proposed integrative framework of this research should be applied in Palestinian companies in the Gaza Strip which use and apply modern cost management methods.

- The researcher recommends the need for expanding studies and research efforts associated with the creation of costs systems in accordance with the administrative-oriented market thought, especially since many previous studies showed clearly the shortage of costs systems based on the internal engineering standards without identifying the external environmental requirements.
- The researcher considers it necessary for the academic institutions and industries federation and the Chamber of Commerce to organize conferences and seminars to draw the attention of Palestinian companies to the benefits and cost savings that can be obtained by the application of strategic cost management tools.
- There researcher recommends that it is necessary to encourage cooperative relationships in the following levels: firm activities, departments and sections, and external parties in terms of suppliers or dealers. The result of such integration will achieve mutual benefits among the integrated parties.
- Proceeding from the integration idea, the researcher suggests that there should be a specific mechanism to link industrial companies and the Industries federation on one hand, and universities and academic institutions on the other hand. The purpose of this union, to conduct applied research in various industries and fields, will help develop accounting systems and cost management applicable to these industries. The researcher believes that the existence of such a mechanism would facilitate researchers to procure information related to those companies as well as the possibility for those companies to view the results and recommendations of the researchers and work to put it into practice.

References

- Afari, F (2010) “**Integrated Approach for Management Of costs under Competitive in Industrial Company**”. King saud university.
- Antić, L., Novičević ., B (2011) “**Target Costing For The Purpose Of Generic Strategies Realization** “ Journal Of Economics and Organization Vol. 8, No 3, pp. 247 – 261.
- Atkinson , A .,Kaplan, R., Matsumura ,E., Young,S., (2012) “**Management Accounting Information for Decision-Making and Strategy Execution** “ Sixth Edition Library of Congress Cataloging-in-Publication Data
- Atkinson , A .,Kaplan, R., Matsumura ,E., Young,S., (2012) “**Management Accounting Information for Decision-Making and Strategy Execution** “ Sixth Edition Library of Congress Cataloging-in-Publication Data
- Ansari, S., Bell, J., Klammer, T. and Lawrence, C. (1997a) “ **Strategy and Management Accounting**” Version 1.1, Richard D, Irwin, USA
- Asiedu , Y and Gu, P ., (1998) “ **Product Life Cycle Cost Analysis: State Of The Art Review**”. International Journal Production Research , Vol. 36, NO. 4,PP 883- 908
- Blocher, E., Chen, K. and Lin, T. (1999) “ **Cost Management: A Strategic Emphasis.**” The McGraw-Hill Companies, Inc., New York

- Camacho, Reinaldo and Rocha, Welington,. (2008). **“Target Costing in Hospital Services: A Study from A Strategic Cost Management Focus.”** Sao Paulo, Vol 1 .
- CIMA – **“Activity based management – An overview”**, Technical briefing, April 2001.
- Cinquini & Tenucci (2007), **“ Is the adoption of Strategic Management Accounting techniques really strategy-driven”? Evidence from a survey”?**
- Cinquini , L &, Tenucci, A ,. (2010), **“ Strategic management accounting and business strategy: a loose coupling?”**, Journal of Accounting & Organizational Change, Vol. 6.
- Currie , J **Target Costing: a tool for Strategic performance Management** “Certificate Public Accountant.
- Crosson , S,. and Needles , B., (2011) **“ Managerial accounting”** Ninth edition , Printed in the United States of America
- Cooper, R. and Kaplan, R. (1998) **“Cost and Effect: Using Integrated Cost Systems to Drive Profitability and Performance.”** Harvard Business School Press, Boston, MA.
- Cooper , R , and ; Slagmulder ., (2003) **“ Strategic cost management: Expanding scope and boundaries** “ *Cost Management*; Journal pg. 23
- Drury, C. 2001 **“ Management Accounting For Business Decisions”** , second edition British Library Cataloguing in publication date

