

Strategic Cost and Activating Competitive Advantage

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ABSTRACT

This study aimed to identify the Role of Strategic Costs (SCs) in Activating Competitive Advantage (Field Study in the Paints Companies - Khartoum State). The study tested two hypotheses which are: There is a significant relation between (SCs) and the Activating of the Competitive Advantage in the Sudanese Paints Companies in Khartoum State, there is a significant relation between (SCs) and the reduction of production costs in the Sudanese Paints Companies in Khartoum State. Researchers distributed (40) questionnaire forms among some of the workers in the field selected randomly (33) Forms were collected as 83%. Statistical package of social sciences programmer (SPSS) used for analyzing data. The study reached some findings from which: the strategic costs contribute in reducing costs during the products design stage, the companies has awareness in analyzing the competitive advantage situation to the competitors costs structure, the paints companies in Khartoum work to improve its operations and products continuously to decrease costs, Some of the study recommended to: there is necessity in applying the strategic cost methods together to activate the competitive advantage continuously , to do more studies in all the Sudanese industrial companies to the benefit of adopting the strategic cost in decreasing costs and to support the competitive advantage.

Keywords: Strategic Cost, Competitive Advantage

1. Introduction

The development of the modern business environment is the basis for increasing competition and increasing

challenges faced by enterprises. The development of the modern business environment has had positive effects on industrial activities. in order to address the problems faced by enterprises in the modern environment, the strategic cost has emerged.

The problem

Companies face several challenges that prevent them from remaining in the market. Therefore, the research problem is the following: What is the role of strategic cost in activating the competitive advantage in paint companies -Khartoum state.

Objectives:

The study aims at the following:

- Understand the concept of strategic cost and identify the concept of competitive advantage.
- Identifying the role of strategic cost in reducing product costs and activating the competitive advantage in paint companies - Khartoum state.

Hypotheses:

- There is a statistically significant relationship between the strategic costs and activating the competitive advantage in paint companies - Khartoum state.
- There is a statistically significant relationship between the strategic costs and the reduction of production costs in paint companies - Khartoum state.

2. Strategic Cost Concept

The introduction of strategic cost or strategic cost management is one of the important approaches that the administration can use in rationalizing many administrative decisions. In some of the contemporary accounting statements, the term cost management has been accepted for its effectiveness in the field of control, The quality level continuously and to achieve the ability to compete and stay in the business world, and may require the need for compatibility and interaction between the concepts of strategic management on the one hand and the concept of cost management on the other to keep pace with the needs of the modern manufacturing environment And support competitive advantages through a new approach called Strategic Cost Management(Jensen, 1999)¹. In the current era, and with the increasing intensity of competition has increased the attention of management systems worldwide analysis of the value chain and cost-benefit analysis, cost-based activity, the target cost method, he said the author of these modern methods represent the strategic management of the costs of tools which help in providing accurate and timely information (Gaurav,2011)². Strategic Cost Management is a modern accounting approach that helps companies provide cost information that helps management make decisions as well as contribute to the development and development of strategies to achieve the competitive advantages of the institution in the short and long term(Sayed,2010)³. Strategic Cost Management is the full in-depth understanding of the cost structure of the facility and the use of cost data to enable companies to take great strides towards enhancing competitive advantage(Al-Ashmawy,2007)⁴, There are several factors that led to strategic cost attention, including (Hansen & mowen, 2006)⁵:

Increasing global competition among companies:

The business environment prevailing in today's world is characterized by increasing competition locally and globally, increasing quality requirements and using advanced industrial and technological systems, characterized by increasing the degree of electronically oriented machinery, increasing the degree of industrial flexibility and organizing factories in the form of production lines or technological groups. Each in finding two competitive advantages:

The first pillar deals with the support of all who ensure the production of accurate information on the cost of products to ensure strategic decision making. The second axis deals with supporting the degree of compatibility with the external environment, especially suppliers and consumers. In this regard, value chain analysis and target cost are used (Al-Nashar, 2003)⁶.

