IDENTIFYING & PRIORITIZING THE BARRIERS ON EXECUTION OF COST MANAGEMENT

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ABSTRACT
The cost management is a system for planning and control of the costs for the creation of which there are numerous ways. Every organization shall adopt a more appropriate method with respect to their terms and conditions. The cost management assists in identification, gathering, classification and allocation of the information that are used in planning, control and decision-making, for keeping a desirable limit of the costs. Just like every other institutes, the Islamic Azad University requires an optimized use of the cost management to control and reduce its expenses. For this reason and with respect to the importance of the case, the present research has dealt with identifying and prioritizing the barriers on execution of the cost management in the Islamic Azad University.

Enjoying the experts’ theories and by the means of a conducted questionnaire, using the structural equations, the result of the research data analysis indicated that the factor of “failure in accurate assessment of the performance of the chancellors of the university branches and regions” is the most important barrier in accurate management of the costs in Islamic Azad University. After that “unwillingness of the staff for economization, and for endeavor to decline the costs” included the highest level of factor loading in this case. It was also observed that the barrier of “not paying attention to the liability assessment accounting system” is in the second place in raking of the executive barriers and after that “failure in benefiting from modern costing techniques” is in the next place. Furthermore, “failure in execution of appropriate encouraging and punishment policies”, “uncompetitiveness of the system and a weak demand for response”, “inexistence of a uniform culture of economization within the university’s environment”, and “not paying the required attention to the missed opportunity costs” are in the next places. Eventually the barriers of ‘not paying attention to the dedicated budget’, “not paying attention to the efficacy, effectiveness and economic efficiency of the organizational activities” and “the university’s dependence on the tuition incomes” are on the lower levels of importance from the viewpoint of the respondents.

Keywords: Cost Driver, Activity-based Costing, Pragmatic Activity-based Costing, Liability Assessment, Costing Techniques

Introduction

The expense calculation plays an important and effective role in different aspects of the conveniences for meeting the society’s requirements and also managing it which is rapidly changing. Since the 20th century the world encounters a new era of great accelerations in domain of the requirements that are being created for managerial calculation. Such requirements must be satisfied through application of nontraditional solutions in domain of managerial calculation, in order to increase the institutes’ income[1].

Nowadays, with respect to the role of accurate information in decision-making, particularly the financial and cost information, the necessity of designing and implementing a costing system to identify and discover the expenses and also to accurately calculate the final price of the services is of a special place and its importance is increased day by day. On the other hand, what can be seen with the trading, profit and nonprofit institutes much clearer than every other thing, is paying attention to numerous expenses of the organization, or more precisely, the cost management. In private sector, the cost management plays an important role and results in maintenance of the properties and the resources. This case has not yet been met and that’s because of a lot of problems which must be identified and the strategies must be presented to solve them.

In this matter, one of the institutions that has coped with numerous financial issues and seems not to have any effective cost management system, is the Islamic Azad University. During the past some decades, this university has had huge amounts of incomes and for this reason it has become a place of accumulation of abundant material and spiritual capitals; however, unfortunately during the recent decades by imposing attenuative policies from outside of this institute on it, it is gradually becoming weak. Without a doubt, the biggest problem the Islamic Azad University is wrestling with in the current conditions, is the shortage of financial resources and solving that problem is subject to execution of economic policies, or if necessary, changing the traditional strategies of this institute in monetization and also the maximal economization in its expenses. At present the non-tuition income of the university is around seven percent of its total income, and the share of its income with a knowledge-based source is less than two percent.
of the income sources of the university, and in my opinion, it can be considered as a big problem for a university where is the place of knowledge creation. One of the biggest obstacles in this way is lack of an economical thinking and using the entire university capacities. In other words, despite the fact that it is a nongovernmental university, the very governmental thinking is dominant over it. You can observe it clearly from the structural layout and the university’s income – expense management. The second issue, is the complex and hard bureaucracy dominant over the university which is the subsequent big problem and prevents the university from growing up and being quick. The mass of books of the university’s laws and regulations is so much that the CEO does not read them. There exist around three thousand circulars which sometimes breach each other. This complex and hard bureaucracy has prevented the university from enjoying the dynamic movements for the non-tuition income activities. The former structures of the university and the individuals lacked an economic approach and they were merely relying on the tuition and the did not think that the only way of income, the tuition, may someday be declined or even disconnected.