- Dekker , Henri . and Smidt ,Peter.(2003) “ **A survey of the adoption and use of target costing in Dutch firms**” International Journal Production Economics pp 293–305.
- Dix ,J., & Lee ,H.,(2002)“**The Process Of Strategic Planning** ” Business Development Index, Ltd. and The Ohio State University Columbus, Ohio.
- Ewert, R., and Ernst, C. (1997) “**Strategic Management Accounting, Coordination and long-term Cost Structure**”. Paper Presented at the Annual Congress of the European Accounting Association, Graz, Austria,
- Freiberg, F & Sujova ,E.,(2011) “**Product Life Cycle Cost Management** ” ACTA Facilitates Technical , XVI, Vol (1): 35–43
- Fouda, (2007), "**Proposed Framework for integration between the target cost and strategic analysis of the cost in order to reduce the costs of activities through the concept of a supply chain management : theory and exploratory study.** " journal of commerce faculty ,Alexandria university Vol 1
- Gupta , M *, Galloway , K(2003)” **Activity-based costing/management and its implications for operations management** “*College of Business and Public Administration, University of Louisville, , USA* PP 131–138
- Hansen, D.R. and Mowen, M.M. (2006) “**Cost Management: Accounting and Control**”. Thompson- South Western. USA.

- Hergeth , Helmut ,. (2002) “ **Taget costing in the testile complex** “ North Carolina State University , volume 2
- Hunger .D , J & Thomas. T, L,. (2011) “**Essentials Of Strategic Management**” Fifth *Edition* Pearson Education, Inc., publishing as Prentice Hall, , New Jersey
- Hilton , **R . (2001)** “Managerial Accounting: Creating Value in a Dynamic Business Environment “ **Fifth Edition , Library of congress cataloging publication data.**
- Hilton, R , Maher , M , Selto , F.& Sainty , B. (2001) “**Cost management : Strategic For Business Decisions** “ 1ST ,Edition , The Mcgraw –Hall Ryeson , New York.
- Kirli & Gumus,. (2011)” **The Implementation Of Strategic Management Accounting Based On Value Chain Analysis** “. Value Chain Accounting International Journal Of Social Sciences And Humanity studies Vol 3,
- Kumar, A & Sonepat ,.(2011) “ **Strategic cost management – suggested framework for 21st Century**”. Journal of Business and Retail Management Research (JBRMR) Vol 5 Issue 2
- Krumwiede ,K& Charles , S., (2011) “**The Use of Activity-based Costing with Competitive Strategies: Impact on Firm Performance** “ University of Richmond, & Brigham Young University , USA.

- Margaret, L Gagne,. Richard Discenza,. (1995),"**Target costing**". Journal of Business & Industrial Marketing, Vol. 10 Iss: 1 pp. 16 – 22.
- McNair, C. (2000), "**Defining and Shaping the Future of Cost Management**", *Journal of Cost Management*, September/October, pp.28-32.
- McNaughton, R. B., Osborne, P., Morgan, R. E. and Kutwaroo, G. (2001): "**Market Orientation and Firm Value.**". Journal of Marketing Management, July 2001, Vol.17, Issue 5/6, pp.521-542
- Mehmet, K & Austill A .,(2006) "**Product Development And Cost Management Using Target Costing: A Discussion And Case Analysis**". *Journal of Business & Economics Research – Volume 4, No 2.*
- Monden , Y,. and Hamada , K ,. 1991 "**Target Costing And Kaizen Costing In Japanese Automobile Companies** "Journal of Management Accounting Research , Volume 3
- Passemard ,D & Kleiner , B.,(2000) "**Competitive Advantage in Global Industries** " Management Research News , Vol 23 NO 7/8.
- Porter, M., E. (1985), "**Competitive Advantage: Creating and Sustaining Superior Performance**". New York: The Free Press.
- Ritson , Neil., (2008) "**strategic management** " Ventus Publishing APS

