

Exploring Factors that Impact the Process of Reducing Production Cost of an Iraqi Company in the Manufacture and Marketing of Dates

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Abstract

This study examined and tested the relationship between the cost reduction process and the practice of evaluation performance. The Iraqi company for the manufacture and marketing of dates was selected as a study sample and respondents represented a range of accountants and specialists through the adoption of the survey and the formulation of questionnaires to collect and evaluate the primary data using statistical methods. The main objective of the study was to formulate a systematic conceptual framework regarding cost and its strategic significance in the field of performance evaluation. Most importantly, the study offered a number of conclusions and recommendations including that the selected company must consider the process of reducing the cost of its goods as a strategic goal, and inclusion among the priorities for its activities, particularly when related to performance management practices.

Keywords: Cost reduction, performance evaluation, Iraqi business organizations, marketing cost, indicator of profitability, customer satisfaction, etc.

Introduction:

The new market world recently demands that business organizations concentrate on a variety of successful strategies. Among these strategies are the cost reduction strategy and its significant role in ensuring economic dominance. In reality, the process of reducing production costs, despite being a difficult and complex process due to the variety of different business activities; however, most studies indicated the possibility of monitoring the cost component's detailed research actions before starting the production process. Therefore, the cost reduction process for Iraqi business organizations, like (selected company), can be accomplished through two basic aspects. The first is to maintain continuous control over manufacturing costs and other expenses associated with marketing and distribution expenses, and the second is the involvement of a professional and reliable workforce in accounting and auditing that helps to satisfy the management's wishes in the appropriate manner. In addition, this mechanism is not limited to meeting management requirements but is growing to include a large group of users who have an influence on the company's level of sales and profits, including investors, creditors, and others who have a direct or indirect financial interest in that business.

Study Problem:

Most companies in Iraq still face a range of difficulties during the manufacturing process, with no exception being the high cost of their goods relative to the revenue produced. The process of reducing product costs from the manufacturing stage to the marketing and distribution stage has

become a strategic aim that most advanced Iraqi organizations strive to achieve in many industries, owing to the great role this process plays in determining the possibility of effective organizations and their sustainability and growth ability, as well as their contribution to optimizing their products in Iraqi markets (Al- Obaidi & Salman, 2019). The major accounting studies carried out on this topic indicate that the main reasons for the high cost of company products are the lack of sound cost strategies aimed at studying the entire production process and analyzing the cost elements that contributed to the crystallization of the final product shape up to the promotion and distribution phase of the product to interested customers (Ronald, and David, 2016). Against the foregoing, this study seeking to explore the factors that can contribute to reducing the total cost of products of selected Iraqi company that operates in the field of dates in order to rely on these positive results as an indicator to evaluate the performance of that company in the scope of efficiency and effectiveness, sales capacity and profitability as well as evaluating the degree of responding to the requirements and desires of customers.

Objectives of the Study:

The objectives of the study can be described as:

- i. To include an integrated theoretical framework aimed at presenting the cost component as a strategic objective for Iraqi business organizations, and to explain the most relevant factors leading to the reduction of this component relative to the revenues of those organizations.
- ii. Defining performance assessment as one of modern literature and its key forms, in addition to clarifying the most relevant objectives of this practice, including measuring the success, development and survival capabilities of Iraqi business organizations.
- iii. Defining the essence of the relationship between production cost reduction factors and performance appraisal practices to help Iraqi business organizations' top management use these factors as metrics for evaluating their productivity, profitability and customer satisfaction capabilities.

The Importance of study:

For Iraqi business organizations, this study is considered very significant, particularly for those serving in the industrial sector, for the following reasons:

- i. It focuses on a critical component which is known as the basis for the success and competitiveness of business organizations defined by the cost component and clarifies the most important related principles, as well as the factors which may lead to the reduction of this component during the production process.
- ii. The significance of the study is reflected in the fact that it is focused on cost reduction factors as successful metrics in the process of assessing Iraqi business organizations' performance in a manner that meets the requirements of many interested users.
- iii. It offers a set of conclusions and recommendations which can lead to the enhancement of the cost strategies adopted by Iraqi business organizations,

including the sample study, to ensure that their goals are accomplished in the right way.

Study Hypothesis:

The following hypotheses were formulated for the study:

H₀₁: The process of reducing the cost of the designing products has a significant impact on the Iraqi company's performance evaluation practice for dates manufacturing and marketing.

