

International Journal of Computer Science and Mobile Computing



A Monthly Journal of Computer Science and Information Technology

ISSN 2320-088X

IJCSMC, Vol. 3, Issue. 10, October 2014, pg.950 – 956

RESEARCH ARTICLE

New Management Systems: A Revolution in Management and Production of Systems

Hasan Asil

Islamic Azad University, Azarshahr Branch, Iran

Abstract

Evaluating the performance of corporations is of high importance for capitalists, managers, and governments and in this paper it has been attempted to deal with its three crucial criteria, EVA, ABC, and BSC.

According to the analyses, we can say that ABC, BSC, and EVA can play important roles in investment, management, and production. Also, it must be noted that based on past experiences and methods of production of software systems, by combining these three factors and using them in coding methodologies we can hugely increase the capabilities, technology, control, and quality of the products.

Introduction

During the last two decades this research has been witnessing economic and foreign affairs changes. Under these new circumstances managers are faced with several challenges. Maximizing the shareholders' wealth is one of the important goals of trade unions and evaluating the performance of corporations is of high importance for investors, managers, and governments (Fabozzi & Grant, 2000).

The pivotal point in decisions of investment is the value of a stock. Market prices are the results of decisions made about stock investments. During recent years many complaints have been made about performance standards which are based on accounting models (Young & O'Byrne, 2001).

Evaluating the performance of corporations is of high importance for capitalists, managers, and governments and in this paper it has been attempted to deal with its three crucial criteria, EVA, ABC, and BSC. Then the relations between them will be discussed.

BSC Balance Score Card

Many definitions have been proposed for organization. Classicists emphasize the role of structure in organizations and Neo-Classicists emphasize the role of human. Mechanical organizations, organic organizations, learner organizations, organizations tantamount to culture, and many other definitions each of which emphasizing a single aspect of an organization. But one of the interesting metaphors about organization is its analogy to human. In this outlook, an organization is viewed as a living organism (Parviz Bakhtiyari,2008). But in all living organisms, especially human, there are some factors referred to as vital signs! Does an organization have vital signs as well? Could this research be aware of an organization's health status just like humans by gauging its blood pressure and pulse? The Balanced Score Card is a modern and

useful method that enables us to control the organization strategically based on its vital signs. This section introduces BSC and deals with its implementation in an organization.

Balance Score Card is a new management concept which helps managers at all stages to refine and control their key activities Robert Kaplan and David Norton (1992) are regarded as the creators of this masterwork in the realm of strategic control. They proposed that managers collect information about four perspectives in one card and analyze them. These four perspectives are:

1. customer perspective
2. a job's inside procedures perspective
3. development, innovation, and organizational learning perspective
4. financial perspective which in fact answers the following questions:
 - How do customers look at the organization?
 - What are the organization's capabilities?
 - Is the organization able to produce and improve value?
 - How do shareholders look at the organization (Parviz Bakhtiyari, 2008)?

Robert Kaplan and David Norton consider the following as BSC's key advantages for an organization:

- Being able to control the organization holistically through key criteria
- Integration of organization's plans
- Dividing the strategy into measurable business factors

Control is the process of making sure of the agreement of approach and results and also comparing the results to see if they meet the pre-determined standards. If a considerable gap between the desired and the achieved results exists, then the manager must do his corrective job.

Goals will not be accomplished without proper control. Control is the process of creating and executing specific mechanisms in order to make sure if the goals are accomplished. It could be argued that no project can attain success unless it is controlled properly in advance. It is with the help of control that manager learns about the way in which goals are achieved and implemented and is enabled to evaluate and correct them. Control is like a kit for managers at all stages from high to low and the need for control is easily felt within all those stages. Without an effective control system, the organization will not succeed in its missions and will not be able to use its resources effectively.

Activity-Based Costing

Activity-based costing (ABC) is a technique for allocating direct and indirect resources accurately based on their usage in activities of an organization. In this part we will discuss the principles and the advantages of ABC and then some examples of its application will be mentioned. In fact, ABC is a costing method which provides the manager with useful information about each shareholder's profit for the company. Also, it helps managers to identify ways of promoting performance and implementing faultless profitable strategies. One of ABC's abilities is its emphasis on the fact that the total cost of services demanded by customers plays an important role in determination of each customer's contribution to the company's profit (David M.Katz, 2002).