- Shank, J. and Govindarajan, V. (1993), ‘**Strategic Cost Management: The New Tool for Competitive Advantage**’. New York: The Free Press.
- Shank, J. and Govindarajan, V. (1992)’**Strategic cost management: The Value Chain Perspective.**’ Journal of Management Accounting Research, Vol.4, pp.179-197
- Saif et al. (2011), “**Organizational Culture & Cost Management Strategies Developing A Model**” European Journal of Economics, Finance and Administrative Sciences.
- Slater , M .,(2010) ‘ **Target Costing As A Strategic Cost Management Tool In The South African Motor Industry**’ The Nelson Mandela Metropolitan University Master Thesis
- Silvi, , (2002) " **A strategic cost management perspective**", Journal of Intellectual Capital, Vol. 7 Iss: 3
- Sonepat , H and Shafabi ., (2011) ‘ **Strategic cost management – suggested framework for 21st Century** ’. Journal of Business and Retail Management Research (JBRMR) Vol 5 .
- Testa , F ., Et al ., (2011) “**Life Cycle Costing, a View of Potential Applications: from Cost Management Tool to Eco-Efficiency Measurement**” 1Sant’Anna School of Advanced Studies
- Thompson, J. (1993) ‘ **Strategic Management: Awareness and Change**’. 2nd ed ‘Chapman & Hall, New York .

- Turney, P. (1996): Activity-Based Costing ‘The Performance Breakthrough’ Kogan Page Limited, London .
- Venkatramanan, A., (2006) **Developing a strategic cost management model combining the balanced scorecard and activity based costing in the contest of diabetes education** . University of Lethbridge Master of science in management
- Wong, M. (1996)’’ **Strategic Cost Management** ‘’ Management Accounting: Magazine for Chartered Management Accountants, Vol.74,
- Wilson, R.M.S. and Chua, W.F. (1993)’’ Management Accounting: Method and Meaning.’’ 2nd ed., Chapman and Hall, London
- Zhang ,X ,(2011) **The Competitive A advantage Analysis Of The Telecommunication Corporation after the Restructuring of China’s Telecommunication Industry In 2008** ‘’ Lund University , Centre for East and South-East Asian Studies Master thesis
- Zorap & Aoda.(2012)**The importance of using Targeted cost in Improving Pricing Efficiency of Banking Services: an Empirical study on Banks in the Gaza Strip**” Journal of Islamic university Vol 20
- Zorap ,(2013) ‘’**An Integral Approach of Managing the Strategic Cost to Support the Competitiveness Capabilities of Service Companies Listed in Palestinian Stock Exchange**” Journal of Islamic university Vol 21

Internet references

- <http://www.accountingcoach.com/online-accounting-course/35Xpg01.html>
- <http://maaw.info/ArticleSummaries/ArtSumCokins2002.htm>
- <http://www.wisegeek.com/what-is-kaizen-costing.htm>
- <http://managerial-accounting.blogspot.com/2012/09/what-is-kaizen-costing.html>

Appendix A
Questionnaire
(Arabic Version)

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

السادة | المحترمين

السلام عليكم ورحمة الله وبركاته

الموضوع : استبانة بحث

تحية طيبة وبعد

تقوم الباحثة باعداد بحثا بعنوان "الادارة الاستراتيجية للتكلفة لتعظيم قيمة المنشأة وتدعيم المزايا التنافسية دراسة تطبيقية" وحتى يمكن تحقيق الفائدة المرجوة من هذا البحث فقد قامت الباحثة باعداد استبانة تضم مجموعة متنوعة من الاسئلة بما يخدم اهداف البحث . لذا تامل الباحثة حسن تعاونكم وعليه يرجى من سيادتكم التفضل بقراءة هذه الاسئلة والاجابة عليها بدقة وموضوعية تامة حيث تتوقف دقة نتائج هذا البحث على دقة وموضوعية اجاباتكم. تؤكد الباحثة على ان جميع البيانات والاراء التي ستقدمونها ستكون محل سرية تامة ولن تستخدم الا لاجراض البحث العلمي فقط . واخيرا تتقدم الباحثة بخالص الشكر والتقدير لكم على ما تقدمونه من وقت وجهد لاستيفاء بيانات هذه الاستبانة

