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(Technical costing study on the basis of specifications for market orientation)

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Abstract

The technique of attribute Based costing (ABCII) is a modern entrance for managing the contemporary economic unities, it achieve a positive role for economic unities via focused on customer and for orientation a market , as the use of (ABCII) technology It helps the economic unit to know the requirements and desires of customers and work to meet them and satisfy their needs. Staying in the market depends to a large extent on efficiency and effectiveness and gaining the satisfaction and acceptance of customers to maintain the continuity of the economic unit in light of the intensity of competition between different in the business environment.

1.Introduction.

Due to the technological development that has swept the business environment and the increase in the volume of competition between the various economic units, all of the above represents a challenge to the management of those units, as well as the change in the tastes, needs and behavior of customers. And work to meet them at the lowest possible cost and go to the market through the information provided by the cost technology on the basis of specifications, and in light of this environment, the traditional systems for measuring costs are unable to provide the information that fits with these requirements, as the availability of information related to the requirements of customers contributes greatly to activating the idea Orientation in the market by meeting the desires of customers, and here the need to use the cost approach on the basis of specifications arose, as it helps in the proper measurement of the costs of the products desired by the customer and thus provide appropriate information for the economic unit and control the specifications designed for the product to meet the requirements of the customer and orientation in the market and ensure the continuity of the economic unit.

2.Research Methodology.

2.1.Research problem .

The problem came as a result of the inability of the traditional tools for cost and administrative accounting to provide sufficient data to manage the economic units of the costs of the product that the customer desires according to the predetermined specifications in addition to the information that contributes to the orientation of the market.

2.2.research importance.

The importance of the research comes through the study and analysis of cost-based technology (ABCII) because of its usefulness in providing appropriate and valuable information in the field of costs and administration to meet the needs and desires of the customer and orientation in the market in light of intense competition.

2.3.search objective.

The research aims to.
2.3.1.A statement of the knowledge bases of cost technology on the basis of specifications and its role in orientation in the market.
2.3.2..Provide recommendations that can help economic units to direct the market.

2.4.Research Hypothesis.
The research is based on a basic premise that there is a theoretical basis for costing technology on the basis of specifications related to orientation to the market through product specifications and customer desires.

2.5.search method.
The research adopts the theoretical approach in highlighting the benefits and advantages of the cost-based technology (ABCII) and its role in the market orientation.

3.theoretical framing.

3.1.Origin and stages of development of specification-based costing (ABCII).
The first beginnings of interest in cost-based technology in accounting thought go back to the early nineties of the twentieth century, where (Bromwich) in 1990 aimed to improve strategic management accounting, so he developed this technique, which is an attempt to determine the costs of benefits provided by products to the customer, and (Bromwich) sees that These benefits constitute the real cause of the cost. Any product can be viewed as a set of specifications produced by the economic unit and presented to customers. Those specifications should be desirable and tempting to customers, thus creating a demand for the products of the economic unit in the market[1].
Also presented by(partridge and perren) year 1994A model for analyzing the costs of product specifications, where the matrix of strategic cost analysis used in determining specifications costs has been developed[2].
1.Costs related to the volume of production: such as materials, wages and indirect industrial costs.
2 .Activities related costs: such as maintenance and monitoring costs.
3. Energy related costs: These are costs related to equipment and machinery.
4**.** Decision related costs: Company policy decisions that are spent to enhance promotional product specifications.

3.2. Specification-Based Costing Technology Concept (ABCII).

This technology considers the customer the main center for all the activities of the economic unit, which all departments must cooperate in order to satisfy his needs to achieve the appropriate profit for the economic unit and to ensure its continuity in light of intense competition as a result of achieving customer satisfaction[3].

The specifications that are in line with the preferences of the customers of the economic unit are the specifications that have value for the product, and understanding and achieving those specifications that achieve value for customers is the main element in achieving the value of the economic unit[4].
Therefore, the cost-based technique is one of the proposed techniques for measuring product costs and is an attempt to reach the most accurate identification and measurement of product costs in a way that works on the availability of information that contributes to rationalizing decision-making[5].
Cost-based specifications are denoted by the term(ABCII) Attrbutes based costing But(II) The number two means in the Latin language to distinguish it from the cost on the basis of activity (ABC)[6].

as indicates Walker That technology cost based on specifications ABCII It is a development of activity-based costing technology ABC ABC It provides information that supports administrative decision-making to improve performance effectiveness and achieve cost efficiency[7].