H₀₂: The process of pricing products has a significant impact on the Iraqi company's performance evaluation practice for dates manufacturing and marketing.

H₀₃: The process of reducing the cost of promoting products has a significant impact on the Iraqi company's performance evaluation practice for dates manufacturing and marketing.

H₀₄: The process of reducing the cost of distributing products has a significant impact on the Iraqi company's performance evaluation practice for dates manufacturing and marketing.

Literature Review:

This section presents the works of authors and scholars that are related to the study. For this reason, the current study's variables are listed in the following subheadings:

Cost Reduction, Concept and Importance:

Nowadays, the cost term has become a subject of concern for all business entities, as it plays an important role in deciding commodity prices and because this principle is closely related to the achievement of this organization's main goals, including the process of reducing the cost of the goods relative to the revenues achieved, in a way that helps to achieve the highest performance.

The definition of cost has grown in the context of business organizations and their goods it described as ' "Resources sacrificed for a specific purpose, calculated by the relevant monetary unit and payable during the purchase period of goods and services" (Horngren et al., 2008).

The cost reduction process is therefore considered one of the key tasks for accountants within business organizations, which primarily affects the amount of revenue achieved. Indeed, several scholars referred to the principle of cost reduction as "actual and sustained reductions in unit costs through the production process of product or service distribution without reducing the appropriate level of its use" (Al-Obaidi & Salman, 2019).

It also describes "the expected method for improving productivity and reducing production costs by maximizing the use of cost components and accelerating the completion of operations or the output without affecting the quality and functions of the product" (Ivanov, 2018).

As mentioned above, a number of factors that correlate with each other and may include administrative, organizational, technological and environmental factors influence the cost reduction process. The key and sound criteria of the proper cost reduction method can be explained as below to achieve full uniformity with these factors (Carlson et al., 2012):

- i. All factors affecting the quality of the products manufactured or the service provided must be avoided by the company.

- ii. A large amount of available economic resources must not be sacrificed through the production process.
- iii. The need to have sufficient resources, including qualified accountants and physical resources that may contain effective data, information and, modern equipment, capable of achieving this function.

It can therefore sum up the value of the cost reduction mechanism for business organizations as (Ray & Peter, 2011):

- i. This process helps the organization to continually increase its profits, expand its capital and revenue operations.
- ii. This process allows businesses to rationalize the use of economic capital and achieves the highest degree of production quality possible.
- iii. It helps to improve the organization's competitive advantage and the market share of its revenue by selling goods at modest prices relative to similar products on the market.

Marketing Mix, Concept and Elements:

The marketing mix is seen as a cornerstone of the marketing process. According to Kotler's opinion, it is "a set of controllable marketing variables which organizations use to achieve their market objectives" (Kotler, 2015). It is also defined as "a mixture of the main activities by which the product is studied in a manner that suits the needs and wishes of the customer, including the study of the appropriate price, promotion of the product, distribution and delivery at the right time and place in a manner that achieves the highest possible level of profits" (Bahman et al., 2013).

On the other hand, this term is also defined as "a set of components, and variables (product - price - promotion - distribution) which are controlled by the organization and can be used to influence demand levels and improve the competitive position of the organization" (Wheelen & David, 2011).

From the above concepts, therefore, the marketing mix consists of four key components or elements, as follows:

- i. **Product:** The product is considered to be the core component of the marketing mix and marketing operations center relative to others. Since the product's performance depends on the customer, the company must aim to produce products in a manner that ensures customer needs and expectations are met.

Generally speaking, this term can be described according to the opinion of Pride & Ferrell (2010) as "Anything that can be obtained in the market through the trade process, whether tangible or intangible in the form of goods, a service, an idea, etc." "The component that leads to proper contact between the seller and the buyer in a way that simultaneously improves the company's competitive position on the market and increases the level of its sales and profits with regard to the conditions of the customers concerned".(Kotler, 2015)

- ii. **Price:** The price is only the component in the marketing mix that produces sales and profits and is more sensitive to changes in the organization's environment. In fact, the process of pricing the organization product was considered the most difficult marketing decision that this entity makes because of its direct association with the product and the customer.