الباحثة : عبير محمد سعيد الحويطي

كلية التجارة – الجامعة الاسلامية

قسم المحاسبة والتمويل

القسم الأول: الرجاء وضع إشارة (X) امام الاجابة المناسبة لكم

اولا :بيانات عن الشركة

- 1- اسم الشركة (اختياري):
- 2- طبيعة نشاط الشركة:
- 3- حجم رأسمال الشركة:
- \$750,000-\$500,000 \$1,000,000 - \$ 750,000 \$ 1,000,000 فاكثر

ثانيا :البيانات الشخصية:

- 1- المسمى الوظيفي:
- مدير الشركة مدير مالي محاسب غير ذلك (الرجاء ذكره).....
- 2- المؤهل العلمي:
- دراسات عليا بكالوريوس دبلوم غير ذلك (الرجاء ذكره).....
- 3- عدد سنوات الخبرة:
- أقل من 5 سنوات من 5 إلى 10
- من 11 إلى 15 16 سنة فأكثر

القسم الثاني

Q1 تعتمد بعض أنظمة التكاليف على وجود أكثر من أسلوب من اساليب ادارة التكلفة يرجى تحديد اي من الاساليب

الاتية يتضمنها نظام التكاليف المطبق لديكم؟

- () أسلوب تحليل الميزة التنافسية
- () أسلوب تحليل سلسلة القيمة
- () أسلوب المحاسبة عن التكلفة على اساس دورة حياة المنتج
- () نظام التكلفة على اساس النشاطات ABC
- () أسلوب التكلفة المستهدفة

Q2 حدد من وجهة نظرك ما هي درجة الاهمية النسبية لكل هدف من اهداف ادارة التكلفة المطبق لديكم ؟

م	الفقرة	هام جدا	هام	متوسط الاهمية	قليل الاهمية	عديم الاهمية
1	يتم قياس التكلفة بغرض تقييم المخزون وقياس نتائج الاعمال					
2	الرقابة على عناصر التكاليف لضمان كفاءة استخدام الموارد يتم					
3	يتم توفير مؤشرات تكاليف لتقييم الاداء					
4	يتم استخدام ادوات واساليب حديثة للوصول الى تكاليف تنافسية					
5	يتم تحقيق رضا العملاء من خلال تقديم منتج ذو جودة عالية					
6	يتم تحقيق رضا العملاء من خلال التخفيض المستمر للتكلفة					
7	يتم الاعتماد علي بيانات التكاليف لتخطيط الاسعار التنافسية					
8	يتم استخدام معلومات التكاليف في وضع وتدعيم الاستراتيجية التنافسية للمنشأة					
9	يتم ادارة العلاقة بين القيمة المقدمة للعميل وتكلفة تحقيق هذه القيمة (زيادة القيمة والايراد وتخفيض التكلفة في ان واحد)					
10	يتم تبني اتجاه مبادر لتخفيض التكلفة يبدأ من مرحلة تصميم المنتج					
11	يتم التركيز على العملاء لتحديد مواصفات المنتج والتي تعتبر مسببات حقيقية لحدوث التكلفة					
12	يتم الاهتمام بدراسة وتحليل الروابط والعلاقات سواء داخل او خارج حدود المنشأة					

Q3 برجاء تحديد مدى توفير نظام التكاليف المطبق بالشركة للمعلومات اللازمة لاتخاذ القرارات بهدف تدعيم القدرة

التنافسية , مع ابداء رأيك في مدى اهمية كل منها .