Therefore, considering the importance of the case, the present research intends to review the obstacles on the way of cost management execution in Islamic Azad University.

**Literature Review**

The cost management systems help the managers to comprehend the cost’s structure and behavior; therefore, they would be able to make the decisions that assist the organization in the way of achieving a strategic competitive privilege[2][3]. The Strategic Cost Management, by implementing the cost management techniques intends to provide the conditions for simultaneously meeting the two goals of improvement of strategic situation and reduction of the costs at the organization [4]. The Strategic Cost Management can also be considered as holding sort of an organized interaction between the organizations’ benefits and the relevant cost structures with an emphasis on the long-term strategies and short-term tactics.

According to the Anderson, the Strategic Cost Management can be divided into two sections of Structural Cost Management and Executive Cost Management[5]. The main goal of Structural Cost Management is to make changes in cost structures of the organization and this section of the Strategic Cost Management includes organizational tools, the designed products and the processes the purpose of which is to create a cost structure harmonious with the organizational strategies. This type of expense management basically hints to those strategic decisions that include some complete parameters of the cost management structure. On the contrary, the Executive Cost Management intents to improve the performance of a special strategy and includes those prevalent management accounting tools that may make the preparations for the process of assessment of the competitive indices-related cost performance. This type of management, basically, refers to the analysis of the performance arising from the strategic decisions[6].

*Balaaledding and Hassan* believe that the efficiency is made by minimizing the total transaction costs and creation of an interorganizational transaction framework. In other words, minimizing the total production and transaction costs alongside with organizing the activities beyond the organization’s boundaries is considered as a key point in transaction costs economy. In transaction costs economy it is described how to minimize the transaction expenses through the interorganizational relations. It can be achieved by minimizing the bounded rationality[7].

Former studies conducted by the researchers indicate that activity-based costing is one of efficient tools in domain of cost management and it can be useful in calculating and presenting the accurate final price on one hand, and on the other hand, in assisting to identify the priceless activities. The activity-based costing system is considered as the first generation of costing systems that are based on modern attitude. This generation of costing systems, allocates the overhead expenses to the expense subjects in two phases. In the first phase, the overhead expenses are allocated to the activities of the resource consumer based on the drivers of the resource consumption expense, and in the second phase, the overhead expenses allocated to the activities are allocated to the expense subjects based on the drivers of the expense of the activity consumption.

The activity-based costing system, enables the higher education institutes to take the necessary actions in identifying the places needing more or less resources; however, identifying the actual final price of various educational programs can be very helpful in a better allocation of rare resources. By calculating the per capita expense of the student through the activity-based costing method, in addition to the fact that all the costs expended in the education process of each student are estimated, the contribution of each activity in this cost is determined. On the basis of
such information, the planners and the policymakers figure out which activities take a more share of expenses, so that they can plan a more optimized use of those activities.

The activity-based costing enjoys several superiorities in comparison to the traditional systems; however, this system has a number of executional and maintenance issues too. To solve those issues, Kaplan and Anderson in 1986 developed a new system called Time-Driven Activity-Based Costing (TDABC).

The TDABC system has been used by different companies in all over the world; however, Namazi in his article introduced the TDABC system as the third generation[8]. One of the newest activity-based costing systems is the third generation of Performance Focused Costing. There are nine steps to execute the operative activity of the third generation of activity-based costing system, known as Performance Focused Activity-based Costing (PFABC) [9]. Of course, it must be noticed that execution of the third generation of PFABC may be influenced by a number of factors resulting in some changes in its procedure. A number of those factors include technical, organizational and economic factors among others[10].

Jane and Bean conducted a research to solve the cost management issues as well. That research was under review from 1999 to 2008 using the panel data in the Chinese government. The findings indicated that the weak governmental and supervisory factors before and after the expenditure, are the most important reasons to propose the cost management issues and strong communication and coordination together with an appropriate supervision before and after the expenditure are effective on the decline of cost management issues. Eventually Alkene, in a research conducted in Indonesia reviewed the Civil Plans cost management and at the end they drew the conclusion that the governmental auditination results in correction of capital expenses of the projects up to 80%[11].

