



**IMPACT OF STRATEGIC COST ANALYSIS ON  
RATIONALIZATION OF ADMINISTRATIVE DECISIONS -  
A FIELD STUDY ON ATBARA CEMENT COMPANY**

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**Cite This Article:** Dr. Abubkr Ahmed Elhadi Abdelraheem, Dr. Badreldin Elhadi Ahmed Serajeldin, Dr. Musa Eisa Mohammed & Aldouma Abdallah Abdalrahman Jedo, "Impact of Strategic Cost Analysis on Rationalization of Administrative Decisions - A Field Study on Atbara Cement Company", Indo American Journal of Multidisciplinary Research and Review, Volume 1, Issue 1, Page Number 1-4, 2017.

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**Abstract:**

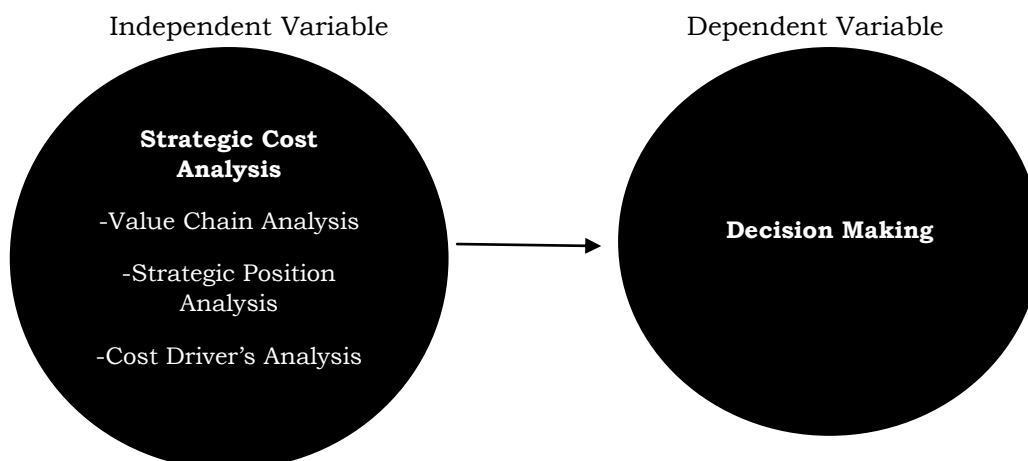
This study aimed to identify the effect of value engineering in Activating Competitive Advantage (Field Study in the Paints Companies - Khartoum State). The study tested one hypothesis which are: There are significant relationship between applied the value engineering method and support the competitive advantage of paints companies -Khartoum state. Researcher distributed (55) questionnaire forms among some of the workers in the field selected randomly (49) Forms were collected as 89%. Statistical package of social sciences programmer (SPSS) used for analyzing data. The findings of study from which Strategic cost analysis A modern cost management technique, Value Chain, Strategic Position Analysis, Cost driver's analysis are tools of strategic cost analysis, Strategic cost analysis contributes to the rationalization of competition and cost management by administrative continents.

**Key Words:** Strategic Cost Analysis - Administrative Decisions.

**Introduction:**

Cost accounting is one of the most important information systems for companies, and the importance of information produced from the cost accounting system is more important in understanding the financial and economic reality of the company and its relationship to the surrounding environment. Therefore, cost information plays an important role in rationalizing administrative decisions. The decision-making process and solve many problems facing the different departments of the establishment in order to face competition, the problem of study the following questions What is the effect of the strategic analysis of cost on the rationalization of administrative decisions at Atbara Cement Company? the study aims to identify the concept of strategic analysis and to know its effect on rationalizing the administrative decisions of Atbara Cement Company, To achieve the objectives of the study were tested this hypothesis: there is a statistical relationship between the use of strategic analysis of costs and the adoption of administrative decisions at Atbara Cement Company.

**Study Model:**



**Strategic Cost Analysis:**

The strategic cost analysis is one of the approaches that cost accounting can use when dealing with strategic issues and problems, especially after the senior management of the establishment has to

pay attention to strategic thinking so that it can interact and adapt to the environment in which it operates and which is affected by the emergence of technological and economic variables, The strategic cost analysis contributes to the provision of cost data for the preparation of plans that provide a competitive advantage to the enterprise, as it is difficult for current methods of cost accounting to provide such data (Najati, 1995, p2), Tony Grundy, 1996 believes that the strategic cost analysis is especially important in analyzing the internal environment to determine the strengths and weaknesses as it is important in analyzing the external environment to achieve competitive advantages, and the cost analysis plays an important role in determining the quality of the most attractive industries in the market, (Mohamedm 2010) believes that the strategic cost analysis is an input that attempts to look at all the activities of the entity as a whole and the relationship between these activities and the impact of these activities on each other. Considering that each activity has a cost, cost management will be carried out comprehensively in an effort to achieve continuous cost reduction. The final cost management strategy

#### **Objectives of Strategic Cost Analysis:**

The strategic cost analysis aims to achieve the following (Mohi, 2011):

- Good understanding of the strategic factors in order to make the company able to formulate its strategic plans well in order to achieve continuous competitive advantages. The strategic factors can be determined by analyzing the external environment and analyzing the external environment focused on the international or regional product market or service. In which.
- Analysis of the internal business environment: It includes the identification of the technology used, the new entrants in the industry and their impact on the market, the analysis of the strategic cost engines, and the use of external and internal strategic factors.
- Provide a good framework for allocation of resources between activities. This framework includes the identification of value activities within and outside the company.
- Determine the sources of profits in companies and this is done by measuring the cost of strategic business units such as services, customers, production lines, to determine profitability, and the possibility of improvement and continuous development using the entrance cost of activity.