م	طبيعة ونوعية المعلومات التي يوفرها نظام التكاليف المطبق	متوفرة	غير متوفرة	في حال توفرها يرجى تحديد مدى اهميتها				
				هاما جدا	هاما	متوسط الاهمية	قليل الاهمية	غير هامة
1	يوفر نظام التكاليف المطبق معلومات خاصة بالمنتج في مراحل المختلفة							
1.1	مرحلة البحوث والتطوير							
1.2	مرحلة التصميم الابتدائي والنهائي							
1.3	مرحلة الانتاج							
1.4	مرحلة التسويق							
1.5	مرحلة النقل والتوزيع							
1.6	مرحلة ما بعد البيع وخدمة العملاء							
2	يوفر تقارير عن معدلات تخفيض التكلفة والانشطة غير المضيفة للقيمة في دورة حياة المنتج							
3	يوفر تقارير عن تكلفة الجودة							
4	يوفر تقارير عن مدى تحقيق الشركة لاستراتيجيتها الادارة							

Q4 وضع وجهة نظرك حول مدى تطبيق الشركة الاجراءات الاتية

اولا: اسلوب تحليل الميزة التنافسية

م	الاجراءات	بشكل كبير جدا	بشكل كبير	بشكل متوسط	بشكل قليل	بشكل قليل جدا
1	يتم تحديد الاهداف الاستراتيجية للشركة					
2	يتم تحليل قدرات وامكانيات الشركة					
3	يتم تحليل البيئة الداخلية والخارجية للشركة					
4	يتم تحليل قوى المنافسين (الموردين , المستثمرين , المنافسين الجدد, المنتجات البديلة , المنافسة السائدة بين الشركات الحالية)					
5	يتم تحليل نقاط القوة والضعف داخليا والفرص والتهديدات خارجيا					
6	يتم تحديد استراتيجيات المنافسة وتطبيقها وتقييمها بصورة مستمرة					
7	يتم توفير دورات تدريبية للأفراد لتأهيلهم للقيام بالاجراءات السابقة					

ثانيا اسلوب تحليل سلسلة القيمة

م	الاجراءات	بشكل كبير جدا	بشكل كبير	بشكل متوسط	بشكل قليل	بشكل قليل جدا
1	يتم تحديد الانشطة التي تقوم بها المنشأة لانتاج المنتج					
2	يتم تحديد مسببات تكلفة كل نشاط					
3	يتم تحديد العلاقات والروابط بين الانشطة					
4	يتم التمييز بين الانشطة التي تضيف قيمة والانشطة التي لا تضيف قيمة					
5	يتم ادارة العلاقات والروابط بين الوحدات المختلفة داخل الشركة					
6	يتم ادارة العلاقات بين الشركة مع كلا من الموردين والعملاء					
7	يتم تاهيل الافراد وتوفير الموارد المادية للقيام بالاجراءات السابقة					

ثالثا اسلوب المحاسبة عن التكلفة على اساس دورة حياة المنتج

م	الاجراءات	بشكل كبير جدا	بشكل متوسط	بشكل قليل	بشكل قليل جدا
1	يتم تجميع معلومات عن العملاء والشركات المنافسة				
2	يتم تحديد التكاليف الخاصة بكل مرحلة من مراحل دورة حياة المنتج				
3	يتم تحديد مكان وتوقيت البدء لتحقيق كل من هدف تحسين الايراد او هدف تخفيض التكلفة على مدار دورة حياة المنتج				
4	يتم استخدام ادوات اخرى مدعمة لاسلوب دورة حياة المنتج				
5	يتم المفاضلة والموازنة بين المعايير التي يحددها العميل من جودة وزمن استجابة وسعر البيع				
6	يتم تاهيل الافراد وتوفير الموارد المادية للقيام بالاجراءات السابقة				