Ratnatunga et.al. conducted a research in Sri Lanka titled “Cost Management in Sri Lanka: A Case Study on Volume, Activity and Time as Cost Drivers”. The result of their studies indicated that the ABC has superiority over the traditional mass-based cost allocation systems. Thereupon, the multi-driver type of TDABC seems not to be different from the ABC, if the standard-activity times are used as the expense drivers. They also indicated that the efforts made to simplify the analysis of the activity in the first phase of the execution stage of the ABC through utilizing the single mass-related cost driver made no difference with respect to the traditional TDABC costing systems. Eventually they argued that both of ABC and TDABC models may provide all kinds of information for decision-making: (1) the expenses allocated for the expense purposes and (2) the links between the resource reservoirs and the expense reservoirs. Therefore, they provide such information in different methods with different levels of precision[12].

Amir et.al in their article indicated that there is a positive relation between the actions related to the cost management and the competitiveness of the strategic priorities of SMEs. In this study the factor and regression analysis are used to test the hypotheses. Same as previous researches, some evidences are proposed by the rest of this article stating that the cost management actions have a positive relation with the strategic priorities’ competitiveness. By more analyses it became clear that the relation between the cost management actions and the strategic priorities – related SME competitiveness are adjusted through the entrepreneurial capabilities[13].

**Research Methodology**

**Research Method**

Concerning the purpose, this research is applied-developmental, because it both deals with description of the factors effective on a phenomenon which may be useful for the managers and decision-makers in compiling the strategies and it also promotes the cost management literacy.

Further, the data collection method is descriptive and non-probatory and it is conducted on a survey-basis. With respect to the relation between the variables, the research method is analytic and correlative, and it deals with the barriers on execution of cost management. In order to describe the literature and to compile the theoretical framework in this research the library-based data gathering method including reading the books, articles, authentic magazines, the documents and reports of the Islamic Azad University and the similar items, was used. And then in order to find the answers to the research questions and to assess the hypotheses, the field study method was used as well as the questionnaire and the interview.

**The Statistical Society, Sampling Method and the Sample Size**

The statistical society of this research includes the faculty members of departments of accounting, management and economics, the concerning specialists and the researchers of the research institutes who potentially had the highest
extent of the information with respect to the Islamic Azad University and the cost management, and those people were identified through the theoretical purposive sampling method. In other words, we used to concentrate on the people who were more informed about the subject of this research. By following the case, the interviewees were asked to introduce other expert concessioners who hints to snowball sampling in qualitative researches. The sample size in qualitative phase was determined with respect to the saturation level i.e. the researcher continued the interviews up to a level where the more interviews resulted in more data and a more understanding is obtained upon acceptance of its constitutional components and the manner of its execution, and if the more interviews does not result in more data, and the former data are repeated the researcher stops the interviews. Therefore, in addition to the fact that the sampling method is targeted, the snowball sampling method was also used and the interviewees were asked to introduce the people who may provide appropriate qualitative data. Eventually, 20 of faculty members and the specialists in domain of cost management were interviewed.

And since the structural equations were used in this research to test the hypotheses, on the basis of the Klein principle or the Sample Size Determination Principle for the structural equations, the adequate number of samples must be somewhat between 5 to 10 times more that the questionnaire’s queries. Since the questionnaire includes 22 queries, the research sample must include 110 to 220 individuals. Therefore, the number of 150 people covers this range.

Concerning the conducted studies and interviews with respect to this subject, the following cases were identified as the barriers on cost management within the university.

A. Cost Factors
- Failure in benefiting from modern costing techniques
- Not paying the required attention to the missed opportunity costs
- Not paying attention to the dedicated budget
- University’s dependence on the tuition incomes

B. Managerial Factors
- Uncompetitiveness of the system and a weak demand for response
- Failure in accurate assessment of the performance of the chancellors of the university branches and regions
- Not paying attention to the liability assessment accounting system

C. Organizational Factors
- Unwillingness of the staff for economization, and for endeavor to decline the costs
- Inexistence of a uniform culture of economization within the university’s environment
- Not paying attention to the efficacy, effectiveness and economic efficiency of the organizational activities
- Failure in execution of appropriate encouraging and punishment policies

Date Gathering Method & Instruments

in order for data gathering, a questionnaire was used that was made by the researcher. The basis of forming the questionnaire of the present research was the components identified at qualitative stage of the research. In fact, the main structure of the questionnaire is the very components and indices extracted from the interviews in qualitative part of the research. In this direction, it was tried to extract most of the items directly from the texts of the interviews. Furthermore, the concerning specialized texts and the literature review were used to complete the questionnaire. The current research questionnaire was designed and executed with respect to a 5-point Likert scale. The particulars of the research questionnaire are shown in table No.1.