This term may be described as “Expression of the value of products that have been traded on the market or the amount of money that used for a product” (Wheelen, & David, 2011). In general, the pricing mechanism aims at achieving the following goals (Ben L. & Oskar T. , 2017):

- a. Increase the product’s market share and attain maximum sales possible.
- b. Survival, stability, growth and achieving highest level of profits.
- c. Building a good reputation for the product.

iii. **Promotion:** It is considered to be one of the important elements of the marketing mix and marketing activities which help to create a mental image of the company product for the customer by constantly being informed of the various product advantages, prices and places available.

It can be described as “the multi-activity strategy that is adopted by companies and aims to convince consumers to sell the largest quantity of products or provide the best services by adopting advertisement and public relations” (Pride & Ferrell, 2010). The key objectives which the company aims to achieve by implementing the promotion process are therefore as follows (Carlos, 2020):

- a. Providing both fresh and valuable knowledge about its goods to existing and potential company customers.
- b. Confronted with current market competition and trying to gain a greater market share.
- c. Correcting mistakes that occurred in customer awareness of the products previously offered for them.
- d. Documenting relationship formulas and contact with the third parties.

iv. **Distribution:** It is one of the marketing mix elements which include all the activities undertaken by the management of the business in order to deliver products that satisfy the needs and wishes of the customer through different distribution outlets. It is defined by (Kotler, 2015) as the “activities that aid in the movement of tangible and intangible goods from the producer to the high-efficiency consumer on the one side and, on the other, in an acceptable amount of time.”

Therefore, as many scholars have noted, the key objectives of this operation are to make the product accessible to customers, not only must it require the physical appearance, but it must also be available for inspection in a way that satisfies the customer’s requirement by displaying this product in an enticing manner and drawing attention to the advantages of the product (Avinash, 2013).

Performance Evaluation, Concept, Components and Objectives:

In general, the “term of performance” can be defined as “the entity’s ability to achieve its desired goals efficiently and effectively using the available resources” (Al- Obaidi, 2020). In particular, the “term of performance evaluation” can be defined as “the entity’s ability to achieve the objectives previously planned by comparing it with the actual results to understand the mechanism for using its available resources and identify the variances that require correction in possible ways” (Ronald and David, 2016). Actually, the performance evaluation process

generally involves a collection of components, the most important of which are (Horngren et al., 2008):

- i. Effectiveness component. Effectiveness means the degree to which the organization's basic goals are fulfilled.
- ii. Efficiency component. Efficiency means the ability to achieve maximum outputs from specific inputs.
- iii. Economical component. It reflects the process of minimizing the resource costs that were used to carry out the different operations, taking into account the agreed quality standard for this process.
- iv. Environmental component. It means the environmental variables that surround the entity, and continually react with it.

Therefore the key goals of the performance evaluation process can be defined as follows (Ray & Peter, 2011; Ronald and David, 2016):

- i. Determine the level of success of the tasks assigned to the organization relative to the goals designed in advance, and assess this organization's ability to sustain and continue its operations.
- ii. Detecting shortcomings and weaknesses in the operations of the company, and performing a systematic review to clarify its causes, presenting a collection of appropriate remedies, fixing it and preventing its potential occurrence.
- iii. Determine the adequacy of rationally using the available capital to achieve a greater return with lower costs and high quality.
- iv. It aims to evaluate the level of responsibilities assigned to the managers and to ensure that they are seeking to achieve the goals of the organization that are set in advance.
- v. It aims to rationalize management decisions by providing the necessary data on performance evaluation results related to the aspects of the different activities to the top management within the entity.
- vi. It aims to increase intense rivalry between departments and divisions within organizations, which in turn encourages those departments to boost their future performance.

Consequently, the importance of the performance evaluation process has increased significantly because it clarifies the contribution of the entity in the process of economic and social development by achieving the maximum amount of production with lower costs and eliminating the factors caused by waste in time, effort and money as well as leading to the disclosure of individuals' untapped resources and capacities in their current jobs, this may be an important method for the proper allocation of their duties and functions (Al- Obaidi & Salman, 2020).