رابعاً: التكلفة المستهدفة

م	الاجراءات	بشكل كبير جداً	بشكل كبير	بشكل متوسط	بشكل قليل	بشكل قليل جداً
1	يتم اجراء مسح سوقي لتحديد افضل المواصفات التي يرغبها العملاء في المنتج والتي تعكس لهم قيمة من وجهة نظرهم					
2	يتم تحديد سعر البيع المستهدف للمنتج وهو السعر الذي يكون العميل راغبا وقادرا على دفعه مقابل القيمة المستمدة من مواصفات المنتج					
3	يتم تحديد هامش الربح المستهدف للمنتج الجديد					
4	يتم تقدير التكلفة المسموح بها والتي تتحدد بالفرق بين سعر البيع المستهدف وهامش الربح المستهدف					
5	يتم وضع تصميم مبدئي للمنتج يتضمن المواصفات المرغوبة وتحديد تكلفة هذا المنتج ومقارنتها بالتكلفة المسموح بها					
6	يتم اجراء تحسينات وتعديلات في التصميم الحالي للمنتج بما يؤدي الي تخفيض التكلفة للوصول الى التكلفة المستهدفة					
7	يتم تحويل التصميم المقترح للمنتج والذي يحقق التكلفة المستهدفة الى منتج فعلي					
8	يتم تاهيل الافراد وتوفير الموارد المادية للقيام بالاجراءات السابقة					

خامسا :اسلوب التكلفة على اساس النشاط ABC

م	الاجراءات	بشكل كبير جدا	بشكل كبير	بشكل متوسط	بشكل قليل	بشكل قليل جدا
1	يتم تحويل عمليات الشركة الى أنشطة محددة					
2	يتم ربط التكاليف بالانشطة لتحديد تكلفة كل نشاط					
3	يتم تحديد مسببات التكلفة لكل نشاط					
4	يتم توزيع تكاليف الأنشطة على المنتجات وفقا لمقدار ما استهلكته المنتجات من أنشطة					
5	يتم تحليل عمليات الشركة اما بالتخلص من بعض الأنشطة التي تتضمنها العملية او باعادة هندسة العملية ككل					
6	يتم تحليل وتصنيف الأنشطة الى أنشطة تضيف قيمة وأنشطة لا تضيف قيمة وتحديد مقاييس اداء لكل نشاط					
7	يتم تحديد فرق العمل المدربة لاداء الأنشطة الخاصة بكل عملية					

Q5 ما مدى توافر مقومات ومتطلبات تطبيق أنظمة التكاليف المستخدمة في الشركة

م	الفقرة	بشكل كبير جدا	بشكل كبير	بشكل متوسط	بشكل قليل	بشكل قليل جدا
1	تطبيق الشركة لفلسفة رقابة الجودة الشاملة					
2	تقوم الشركة بنشر وتطبيق ثقافة التحسين المستمر					
3	تعمل الشركة بالاهتمام بتطبيق مفهوم التوجه بالسوق للتعرف على خصائص ومواصفات المنتج التي يرغبها العملاء					
4	تقوم الشركة بتحليل المنافسين من حيث جودة وتكلفة ومكونات المنتج					

Q6 ما مدى تحقيق وفورات تكاليفية يترتب عليها تحقيق مزايا تنافسية مستمرة للشركة

م	الفقرة	مرتفعة جدا	مرتفعة	متوسطة	منخفضة	عديم الجدوى
1	ما مدى جدوى استخدام أسلوب تحليل سلسلة القيمة في تحقيق وفورات تكاليفية من خلال ادارة العلاقات بين أنشطة سلسلة القيمة					
2	ما مدى جدوى استخدام أسلوب تحليل سلسلة القيمة في تحقيق وفورات تكاليفية من خلال ادارة العلاقات بين اقسام الشركة المتعددة					
3	ما مدى جدوى ادارة العلاقات مع الموردين لتحقيق					

					منافع متبادلة بين الشركة والموردين	
					ما مدى جدوى ادارة العلاقات مع العملاء لتحقيق منافع متبادلة بين الشركة والعملاء	4
					ما مدى جدوى استخدام تحليل سلسلة القيمة في الرقابة على مسببات التكلفة واعادة تعريف سلسلة القيمة	5
					ما مدى جدوى تحقيق العلاقة التكاملية بين التكلفة المستهدفة واسلوب التكلفة على اساس دورة حياة المنتج	6
					ما مدى جدوى تحقيق العلاقة التكاملية بين اسلوب التكلفة المستهدفة ونظام التكاليف على اساس النشاط ABC	7