Using the SPSS 24 software, the Cronbach Alpha was calculated. The output resulted from this process is presented in table No.1.

<table>
<thead>
<tr>
<th>Key Variables</th>
<th>Calculated Alpha</th>
<th>Cronbach Alpha</th>
<th>Acceptable Level of the Acceptable Alpha</th>
<th>Reliability Confirmed</th>
<th>Confirmed/Not Confirmed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Factors</td>
<td>0.818</td>
<td></td>
<td>Higher than 0.7</td>
<td>Reliability Confirmed</td>
<td></td>
</tr>
<tr>
<td>Managerial Factors</td>
<td>0.766</td>
<td></td>
<td>Higher than 0.7</td>
<td>Reliability Confirmed</td>
<td></td>
</tr>
<tr>
<td>Organizational Factors</td>
<td>0.852</td>
<td></td>
<td>Higher than 0.7</td>
<td>Reliability Confirmed</td>
<td></td>
</tr>
</tbody>
</table>
The Cronbach Alpha presented in the above table for all the variables and also for the entire questionnaire, indicates that the queries have an appropriate cross correlation, and it can be stated that if once again we measure the attribute concerned in this research using this questionnaire and using the very respondents (totally under similar conditions), we would not have a remarkable difference in the presented responses. Therefore, the overall reliability and the variable-separated reliability exist in this research.

4. Findings Analysis

The following table represents the ranking of cost management barriers in Islamic Azad University:

<table>
<thead>
<tr>
<th>Rank</th>
<th>Barriers</th>
<th>Path Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Failure in benefiting from modern costing techniques</td>
<td>0.270</td>
</tr>
<tr>
<td>2.</td>
<td>Not paying the required attention to the missed opportunity costs</td>
<td>0.209</td>
</tr>
<tr>
<td>3.</td>
<td>Not paying attention to the dedicated budget</td>
<td>0.206</td>
</tr>
<tr>
<td>4.</td>
<td>The university’s dependence on the tuition incomes</td>
<td>0.198</td>
</tr>
<tr>
<td>5.</td>
<td>Uncompetitiveness of the system and a weak demand for response</td>
<td>0.228</td>
</tr>
<tr>
<td>6.</td>
<td>Failure in accurate assessment of the performance of the chancellors of the university branches and regions</td>
<td>0.317</td>
</tr>
<tr>
<td>7.</td>
<td>Not paying attention to the liability assessment accounting system</td>
<td>0.286</td>
</tr>
<tr>
<td>8.</td>
<td>Unwillingness of the staff for economization, and for endeavor to decline the costs</td>
<td>0.303</td>
</tr>
<tr>
<td>9.</td>
<td>Inexistence of a uniform culture of economization within the university’s environment</td>
<td>0.221</td>
</tr>
<tr>
<td>10.</td>
<td>Not paying attention to the efficacy, effectiveness and economic efficiency of the organizational activities</td>
<td>0.205</td>
</tr>
<tr>
<td>11.</td>
<td>Failure in execution of appropriate encouraging and punishment policies</td>
<td>0.261</td>
</tr>
</tbody>
</table>

With respect to the ranking tables, it can be observed that the factor of “Failure in accurate assessment of the performance of the chancellors of the university branches and regions” has been the most significant barrier on the way of accurate management of the costs of the Islamic Azad University. Subsequently, unwillingness of the staff for economization, and for endeavor to decline the costs” have had the highest factor loading in this regard. It was also observed that the barrier of “not paying attention to the liability assessment accounting system” is place on the next place on the execution ranking, and after that “failure in benefiting from modern costing techniques” is placed. Furthermore, such ranks indicate that “failure in execution of appropriate encouraging and punishment policies”, “uncompetitiveness of the system and a weak demand for response”, “inexistence of a uniform culture of economization within the university’s environment” and “not paying the required attention to the missed opportunity costs”, have taken the subsequent rankings.

Eventually, it becomes clear that the barrier of “not paying attention to the dedicated budget”, “not paying attention to the efficacy, effectiveness and economic efficiency of the organizational activities” and “the university’s dependence on the tuition incomes” are on the lower levels of importance from the viewpoint of the respondents.