There are several definitions of costing technology based on specifications ABCII It is defined as a system derived from activity-based costing that provides a detailed analysis of costs, benefits, and customer needs[8].

In addition, it was defined as the technology that measures cost by identifying cost vectors for product specifications and then determining the costs of these activities[9].
An accounting method based on measuring costs based on the specifications that the product is designed in light of and through the levels of achievement of each characteristic of the product. These specifications measure the cost of products[10].

3.3. The importance of cost-based technology.
The importance of cost technology based on specifications for economic units is focused on their continuity in the competition market. It is important for the economic unit as it achieves the following.

3.3.1. Reduce costs: Technology availability (ABC11) Information about the cost of each characteristic of the product in a way that helps the administration in the decision-making process regarding the level of completion of each specification or not in light of the cost data available to it while maintaining the benefit of customers from its products as well as increasing the sales of the economic unit[11].
3.3.2. Optimum use of resources: Resources can be viewed as all that the economic unit needs in carrying out its activity from producing goods or providing services and adding value to customers, as the resources are divided into natural, such as obtaining raw materials for the production of goods or human services represented by the services of working individuals by working to develop and improve their skills and abilities To achieve the highest level of performance that technique(ABC11) With the information it provides about the characteristics of the product, the administration can reach the optimal use of those resources in order to achieve productivity with specifications desired by customers[12].
3.3.3. determining prices: The economic unit seeks to determine a competitive price for its products in light of the characteristics of the product, which achieves satisfaction and benefit for customers, as the technology of(ABC11) It helps to study the market and identify the prices of similar products and the extent of customers' desire to obtain the product at a competitive price[13].
3.3.4. . Product improvement: The information provided by (ABC11) technology about the reality of markets and what are the technological developments involved in the formation of products contribute to making improvements among the priorities of the economic unit along the value chain by introducing new specifications that enable the unit to provide products that compete with other products in terms of quality[14].

3.3.1. The importance of (ABC11) from the point of view of customers.
3.3.1.1. Product Attribute Identification: The tendency of customers to buy any product is affected by the specifications of the product and not by the product itself, and that providing a set of specifications in a particular product will be reflected on the profitability and cost of the product, as there is a link between the product and its qualities on the one hand and the customer and the creation of value for the customer on the other hand, and that competitors have a close relationship with Customers by providing new specifications or making improvements to maintain market share[15].
3.3.1.2. Comparison with other products: The role of the economic unit is to offer customers more value than competitors provide, which requires identifying the capabilities of competitors in order for them to have the ability to make comparisons between product specifications. Therefore, the economic unit must adhere to creating value for the customer by providing good specifications and at the same time reducing the cost of its products[16].

There are many advantages that can be achieved for economic units that use the costing technology based on specifications (ABCII), as follows[17][18].

3.3.2.1. The ABCII technology is based on product specifications, which is a translation of the needs and desires of customers, so it integrates the concepts of cost management and modern concepts of the contemporary production environment.

3.3.2.2. The ABCII technique provides more accurate results, which makes it an effective tool for rationalizing decisions and conducting analysis of the profitability of products in the short and long term.

3.3.2.3. ABCII technology provides information that enables planning and controlling voluntary costs, especially in investment projects in the areas of product improvement and development.

3.3.2.4. The ABCII approach focuses on the design stage (product specification) and product cost reduction, and therefore it is a method that focuses more on planning than analyzing costs for the past period.

3.3.2.5. ABCII technology helps to identify and re-allocate untapped energies to achieve additional benefits for the economic unit.

3.3.2.6. Through the ABCII technique, the cost of each level of achievement can be determined accurately and fairly without distorting the cost.

3.3.2.7. . (ABCII) technology measures the actual cost of each level of achievement represented in the cost of the resources actually spent in the necessary activities and those activities that add value with the exclusion of the cost of the resources spent in the activities that are not necessary and that do not add value.