Growth of the service industry:

At the present time, the importance of the traditional industries has diminished. The importance of the service industry in the economic system has increased. Today, services constitute about three-quarters of the American economy. Experts expect that the services sector will continue to expand and increase in size and importance due to productivity growth in the sector. Of the competition in the service sector is currently free of many services from the customs restrictions Many service companies are struggling to survive, which increased the awareness of the managers of these companies the importance of relying on accurate information for the purposes of planning and control and continuous development and delay as decisions (Ali, 2011)⁷.

The evolution of information technology:

The world is undergoing rapid changes in all fields. The Organization cannot live in isolation from these developments. What is needed is to absorb recent developments in the field of management and to ensure the need to apply these new developments. Political, economic, social and technological level. This development is directly reflected in the nature of the lives of individuals and organizations (Firas, et all, 2009)⁸.

Development in manufacturing environment:

The manufacturing environment in the last period of the twentieth century witnessed developments and changes that included all the concepts and methods of production, which imposed on the establishments increased pressure for development and change due to the intensification of global competition. The most prominent of these developments is the development of the quality method, which no longer matches the production of products to specific specifications, Combine all efforts in the establishment of individuals, resources and policies in order to achieve the competitive advantage of the production of products free of defects and customer satisfaction, and

demonstrated the method of production in a timely manner, which seeks to remove aspects of waste and the exploitation of available resources. These developments included the methods and techniques of production. There has been an increase in the use of computers in the production process in the stages of design, engineering and manufacturing of the product, which is known as integrated manufacturing systems. Flexible production systems have also emerged, (Manal, 2006)⁹.

Meet the wishes of customers and towards market study:

Businesses have started to adopt the concept of market orientation instead of marketing orientation to ensure continuous cooperation between different departments to provide better service to the customer compared to competitors. The concept of market orientation or market orientation depends on gathering market information, especially information about current and potential customer preferences, And the dissemination and exchange of information between the various departments within the establishment, so that the company seeks to adopt the concept of market orientation to support competitiveness in the market by achieving better value to the customer (Omran, 2005)¹⁰.

Development of new products:

The main feature of our modern era is the steady increase in products, and the large variety, which makes many specialists are the most prominent features of this era so-called explosion of products, every day are generated new products of old products. Every new period produces new methods and methods that are very different from previous methods and methods. In each period, new products are created that have never been compared to changing large areas of previous products and removing them from the market. The product is the blood of life that preserves and renews the vitality of organizations. Its productive, marketing and innovative capacity, which makes the product more than anything that can be produced, because it is linked to other important capabilities no less important than the ability to produce it. It therefore determines the organization's ability to innovate and to achieve a sustainable competitive advantage from the innovation of its products. Therefore, the organization is interested in the development of products, which is defined as the group of activities of

the organization leading to the presentation of the new product and the developer and continue with time.

Interest in time as one of the elements of competition.

3. Competitive advantage concept:

The concept of competitive advantage is based on how the organization can distinguish itself from its competitors and achieve its own superiority and excellence. Competitiveness is the result of many interrelated and varied factors in its patterns and effects. Competitiveness is defined as the continued win-win of a company with a higher return rate than its competitors. (Reginald, 2001)¹¹. One researcher also identified competitive advantage as the ability of the organization to formulate strategies that make it better for other associations active in the same activity (Abdelkaderet all, 2010)¹². Another researcher also defined it as exploiting the organization for its sources to give value to its products in a way that other competitors cannot achieve (Amira, 2001)¹³. One researcher identified the competitive advantage as the ability of the establishment to provide an addition or value not provided by competitors, and may be a trademark or a reduction in cost, or excellence in quality (Mohammed, 1997)¹⁴. Another writer defined it as a competitive advantage as a company's exceptional ability to deliver a product or service at a lower cost than similar products to competing companies (Madhani, 2009)¹⁵. One of the researchers believes that competitive advantage is the ability to achieve greater returns compared to competitors by optimizing the available resources (Richard P, 2003)¹⁶.

4. Mechanisms for developing competitive advantage

The most important challenges faced by contemporary organizations are the competitive pressures that have spread to the global level, which requires the building of a competitive strategy that enables them to survive. Considering that competitive advantage is the driving force that influences the client's behavior to deal with the organization without other competitors, , And as dynamic as the environmental environment requires change and renewal. As a result of the competitive increase in providing the new, the best and the most distinguished, there is almost no longer known as the

life of the product. Each product has an alternative, which accelerates the loss of excellence based on a limited level. Which seeks to excel, to overcome these pressures and to enhance their competitive advantage, to be able to compete anywhere, anytime, under any circumstances, in any way and against any competitor, through a sustainable competitive advantage through the following mechanisms (Abu quhaf, 2002)¹⁷.