Furthermore, the following table indicates the direct path coefficient arising from the confirmed factor analysis for the executive barriers of cost management:
As it can be seen in the above table, the value of confirmed factor analysis statistic (t-value) presented for the cost factors is higher than 2.58, and the extent of meaningfulness of the text is less than 0.05. Therefore, this hypothesis is confirmed with a confidence level of 99 percent, and it can be concluded that the cost factors variable has been effective as an executive barrier for 0.266.

The value of the confirmed factor analysis statistic (t-value) presented for the organizational factors is higher than 2.58 and the test meaningfulness is less than 0.05. Therefore, this hypothesis is confirmed with a confidence level of 99 percent, and it can be concluded that the organizational factors variable has been effective as an executive barrier for an extent of 0.278.

**Discussion & Conclusion**

Considering the results of the research, it can be recommended that if the agriculture domain is activated, the student does not deal merely with the book, theories and article-writing, but also s/he works in executive domains as well. He both achieves skills and makes money himself. They also have participation in making money for the university. If those are produced and the commercialization is made in the companies with colleges, the university’s nature will change from educational holding into educational – economic holding which is highly profitable and beneficial for the country’s future. In that phase, the economic part of the case becomes a supporter and fortifier of the education. If the university takes this path, it can definitely overtake the domestic and even overseas universities.

Furthermore, the Islamic Azad University is suggested to implement the plan of provincial human capital collection in all over the province, as this can make it possible to benefit from the manpower in a synchronized form without the waste of manpower or financial resources. Further, by implementing this plan, most of unnecessary positions and the branches with lower number of students are deleted, and as a result as the administrative section get smaller, the real economization is met. By execution of the plan of collection of dispersed facilities of the university including the buildings, properties and etc. they will belong to total branches of the province. Naturally, by an accurate planning, we can benefit from such dispersed facilities in an optimized form, and to prevent from spending parallel budgets for the branches of the province in cases such as construction of hospitals, laboratories and workshops.

Furthermore, establishing provincial financial funds and collection of financial resources in such funds which may be promoted to a bank upon discretion of the experts, can provide the financial resources required for investment in profitable economic sectors. The fact is that in this form, leaving execution of such economic project over to the units that lack the capital and even cannot afford payment of salaries, would not be effective. On the contrary, by an accurate execution of the provincial collection plan and by creation of big financial finds and collection of human resources and promotion of lobbying power of the university authorities at the level of each province, the instrument required for investment in their desired plans will be provided.
In total, it seems that the present conditions for searching for brand new ways of moneymaking must be taken into consideration by the major policymakers of the university and that is, more or less, hinted by a number of authorities. Swift decision-making and prevention from wasting the scarce remaining resources, are the essential needs of the university in the present conditions. Without a doubt, the Islamic Azad University enjoys from very appropriate substructures to have activity in moneymaking trades such as tourism, agriculture, industry and therapy. In addition, the efficient and specialized manpower is one of precious assets of this institution which at present time they are at the risk of unemployment despite the emphasis of all the top authorities of the country upon urgency of job creation. Paying necessary attention to such material and spiritual assets together with an appropriate use of them can provide the university with new ways and to assist the authorities in safely passing this hard phase. In this regard, holding training workshops specially designed for the university chancellors concerning the higher education economy, financial management of the universities and the specialized course of “different strategies of income promotion” instructed by the experienced lecturers, are recommended.

Eventually, with respect to the recently emerged condition due of Coronavirus Diseases pandemic, and establishing virtual education, it is suggested that new educational systems such as the virtual education to be taken into consideration as the new ways of moneymaking for the universities.

There are always a number of limitations in every research which either makes the researcher encounter some problems in conducting the research or makes the results of the research ungeneralizable for other conditions. The present research was also suffering from limitations and the problems. One of the most important limitations of the present research was that the research plan was sectional, and since the sectional research plan is not appropriate for the causative relations assessment, the relations must be interpreted carefully. The researcher’s time limitations in data-gathering and the more theoretical and literary development of the research is considered as the second limitation in these projects. Just like every other research, the variables inaccessible for the researcher could not be controlled and reviewed; however, it must be noted that the extent of the limitations was not so much to influence the results of the research remarkably.

References