#### **Types of Strategic Cost Analysis:**

The adoption of the concept of strategic cost analysis, the transformation of companies from the internal cost vision to the external vision of what should be the costs, that is, taking the costs of competitors into consideration, which helps to achieve the strategic perspective to reduce cost, and depends on the strategic cost analysis Three types of analysis are: (Jhon K. Shank, 1989)

#### **Value Chain Analysis:**

Value chain analysis is a tool for diagnosing enterprise activities, and continuous improvement, a multi-evaluation Dimensions including analysis (product cash flow, information flow, management), and value chain control provides a mechanism to draw the attention of the Department and others to the opportunity for continuous improvement throughout the value chain (Andrew, 2009). The value chain is the process of creating value through a set of interrelated activities that start from the activity of purchasing materials from suppliers until delivery of the product to the end consumer (Institute of Management Accountants, 1996), One researcher defined the value chain as the process of strategically splitting the entity into a range of activities to understand cost behavior (Matthias, 2008), Another researcher defined the value chain as a sequence of activities and processes carried out during the life cycle of the product in order to find the real citizen to reduce the cost and strengthen the competitiveness of the entity (Atef, 2003). One researcher said that the value chain consists of two sets of activities (Mohi, 2001).

#### **Main Activities:**

It consists of five subsidiary activities: internal supplies, operations, product outputs, marketing, sales, and service.

#### **Supporting Activities:**

It consists of four sub-activities: company infrastructure, human resources management, technological development, and inputs. The researcher believes that value chain analysis is a key method and tool that is based on the strategic cost analysis. It analyzes all the activities of the establishment from input to product access to the end consumer.

#### **Strategic Position Analysis:**

The Strategic Position refers to the company's position in its competitive environment. There are three fundamentals that define the strategic position as the basis of product mix, the basis of needs (the differentiation of all consumer needs), the basis of customer access (distribution methods) (Abdul Sattar, 2009).

#### **Cost Drivers Analysis:**

Cost drivers are the drivers that cause the cost of the activity and explain the causal relationship between the output of the activity and the amount of consumption of its resources, such as the degree of energy utilization, the number of times the transport service, maintenance hours, the number of direct working hours, Cost drivers, cost drivers, cost drivers, structural cost drivers, cost drivers, (Salem, 2009).

### **Administrative Decision Making:**

Is a choice made between two or more alternatives available, that is the best alternative to achieve the goal. (Kasser, 2000). The quality of decisions is judged by their validity and relevance to the problem. It is natural that every decision-maker must take the following considerations into the decision-making process (Hikmet, 1999).

- A clear and precise understanding of the multiple objectives that fit the problem of the decision.
- A specific, comprehensive and accurate definition of the problem and the different aspects of the decision.
- Full knowledge of possible alternatives and a reliable way of assessing the consequences of each alternative.
- Determine the relationship between each alternative and the desired objectives.
- Full freedom to choose between alternatives that best solution to the problem.

Decision-making consists of five stages (Adnan, 2009):

#### **First Stage:**

Clearly define the goal, because it directs our steps towards making decisions.

#### **Second Stage:**

Think about as many possibilities as possible and draw conclusions.

#### **Third Stage:**

Fact-finding is very important, and lack of information can lead to incorrect decisions.

#### **Fourth Stage:**

To consider the pros and cons of the decisions that have been taken, each possibility should be examined, what can be produced, and the extent to which it is appropriate or inappropriate.

#### **Five Stage:**

Review all the stages again, and pay attention to whether new data have been added to create a change, then decide, and if the decisions are not appropriate a new examination can be done.

### **Analytical Framework:**

Through Table (1) it turned out to be T Test Asymp. Sig (.000) less than 5%, and this confirms there is a statistical relationship between the use of strategic analysis of costs and the adoption of administrative decisions at Atbara Cement Company.

Table 1

Phrase	Median	Case	T Test	Sig (2-tailed)
Strategic cost analysis helps the company make quality decisions.	4	Agree	15.389	.000
Strategic cost analysis helps the company make cost-cutting decisions.	4	Agree	10.770	.000
The company relies on value chain analysis to understand cost behavior through activities.	4	Agree	10.770	.000
The company relies on value chain analysis in continuous improvement.	5	Strongly Agree	25.544	.000
The company is interested in analyzing the strategic position to determine the competitive environment.	3	Neutral	12.042	.000
The company is interested in analyzing the factors that cause the cost of the activities.	4	Agree	15.832	.000

### **Finding:**

Strategic cost analysis A modern cost management technique.

Value Chain, Strategic Position Analysis, Cost driver's analysis are tools of strategic cost analysis.

Strategic cost analysis contributes to the rationalization of competition and cost management by administrative continents.

### **Conclusion:**

Strategic Cost Analysis is a modern approach introduced by the modern business environment and helps companies identify the cost drivers of activities by providing accurate cost information that fails to provide traditional cost accounting methods. This information helps in preparing plans through which to make decisions about competitive advantage and reduce costs.

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