Research Methodology:

To achieve the study goals and test its key hypothesis, the researcher designs and adopts a survey for this analysis by creating a questionnaire that includes a set of questions aimed at the respondents to develop, appropriate data and properly analyze it. The survey research was most suitable because it is considered an important tool in addition to that which corresponds to the

study variables; it involves a collection of questions that fit the respondents' expectations and opinions. The sampling method used in this study is simple random sampling as there is no distinction between employers within the company; the selected population of this study consists of 40 employees working for the manufacture and marketing of dates in an Iraqi company and they have the same opportunity to participate in this process. In terms of the questionnaire structure, it consists of two parts, the first section relating to the study's key data, while the second section relates to performance evaluating data. To get specific answers, all questions were better listed and explained to the respondents in full. The questionnaire consisted of 35 questions from which the employee is required to choose the option to be deemed acceptable by using the 5-Likert scale to tick appropriately. Only the 30 completely completed out of the 40 questionnaires given and only used for data processing. The questionnaire was submitted, and subsequently collected electronically on time by implementing the Google form application.

Data presentation:

This section of the analysis offers general knowledge of the respondents. The key information includes; gender, age, educational qualification level, years of work experience and professional jobs.

Table 1 Public Information of Respondents.

Data	Frequency	Percentage
Gender		
Male	17	56.6 %
Female	13	43.3%
	30	100%
Age		
Below 30 years	4	13.33%
30 - 40 years	21	70%
41 years & above	5	16.66%
	30	100%
Level of Education		
Secondary School	1	3.33%
Bachelor's Degree	15	50 %
Master's degree	9	30%
Ph.D.	3	10%
others	2	6.66%
	30	100%
Working Experience		
Below 5 years	2	6.66%
5 - 10 years	11	36.66%
11 - 20 years	9	30%
20 years & above	8	26.66%
	30	100%
Professional job.		
Manager	3	10%
Accountant	18	60%
Senior Accountant	7	23.33%
Auditor	2	6.66%
	30	100%

Testing of Hypothesis and Results

This section includes the testing of the hypothesis of the study. A particular statistical method was used by the researcher to summarize, analyze and evaluate relationships between study variables as simple linear regression and Coefficient of Determination (R Squared – R²).

Testing of Hypothesis 1					
Ho ₁ : The process of reducing the cost of the designing products has a significant impact on the Iraqi company's performance evaluation practice for dates manufacturing and marketing.					
Independent variable \ Dependent Variable	Constant	cost of designing product	F - Statistic value	F - Distribution Tables	R Square R ²
	B ₀	B ₁			
Performance Evaluation	-1.96	1.47	13.03	7.94	0.377

From data given in the above table: F - Statistic value is (13,03) Which indicated that its value more than of F – distribution Tables value (7.94) with an R² of (0.377), this implies that the process of reducing the cost of designing products has a direct impact on performance evaluation practice at the rate (37.7%). Hence the initial research hypothesis was accepted.

Table. 2 Summary of Linear Regression Analysis relating to impact of reducing cost of designing product to performance evaluation practice.

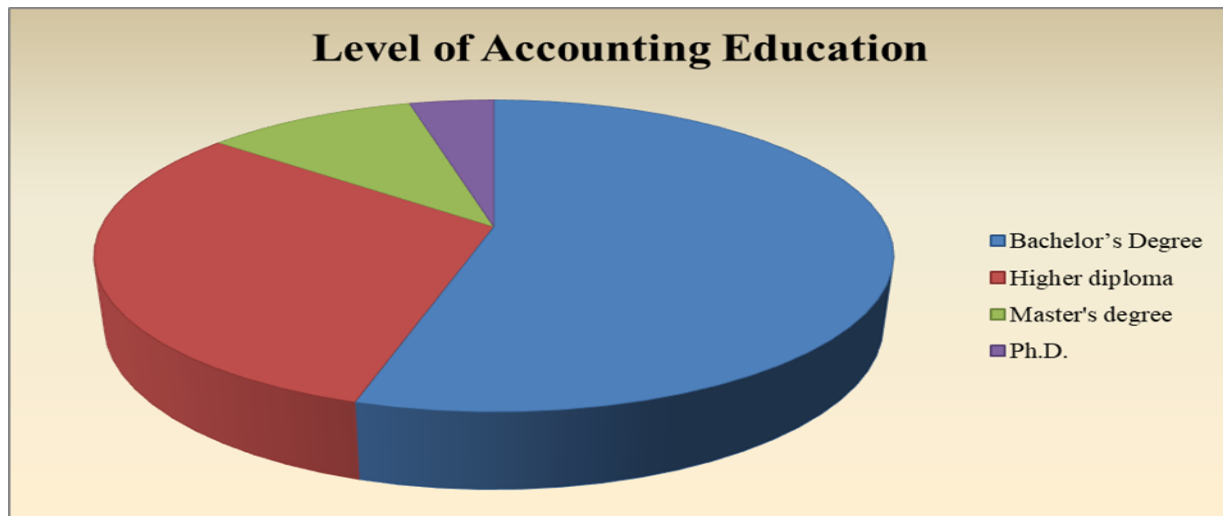


Figure 1 The Level of Accounting Education of Selected Sample

Table 3 Summary of linear Regression Analysis relating to impact of pricing product to performance evaluation practice.