- Continuing research development and development to reach new good products and develop existing commodities at lower cost and with newer and more permanent technology.
- Continuing research and development to improve methods and methods of production and rationalize the use of resources (efficiency before creativity) by making optimal use of the possibilities that enable them to gain competitive advantage durable and continuous, raising productivity and controlling cost elements.
- Building an information base to maximize the company's information system about markets, customers and competitors.
- Access to new goods / services accompanying essential goods and services.
- Incubate customers and respond quickly to their needs, involve them in decisions and add value to them permanently, and partnership suppliers in the decisions.
- The constant search for new sources of excellence and the development of methods of dealing with markets and customers.
- Strategic alliances with distributors and suppliers for the invasion of new markets or organizations supporting them in the areas of finance, export, research and promotion, distribution and others.
- Deal with international organizations and establish joint projects.
- Building an organizational structure supportive of excellence and building global task forces.
- Determining a value or promise to a customer is the best option instead of many promises.

- Simplicity is a weapon of competition and commitment.
- Investment in marketing activity.
- Diversification of weapons of attack against competitors.
- Satisfaction with the supply of goods.
- Maintain the overall appearance of the organization.
- Manage customer expectations, and gain the ingredients of success of competitors.
- Continuing review of the challenges facing electronic marketing.

5. Results & Discussion:

Sample and study tool: The study population is represented in the industrial companies operating in the field of pain in Khartoum state. The sample of the study includes all the employees in Ayoub Company for randomly selected. Forty (40) questionnaires were distributed to the target. 83 % of the target population. Table (1) that the median of all the answers of the respondents on the first hypothesis is (4), and Through the median researcher observes that all of the sample agree with the hypothesis phrases, and a level of significance Chi square (.000) less than the significance level 0.05, This confirms the existence of a statistically significant relationship between the strategic costs and activating the competitive advantage in paint companies -Khartoum state, thus validating the first hypothesis of the study.

Table (2) that the median of all the answers of the respondents on the second hypothesis is (4). and Through the median researcher observes that all of the sample agree with the hypothesis phrases, and a level of significance Chi square (.000) less than the significance level 0.05. This confirms the existence of is a statistically significant relationship between the strategic costs and the reduction of production costs in paint companies -Khartoum state, thus validating the second hypothesis of the study.

Table (1) Median & Chi-Square

Phrase	Median	Chi-Square	Asymp. Sig
The company is interested in analyzing the value chain to determine which activities add value to the product	4	15.030	.005
The company is interested in analyzing competitive position to know the structure of competitors' costs	4	12.909	.012
The company is constantly improving its products to achieve excellence in competitors.	4	23.515	.000
The company is interested in strategic analysis to determine competitive strategy.	4	21.697	.000
The company is working to apply modern methods to reduce cost to achieve excellence at cost.	4	9.273	.055

Table (2) Median & Chi-Square

Phrase	Median	Chi-Square	Asymp. Sig
Strategic costs reduce the cost of product design through value engineering.	4	19.576	.001
The strategic costs reduce the costs of the production phase during the cost-based approach	4	12.303	.015
The strategic costs reduce the cost of storing products through the production method on time.	4	10.182	.037
Paint companies use a range of methods to reduce total production costs.	4	14.727	.005
The companies of the industry in the state of Khartoum are working to continuously improve their processes and products to reduce the total cost of production.	4	10.758	.013

Results:

- The strategic costs contribute in reducing costs during the products design stage.
- the companies have awareness in analyzing the competitive advantage situation to the competitor's costs structure.
- the paints companies in Khartoum work to improve its operations and products continuously to decrease costs.

Recommendations:

- there is necessity in applying the strategic cost methods together to activate the competitive advantage continuously.
- to do more studies in all the Sudanese industrial companies to the benefit of adopting the strategic cost in decreasing costs and to support the competitive advantage.

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