INNOVATIVE ACCOUNTING AS A TOOL TO ENHANCE THE COMPETITIVENESS OF COMPANIES USING A CONCEPTCUSTOMER PROFITABILITY-DELL COMPANY CASE STUDY

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ABSTRACT

This research aims to measure the impact of the use of innovative accounting practices in improving the quality of the information provided by management in financial reports using the concept of balanced performance card and focusing on the concept of customer profitability as it is one of the modern financial tools used to enhance the competitiveness of companies within the stock market and thus demonstrate the impact of this on The rationalization of investor decisions in light of the accounting standards currently applied, and for this purpose, the researcher conducted a theoretical study that included the nature of innovative accounting practices and their impact on the quality of financial reports as well as their impact on investor decisions. The researcher has reached the following results:

Innovative accounting is those practices used by management to show the results of the activity and financial position in a not real way, and that is mainly based on the available freedom of accounting choice and flexibility in applying accounting rules.

Keywords: Innovative Accounting, Customer Profitability, Information Quality, Competitiveness.

INTRODUCTION

No one can deny the contribution of inventions and innovations in raising the level of all and different areas of life, and as it is said that the need is the mother of invention, and since the creation of the universe and the creation of man as he went on to discover and invent everything that contributes to its survival, continuity, and development.

Accounting science, like other sciences, proceeds with regeneration and development to keep pace with the development of the surrounding environment. Innovative accounting is one of the modern concepts adopted and applied by the developed world. It enabled a country to pioneer and control the world markets in an unrivaled manner..

From the foregoing, the researcher came to several questions centered on the concept of innovative accounting, and about the companies 'ability to use this concept and employ it in designing its accounting information systems. Hence the idea of this humble research sought to demonstrate the impact of innovative accounting in contributing to strengthening the market value of the company by focusing on the concept of customer profitability.

Research Problem

The problem of this research revolves around showing the effect of using innovative accounting in enhancing the market value of business companies listed on the stock market. The research problem is:

A- Can companies attract investment and enhance value using the concept of customer profitability?

B- Is there an effect of using innovative accounting in designing an accounting information system on the reliability of financial information?

Research objectives:

A- Learn about the concept of innovative accounting and the reliability of financial statements.

B- Knowing the extent of the company self-enhancing the profitability of the customer.

C- Explain the effect of using innovative accounting in designing an accounting information system on the reliability of financial information.

The Importance of Research

Research follows from the importance of the accounting information system in companies. The study looked at whether there is a role for innovative accounting in the process of enhancing the investment value and market value through the use of the concept of customer profitability.

RESEARCH HYPOTHESIS

Is there an innovative accounting ability to enhance the market value of a company using the concept of customer profitability?

INNOVATIVE ACCOUNTING

Innovative accounting has been defined as innovative tools that accountants design and do in the company's financial system, specifically when starting with the company's activity and in a way that ensures the interaction of accounting cycles in a way that ensures speed and accuracy in performing measurement and disclosure operations (Ranjit171, 2002).

Innovative as those accounting methods that are innovated and interact with the organization's accounting system in a way that ensures the maintenance of customers and mostly innovative accounting is used in the early stages when establishing a company (Visualizing, 42: 2010).

Some have also known innovative accounting as new inventions or innovations in accounting represented by measurement methods or models that enhance financial performance in a way that is to achieve the goals and objectives of the institution and enable it to compete with its counterparts in the market, and ensure its continuity in light of volatile economic conditions. (Thony, 2005)

The researcher would like to alert the researchers that many confuse Innovation Accounting with Creative Accounting and the vast difference where innovative accounting is a type of accounting creativity that contributes to producing innovative accounting tools that positively reflect on the performance of the company, while accounting creativity is the worst kind of Accounting manipulation, through which intellectual creativity is used in accounting manipulation, by exploiting gaps in accounting policies.

CUSTOMER PROFITABILITY

After the 1980s, companies were busy creating and developing new production systems to help maintain their market share or increase this share through economies of scale. ABC system and other concepts such as Target Costing and the concept of continuous improvement.(Asim et al., 2010)

Total Quality Management is one of the most recent concepts and focuses on three axes or approaches. Production systems came as a result of a change in accounting thought for the concept of (cost management) (Ranjit, 2002)

In recent years, companies have tended to harmonize administrative and accounting concepts in an attempt to personalize their customers. The global economy has entered the stage of increasing supply of demand and globalization, so companies have begun trying to continue in this business environment. (Timothy, 2005).

Customer Profitability Concept

Several modern administrative methods have emerged that focus on customers at present, such as customer relationship management. These methods and management systems include "customer profitability" because they depend on the profitability of products. (Thony, 142: 2005)

Customer profitability is generally defined as identifying or matching and allocating company returns and costs according to clients. Many companies use arbitrary methods to calculate the profitability of the customer. This is what leads to wrong decisions being made. (Visualizing, 2010).

On the other hand, customer profitability is defined as revenue from sales generated by a specific customer or group of customers minus all costs incurred in providing a product or service to a customer or a group of customers.

It is also clear that this strategy focuses on the customer and is based on the assumption that increased sales will maximize the profitability of the economic unit in the long term and thus achieve total profits through the relationship of the economic unit (2006).