Testing of Hypothesis 2					
Ho ₂ : The process of pricing product has a significant impact on the Iraqi company's performance evaluation practice for dates manufacturing and marketing.					
Independent variable \ Dependent Variable	Constant	pricing product	F - Statistic value	F - Distribution Tables	R Square R ²
	B ₀	B ₁			
Performance Evaluation	7.20	-0.43	12.1	7.94	0.83

From data given in the above table: F - Statistic value is (12.1) which refers that, its value more than of F – distribution Tables value (7.94), the R-square value of the coefficient of determination, indicating a very high predictive power of 83%. Consequently, the finding in Table 2 above explicitly demonstrated that there was a direct effect of pricing goods on the practice of performance assessment, meaning that hypothesis 2 was accepted.

Table 4 Summary of linear Regression Analysis relating to impact of reducing cost of promoting product to performance evaluation practice.

Testing of Hypothesis 3					
Ho ₃ : The process of reducing the cost of promoting products has a significant impact on the Iraqi company's performance evaluation practice for dates manufacturing and marketing.					
Independent variable \ Dependent Variable	Constant	cost of promoting products	F - Statistic value	F - Distribution Tables	R Square R ²
	B ₀	B ₁			
Performance Evaluation	10.13	-1.02	10.36	7.94	0.32

From data given in the above table: F - Statistic value is (10.36) which indicated that its value more than of F – distribution Tables value (7.94), the hypothesis was supported by the result of the study and it was accepted although the R-square value of the coefficient of determination, referred a very low predictive power of 32 %.

Table 5 Summary of linear Regression Analysis relating to impact of reducing cost of distributing product to performance evaluation practice.

Testing of Hypothesis 4					
Ho ₄ : The process of reducing the cost of distributing product has a significant impact on the Iraqi company's performance evaluation practice for dates manufacturing and marketing.					
Independent variable \ Dependent Variable	Constant	cost distributing products	F - Statistic value	F - Distribution Tables	R Square R ²
	B ₀	B ₁			
Performance Evaluation	10.13	1.01	15.26	7.94	0.41
From the data given in the above table: F - Statistic value is (15.26) which indicated that its value more than of the F – distribution Tables value (7.94), with a coefficient of determination R ² of (0.41). The result of the table above shows there was a significant relationship between the process of reducing distribution cost and performance evaluation practice. Therefore, hypothesis four approved by the study and then accepted.					

Conclusion:

Based on the findings of this analysis, the researcher made the following conclusions:

- i. The process of reducing the cost of its goods must be regarded by the organization as a strategic objective, and inclusion among the priorities for its operations, particularly in relation to performance practices.
- ii. The need for the selected organization to rely on skilled and trained accounting personnel at the academic and technical levels to monitor the cost of the detailed manufacturing processes as well as the costs associated with the marketing and distribution stage.
- iii. The performance evaluation practice should not be limited to revenue, profitability and customer satisfaction metrics, but should be extended to include more modern and advanced indicators such as the level of application information technology for Iraqi businesses and the possibility of using it in the process of reducing production costs.
- iv. In the opinion of the researcher, the adoption of the survey and the questionnaire produced for this study is not considered sufficient to assess the relationship between the process of reducing the costs of the Iraqi company for the manufacture and marketing of dates and the evaluating performance practice, unless there are ongoing visits and contacts with the senior management and accounting department in order to identify weaknesses points and leverage strengths points in a way that achieves the study's main objective.
- v. The process of reducing the companies costs in the republic of Iraq must not commit to studying the administrative, environmental and financial factors that surrounding these companies, but rather it must analyze the nature of the economic

system applied within the country and the accounting legislation that governs the accounting practices in addition to the nature of the laws that prevailing in order to ensure that it does not conflict with that legislation.

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