Appendix B
Questionnaire
(English Version)

Questionnaire

**Strategic cost management to maximize the value of the organization
and its competitive advantage (applied study to industrial companies in
Gaza strip)**

Please answer the following questions carefully by putting signal x in the box that agrees with your opinion, **note** that your responses will be confidential and for the purposes of scientific research only. Thanks for the corporation

Section I : Please tick (X) in front of the appropriate answer to you

First: Company data

1 - Company name (optional):

2 - the nature of the company's activity:

3 - the company's capital:

\$500,000- \$750,000 \$750,000- \$1000,000 more than \$1000,000

Second: Personal data:

Director of the company Financial Manager Accountant

Other (please mention).....

Education:

Higher education Bachelor degree Diploma

Other (please mention).....

years of experience:

Less than 5 years 5 to 10 years 11 to 15 years 16 years and over

Section II

Some cost systems rely on the presence of more than one mode of cost administration. Please specify which one of the following methods is contained in the costs system applied in your organization.

- () competitive advantage analysis Style () value chain analysis style
 () on activity based Cost system ABC () target cost style
 () Product life cycle

Q2: Identify from your own point of view the importance of each of the cost administration's goals applied within your organization.

the cost control

#	Statement	Very Important	Important	Medium importance	Of little importance	Inconsequential
1.	Costs measured in order to assess inventory and measure business results.					
2.	The control on elements of cost is being applied to ensure the efficiency of using resources.					
3.	cost-indicators are provided to evaluate performance.					
4.	The organization uses modern tools and techniques to reach competitive costs.					
5.	Customer satisfaction is achieved by providing a high quality product.					
6.	Customer satisfaction is achieved by continuous cost reduction.					
7.	Cost data are relayed on to plan the competitive price.					
8.	Cost information are used to put and support the competitive strategy of the organization.					
9.	The relationship between the value presented for the client and the cost for that value is managed					

	(increasing value and income, decreasing the cost at the same time).					
10.	An entrepreneurial approach is adopted to reduce cost starts from the product design stage.					
11.	The company concentrates on customers to identify the qualifications for the product which is considered true causes for the cost.					
12.	The company gives attention to studying and analyzing the bonds and relationships wither inside or outside the facility.					

Q3: Please, identify up to what extent dose the cost system applied within the company provide the needed information to make decisions in order to enhance the competitive ability, stating your opinion in each one of them.

#	The nature and quality of the information provided by the cost system applied.	Available	Not Available	If existed please specify its importance				
				Very Important	Important	Medium	Of little	Inconsequential
1.	The applied costing system provides the information about product stages.							
1.1								
1.2	The research and development stage.							
1.3	The designing stage.							
1.4	Production stage.							
1.5	Marketing stage.							
1.6	Distribution and delivery stage.							

	Customers services and after sale stage.							
2.	The applied costing system provides reports about the rates of reducing cost and the added value and non-added value activates							
3.	The applied costing system provides reports about quality cost.							
4.	The applied costing system provides reports about the extent of achieving organization's strategies.							

Q4: Explain your point of view about the application of the following company procedures.

First: competitive advantage analyzing style.

#	Procedures	Large	Very	ntly	Significa	Average	few	few	Very
1.	Strategic goals are determined for the organization								
2.	assessment of capabilities and potentials of the organization								
3.	assessment of internal and external environment								
4.	Analyzing competition forces (suppliers ,investors , new competitors , alternative products , competition between current organizations								
5.	Analyzing the strengths and weaknesses internally and opportunities and threats externally.								
6.	The competition strategy is determined , applied and assessed continuously								
7.	Providing training courses for the human resources in the organization to Rehabilitate them for doing the pervious procedures								

Second: value chain analysis style

#	Procedures	Very Large	Significantly	Average	few	Very few
1.	Determine the activities which are done by the organization product to produce the product.					
2.	Determine the cost driver for each activity.					
3.	Determine relation and linkage between activities.					
4.	Differentiate between added value activities and non added value activities.					
5.	Managing relations and linkage between different business units inside the organization.					
6.	managing relations between the organization and both customers and suppliers.					
7.	Rehabilitation of individuals and providing the resources to do the previous procedures.					