Customer Profitability Analysis

It is necessary to define steps for the design and manufacture process. Analysis of the profitability of the customer helps to identify factors affecting the future of the economic unit. To generate half or more of the revenue of an economic unit, a client must generate half of it. (Jaber, 2009)

It is worth noting that customer revenues are affected by the volume of units sold to customers and the discount calculated on the sale price to increase the number of sales to customers, while customer costs vary according to the consumption of the unit's resources. (Selberger, 2008)

Benefits of Customer Profitability Analysis

There are many benefits to analyzing customer profitability, including (Joseph, 2003)

1. Maintaining profitable clients by providing products or services at the lowest cost and with the highest possible quality to achieve competitive advantage and gain customer satisfaction.
2. Increase the customer value that can be measured strategically by knowing the customer's profitability.
3. Determine the relationship between the prices and the cost of the service provided to the customer. A high price will be imposed if the services provided are of great cost and vice versa.
4. The possibility of converting unprofitable clients into profitable by negotiating the price, quality, product mix, and delivery time.
5. Analyzing customer profitability helps in distinguishing between profitable and non-profit customers after comparing each customer's costs with his revenues and thus guiding in deciding to dispense with those who are not on the list.

STRATEGIES THAT CAN BE FOLLOWED TO CONVERT A NON-PROFIT CUSTOMER INTO A PROFITABLE CUSTOMER

The enterprise's customer relationship management can increase the profitability of the enterprise by increasing its investments in high-value customers and reducing its investments in low-value customers for the facility (Joseph, 2003)

The researcher believes that this strategic vision for customer relationship management indicates that the resources devoted to establishing and strengthening relationships with customers must be allocated according to the value or profitability of each of the clients of the company. To establish the appropriate relationship with each customer in a way that maximizes the profitability of the facility. This is based on a rationale "that the production of a product occurs at a cost while the profit occurs by selling the product, and to achieve sales The facility must have a customer"

Some believe that the profitability generated by the customer can be increased in three ways:(Asim et al., 2010)

The first: by acquiring new customers and then increasing the number of users of the product or service.

Second: By maximizing the profitability of existing customers, by motivating them towards behavior that generates high revenues for the facility.

Third: by increasing the customer’s relationship with the facility, by keeping the profitable customer for longer periods.

A PRACTICAL EXPERIENCE FOR DELL TO MEASURE THE PROFITABILITY OF ITS CUSTOMERS

The revolution that DELL has created in the business environment and the strategy that explains its profitability

How did “DELL” achieve its global achievement?

The answer lies in the "DELL" business model, where it used the direct selling strategy of the customer and avoided wholesalers and retailers, and then the manufacturing strategy according to the customer's need.

These two strategies generated a strong competitive advantage for the company. DELL caused the company's global performance: the ability to build a computer according to customer needs due to direct contact with the customer.

Customer direct selling strategy: This strategy enabled Dell to:

1. Get the profit that the wholesalers and retailers were getting.
2. Giving part of this profit to customers in the form of lower prices, this company gained a competitive advantage over its competitors.

Evolution of the Direct Selling Strategy to the Customer

Dell relied on listening to the demands of consumers and buyers, knowing what they wanted to buy, and then designing, manufacturing and providing them. This listening started over the phone and mail, then face to face, then in the mid-1990s online. While computer manufacturers were fleeing from the direct selling model to the customer, Dell sold directly to **everybody.**

MANUFACTURING STRATEGY ACCORDING TO THE CUSTOMER'S NEED:

While others were expecting and guessing what a computer user would want, Dell's customer desires surveys were telling them whether their customers wanted one or two floppy disk drives, optimal hard disk capacity, and so on. While other companies were maintaining high levels of inventory, while Dil was making and collecting what consumers demanded only within three days, this is the explanation for the company's high profitability.

Develop Strategies That Explain DELL's Profitability

The ability to build a computer according to the customer-led the Dell company to another strategy that increases its profitability through the cost side by managing the supply chain. This contributed to reducing storage costs and then increasing profitability and then providing better selling prices.

How Dell Managed The Supply Chain to Reduce Cost Structure:

In two main steps:

1. The Internet has been used to provide up-to-date information to its suppliers on the demand trends of the components they produce.
2. Share the information with suppliers of its suppliers to amend their production schedules and produce sufficient components needed by Dell.

This led to the success of "Dell" in reducing the cost of inventory to the lowest level in the industry.

Such as Compaq, Jet, and Icahn. This is the main source of competitive advantage in the computer industry and cost reduction.Among the other reasons that explain the profitability of the global company DELL:

The company “DELL” also learned that selling to large companies differs from selling to individuals, and for this reason, I divided the sales team so that every seller agrees with the nature of the customer who addresses him. They can win the trust of customers more.

Third: The secret of DELL's success

The secret to success lies in an understanding of the internal and external working environment of the computer industries. Three main strategies have made her master this industry, and these strategies are:

1. Direct selling strategy
2. Manufacturing strategy according to the customer's needs.
3. A strategy to reduce inventory costs.

Dell's mission is to become the company Dell is the most successful in the World, says Dell CEO Michael Dell. The company's goal is to achieve this, he says.

CONCLUSION

Through the previous researchs, we find the importance of studying client's profitability and analyzing it is one of the basics of reducing and containing marketing costs. Forecasting and profitability planning is key to profitability planning.On the one hand, The marketing objective is the correct starting point for preparing plans and estimates in light of the targeted profits. And also the need for companies to pay attention to the existence of departments concerned with marketing strategic planning as an input to maximize the value of the enterprise. And how to use strategic management accounting tools and methods in analyzing and controlling marketing costs.

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