3.4. Technical costing components based on specifications.

Specification-based costing technology depends on several pillars, including[19].

3.4.1. Identifying the desires and needs of customers, and then producing products that satisfy these desires and needs, that is, they direct production activities towards producing what can be sold instead of selling what can be produced.

3.4.2. The levels of achievement of each product specification are considered one of the basic variables that should be taken care of due to the fact that the unit cost of the product is determined in light of the cost of each specification.

3.4.3. (ABCII) technology is concerned with the allocation of resource costs, taking into account the dependence of costs and their relationship to each level of achievement of each specification of each product and product unit. product unit.

3.4.4. The total cost of a product unit is determined in light of maintaining the required levels of specifications and reducing costs through various alternatives to specifications.

3.5. What is the difference between activity-based costs and specification-based costs.

ABCII	ABC
The cost objective under this approach is product specifications.	The product is seen as a single unit.
It is based on the idea that specifications require activities and activities consume resources.	It is based on the idea that the product requires a set of activities and these activities consume resources.
The product is seen as a set of specifications, and each specification is a product.	The product is seen as a single unit.
It takes into account the preferences of customers in terms of the specifications and characteristics they desire in the product.	Does not consider customer preferences because activities are cost oriented.
Focuses on the benefits of specifications for products that are supplied to the customer, and considers that these specifications are the goal	Focuses on the activities consumed in order to produce the product, which means its focus on the internal environment only.

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of the cost and thus takes into account the external environment represented by the customer's preferences in addition to the internal environment.	
The cost of the product is determined by aggregating the costs of the specifications that make up the product.	The cost of the product is determined by aggregating the costs of the activities that contributed to its construction.
It fits with the idea of producing what can be sold instead of selling what has been produced.	It does not fit with the idea of producing what can be sold because it does not take into account the preferences of customers.
It can provide quality metrics.	It does not provide direct measures of quality.
This entry is wider than the ABC entry.	It is considered as part of the ABCII entrance.
Costs are aggregated into a specification cost pool.	Combine costs into activity cost pool.

[18].

4. The concept of market orientation.

The concept of market orientation is based on the idea of caring for customers and working to satisfy their needs and desires in a distinct degree better than competitors[20].

Most economic units may face stemming from the intensification of the degree of competition and the speed of the product life cycle, which requires the provision of products that are compatible with the constantly changing needs and desires of customers, and this confirms the need for these units to change their prevailing culture and adopt a new culture and philosophy that pushes to achieve its goals by satisfying the needs and desires of customers in a way suitable . Thus, survival in the market depends to a large extent on efficiency and effectiveness and gaining customer satisfaction and acceptance, and this confirms the importance of “market orientation” and its impact on performance[21].

The market orientation was defined as a culture that means placing the customer in the center of attention and harnessing all departments of the customer’s economic unit to meet his requirements and expectations while working to achieve profits and adhere to the behaviors required to complete business and achieve response to intelligence information and work to disseminate and exchange it throughout the economic unit[22].

For example, the Research and Development Department designs a new product in response to the needs of customers, as it contacts them directly to know those needs and problems. The Production Department manufactures this product and the Purchasing Department purchases the materials needed for manufacturing, while the Finance Department provides the necessary funding for these activities[23].

It was also defined as “a set of organizational behaviors specialized in the flow of information, meaning the generation and collection of information by the economic unit about the current and future needs of customers, then distributing it to the various sections of the economic unit, then the response and response of the economic unit to this information[24].

The market orientation has a fundamental role in the development and development of economic units due to the rapid changes that have been imposed on the economic units, which contributed to being managed in a targeted administrative style based on strategic market orientations that enable it to overcome its current reality burdened with many obstacles and problems and transfer it to an advanced stage that enables it to achieve its goals[25].

4.1.The role of cost-based technology for market orientation.

Focusing on the customer and placing the fulfillment of his desires and aspirations at the beginning of management priorities is one of the most important elements of implementing the concept of market orientation[26].

Without customers, the economic unit loses its ability to survive, as customers choose everything they need from a variety of products and focus on each of the quality, price and performance of those products[23].