Studies show that only %20 of the customers increase the company's profit, %60 break even, and the remaining %20 reduce the profit. Isn't it interesting to identify those customers who reduce the profit and jeopardize the company's status (A. Atkinson. Prentice Hall, 1998-)?

In recent years, ABC has had a very huge effect on the costing of products. The idea of ABC is not a new one and it has developed along with the traditional costing management. In the year

1940 Heckret had used the terms resources, activities, and stimulus for activities in his writings about allocating logistic costs. Most instances of ABC use emphasize primarily the production environment (to determine the cost of products accurately). Although many serving industries like logistics have started using ABC recently, Drucker states that ABC might have the biggest impact on serving industries. He believes that ABC is a tool which will need proper management in the future. For example, banks and long-established credit unions will use ABC in order to confirm the benefit of investment in ATMs by showing that it is cheaper compared to clerks and it increases the customer satisfaction. In railway companies ABC has been used to determine the cost of the processing of uploading bills using humans, fax, and the Internet. Legal corporations could increase their profit by using ABC for determining wages. Health centers use ABC for calculating profit, removing unnecessary costs, and planning changes. If the medical costs are available in advance, it will be easier to decide about the prices.

ABC utilizes a cost allocation approach which has two stages. First, cost of an activity is determined based on how often that activity is used. Cost of an activity is equal to all the resources used in that activity. In the second stage, cost of an activity is calculated based on its frequency.

Economic Value Added

While MVA measures the effects of managerial decisions since the beginning of a company's activity, EVA emphasizes the efficiency of management over a year. EVA is the estimation of a company's real profit over a year and differs from the accounting profit. EVA shows the remainder of profit after deducting the invested money while accounting profit is calculated regardless of the invested money. Financial sponsorship by shareholders is costly because the same money could have been used in other places with a better profit. By investing

money in a company, shareholders lose other opportunities of investment. Profit of the lost investment with the same risk is called the opportunity cost. EVA is a standard for measuring the manager's ability for increasing the performance and added value to new investments. It must be noted that EVA can be used either for the whole company or smaller parts of a company. Therefore, EVA provides the basis for evaluating the performance of management at all stages. The more the EVA, the better a company's condition is likely to be. Oftentimes EVA is used as the main criterion for paying bonuses to managers (Ahmadpour & Yahya-Zadeh-Far, 2003).

Conclusion

Changes in the economic conditions of the market have caused dramatic advances to happen in the production industry. Global competition has also caused dramatic developments in products. Along with changes in systems, accounting systems change as well. Many companies are replacing their traditional systems with new cost management systems. In a cost management system, the cost of each activity is measured, costs are specified (excluding value added), and turnover activities are determined. Cost management systems help increase the potentials of companies and improve the quality of products. It is also worth mentioning that many companies have concluded that they cannot use traditional systems because they are not powerful enough to be used in today's competitive businesses.

According to the analyses, this paper can say that ABC, BSC, and EVA can play important roles in investment, management, and production. Also, it must be noted that based on past experiences and methods of production of software systems, by combining these three factors and using them in coding methodologies it can hugely increase the capabilities, technology, control, and quality of the products.

References

- Robert S, Caplan, (1998). *Strategy-driven organization* p 310-390
- Ahmadpour , Yahyazadeh, (2003), *Strategy organization*, p89-91
- Tafazoli,fereydon,(2003) *Economic literature on*, mofid university, ghom, Iran ,p 247
- Ghadriyani asli,(1988) *Course of economic thought*, University of Tehran, Iran., p 108
- Prviz Bakhtiyari,(2003) *Strategy-driven organization*, University of Tehran, Iran., p 375David M.
- Katz , (2002), *Activity-Based Costing (ABC)*, CFO.com, US
- A. Atkinson. Prentice Hall, (1998), *Advanced Management Accounting*, 3rd ed., with Anthony,