Third: cost accounting method on the basis of the product life cycle

#	Procedures	Very Large	Significantly	Average	few	Very few
1.	Gather information for customers and competitive organization.					
2.	Determining the costs for each stage in product life cycle.					
3.	Determine the place and time of achieving each goal for improving revenue and reduce cost for all the stages of the product life cycle.					

4.	Using other supporting tools for the product life cycle style.					
5.	Trade-offs and balancing between the standards specified by the customer in terms of the quality and response time and the selling price.					
6.	Rehabilitation of individuals and providing the resources to do the previous procedures.					

Fourth: target cost

#	Procedures	Large	Very	ntly	Significa	Average	few	few	Very
1.	a market survey is conducting to determine the best specifications desired by customers in the product which reflect their value from their point of view.								
2.	Target price of the product is determined which is the price at which the client is willing and able to pay for the value derived from the product specifications.								
3.	Determine the targeted profit margin for the new product.								
4.	Estimating allowable cost which is determined by the different between the target sale price and target profit margin.								
5.	A preliminary design of the product is set that includes desired specifications and determine the cost of this product and comparing that cost with allowable cost.								
6.	Improvements and adjustments are made on the current design of the product, leading to reduction in								

	cost to reach the target cost.					
7.	The proposed design which achieves target cost is converted into an actual product.					
8.	Rehabilitation of individuals and providing the resources to complete the previous procedures.					

Fifth: Activity based cost system ABC

#	Procedures	Large	Very	Significantly	Average	few	Very few
1.	Organization's operations are transformed into specific activities.						
2.	costs and activities are linked to determine the cost for each activity.						
3.	Cost drivers for each activity are determined.						
4.	Activity costs are distributed on products according to each product's activity consumption.						
5.	Organization's operations are analyzed through skipping some activities or reengineering the whole operation.						
6.	Activities are analyzed and classified into activities that add value and activities that don't and a performance measures are determined for each activity.						
7.	Trained teams to perform activities related to each operation are determined.						

Q5: The availability of components and cost requirements of the application systems used in the company

#	Statement	Very Large	Significantly	Average	few	Very few
1.	The company applies the philosophy of total quality control.					
2.	The company publishes and applies a culture of continuous improvement.					
3.	The company is interest in the application of the concept of market orientation to identify the characteristics and product specifications desired by customers.					
4.	The organization analyzes the competitors in the market according to (quality , cost and the product specifications).					

Q6: How cost-savings result in achieving sustainable competitive advantages of the company

#	Statement	Very high	High	Significantly	Low	Useless
1.	How feasible is using the value chain management in achieving the cost-saving through managing relations between value chain activities.					
2.	How feasible is using the value chain management in achieving the cost-saving through managing relations between the different organization departments.					
3.	How feasible is managing relations with suppliers in order to achieve mutual benefit between the suppliers and the organization.					
4.	How feasible is managing relations with clients in order to achieve mutual benefit between the clients and the organization.					
5.	How feasible is the use of the value chain management in controlling cost drivers and redefining the value chain.					
6.	How feasible is achieving integrated relation between target costing and product life cycle costing.					
7.	How feasible is achieving integrated relation between target costing and activity based costing.					

Appendix C

(Referees)

List of Referees

- Dr. Alia. A . Shaheen. Professor, Accounting. The Islamic University-Gaza.
- Dr Hamdi. S. Zoarob Associate professor ,Accounting. The Islamic University-Gaza
- Dr. Issam .M. Buhaisi, Associate Professor ,Accounting. The Islamic University- Gaza
- Dr. Nafez . M. Barakat. Assistant professor, Statistics. The Islamic university- Gaza.