Increasing the intensity of competition and technological progress and the resulting results represented in the provision of products with low prices and high quality and the provision of innovative products with rapid response to changes in customer demands made economic units work in a customer-oriented environment, which represents the essence of ABCII technology that works to meet the desires and requirements of customers By measuring the specifications by which the product is designed and providing information to the management of the economic unit for market orientation, the economic units should make customer satisfaction the first priority and focus on The main success factors to achieve customer satisfaction through the following[27][2].

4.1.1.Cost. The economic unit was not able to transfer the burden of costs to the customers, as the intense competition and the low prices offered by competitors, the economic unit is under constant pressure to reduce the cost of the product it offers.

4.1.2. the quality. Quality: It means that the product or service conforms to the specifications specified for it. As a result of competition, customers expect higher levels of product quality and not accept low product quality.

4.1.3. the time. Time is a competitive variable, no matter how economic units seek to increase customer satisfaction by quickly responding to customers' desires, speeding product delivery on time, and reducing the time spent on developing and presenting new products in the market. Manufacturing time is the time that adds value to the customer, but the rest of the times do not add value, so the economic units seek to get rid of them or reduce them as much as possible without affecting the quality of the products offered to customers.

4.1.4. innovation. The success of economic units in the contemporary business environment requires finding innovative and advanced products to cover the desires of customers, which requires from the economic units sufficient flexibility to adopt the change in the desires of customers through feedback information on customer satisfaction about the characteristics of the products that are provided, because any delay on the part of the economic unit What competitors offer leads to an impact on the profitability of the economic unit, its location and market share.

Also, the costing technique based on ABCII specifications provides the necessary quality of information in (market orientation), by starting to identify the needs of customers in the form of product specifications, and customers can not only generate the main revenue for the economic unit, but also direct the costs of the resources of the economic unit, resources should To be employed for the purposes of generating revenue by meeting the needs of the customer, as he wanted Bromwich 1991 Provide a basic framework for the development of ABCII as a value option through the integration of accounting and marketing information to provide information more complete and appropriate to market orientation[28].

And product specifications can be presented as a cost target, and the compatibility between product specifications and customer tastes will determine the market share, and in this sense, the ABCII technique explains the external orientation of the market[2].

In addition, the information provided by cost on the basis of specifications can be more positive for the sustainability of the economic unit within the strategy of the product, and sustainability in this context revolves around whether the product in the form of a package of specifications was presented by the economic unit at a certain price and considered more Positive feedback from customers compared to competitors' products[29].

As Walker points out in his 1998 study, "to obtain more positive and expedient information in the field of decision-making, cost systems should depend on the analysis of product specifications, as the innovation of new products or the re-development and improvement of existing products to achieve a competitive advantage requires studying and analyzing specifications and providing accurate information About the cost of the activities you contributed to achieving[7].

Thus, cost-based technology depends on the specification of activities and linking them to products based on product specifications and performance levels of each specification In addition to the role of ABCII technology and market orientation[30].

5. Conclusions and Recommendations.

5.1. Conclusions.

5.1.1.The success of the economic unit and the preservation of its position and its continuity in the strongly competitive market is in meeting the demands of customers for products with the specifications they desire and enjoying the lowest possible costs to go to the market.

5.1.2.The costing technique based on ABC II specifications is one of the most important methods and methods of costing related to the product desired by the customer.

5.1.3.ABCII cost-based technology is a technique of great importance that is concerned with the characteristics and qualities of a product or service in order to meet the requirements and expectations of customers in a way that ensures cost reduction as much as possible, and market orientation.

5.1.4.Traditional systems do not take into account the needs of customers for products with certain characteristics or specifications.

5.2. Recommendation.

5.2.1.It is preferable to search for new marketing outlets and continuous communication with customers in the Iraqi local market, for the purpose of knowing the specifications they require and that achieve the desired value from the customer's point of view in order to ensure their survival and continuity in the world of intense competition.

5.2.2.The focus should be on the customer to determine the specifications that the customer desires and what each specification is of importance for the customer to monitor the costs of the product in order to avoid any cost wastage.

5.2.3.The necessity of paying attention to the cost systems adopted by the economic units and the use of modern cost-effective techniques such as ABCII technology.

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