

## Review

# The strategic impact of integration between target costing and continuous improvements techniques in achieving cost reductions and competitive advantage: An analytical study

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### Abstract

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Target costing (TC) and continuous improvement (CI) are considered the most important techniques among the techniques of Strategic Management Accounting (SMA) in the field of Strategic Cost Management (SCM), they are aimed to develop the strategic performance of organizations and enhance their competitiveness, and that by finding ways to reduce costs and improve the quality of its products. In this paper, we try to show what is meant by all of the target costing technique, and continuous improvement technique? What are the variables that contributed to the appearance of each of these two techniques? What is the importance of the integration of these two techniques in achieving costs reduction and competitive advantages for organizations? Therefore, this paper aims to study the philosophy of target costing and continuous improvement techniques with an indication of the aspects of integration between them and its importance in achieving costs reduction and competitive advantage for the organization. We have used the descriptive analytical approach in this paper through the review of the literature available about the two techniques, and the study found that that the techniques of target costing and continuous improvement are among the most important techniques of strategic cost management affecting the company's success to the implementation of its competitive strategies, and that the integration between them lead to a significant impact in the successful implementation of competitiveness strategies – least-cost, differentiation, and focus.

**Keywords:** Continuous Improvement Technique, Target Costing and Continuous Improvement Integration. Target Costing Technique

## INTRODUCTION

The contemporary business environment is characterized by emergence of a large number of strategic variables which formed a challenge for different types and forms of organizations. These variables were represented by highly competition as a result of the great openness of international trade and investment and the emergence of

globalization, and the resulting from the cancellation or reduction of restrictions, trade tariffs, the emergence of international unions and free trade zones, as well as the rapid growth in production techniques and technology, and the shortening of the life cycle of products and the customers need to new products with high quality and

low prices.

All that made the process of survival and growth - in such variables - depends mainly on the ability and success in the production, marketing and distribution of new products compatible with the requirements of this environment in terms of price and quality, as well as providing after-sales service, or face a situation of cascading losses and then exposure to the possibility of bankruptcy and liquidation.

And for success in achieving this, most organizations adopts certain strategies consists of a set of long-term plans and procedures that ensure survival and success. As there are many strategies can be used for the purpose of competing and survival in the market, some of these strategies focus on low costs and high quality, as well as other strategies focus on the markets or geographic areas or specific customers.

For the purpose of successful implementation of these strategies and face these variables, the organizations use many of the modern strategic techniques in the field of cost accounting and management accounting, such as activity-based costing (ABC), activity-based management (ABM), total quality management (TQM), target costing (TC), continuous improvements (CI), balanced scorecards (BSC) , just in time production (JIT), and other modern techniques that aim to meet the needs and functions of strategic management in the field of strategic cost management and Strategic performance evaluation.

Target costing and continuous improvement are two of the most important techniques of strategic management accounting in the field of strategic cost management , because they help to meet the requirements of the competitive situation and the challenges faced by organizations at the present time , on the contrary from the traditional cost approach (Cost - Plus), the target costing technique linking each of the external and internal variables related to production , as it determine the target costing in the early stages of the activities of the value chain (research and development, design, production, marketing, distribution, and customer service) in order for the company's management to take necessary to reach those costs, while continuing processes to reduce costs during the production process to complement the work of target costing technique by the activities of continuous improvement technique in order to reach the highest possible efficiency and productivity.

In light of the above, there are many questions can be raised in this area, namely: What is meant by each of the target costing technique, and the continuous improvement technique? What are the variables that contributed to the appearance of these two techniques? What aspects of integration between them in achieving costs reduction and competitive advantage strategies? These questions formed the focus of our paper problem, its importance and its objectives.

## Literature review

Since the nineties of the last century began the studies and research in the field of target costing and continuous improvement techniques, in the field of target costing (Amara, 1998) conducted a study in the United States of America, aimed to study the effect of target costing in reducing the costs of the manufacturing process, and then implement the strategy that meet the objectives of the company, where he done a detailed study for the application of target costing in Caterpillar D10 company since the late seventies of the last century. The study found that the technique of target costing do not replace any technique from the product design techniques used in the company, but they form an integral part of the total activity of design / re-design of the product based on the basis of strategic planning.

Bonzemba and Okano (1998) has tried to study how to apply the target costing technique by French companies, as the environment of these companies are different from the environment in which it arises target costing in Japan, and depending on the views method taken from Renault company for the automotive industry, the study found that the company used the target costing technique since the late eighties of the last century, as the main advantages of distinction between the traditional approaches and the target costing technique in terms of planning costs and profits have been applied by the company.

While (IFAC, 1999) has conducted a study of Toyota Motor Company in the Australian automotive industry, as it analyzed the use of target costing and its impact to provide new products and support the processes of cost management .The study reached to illustrate how the application of target costing by the companies that operate in an western culture environment, while many of the accounting publications in the field of target costing technique compatible with Japanese companies. And explain how the target costing technique working effectively when they are getting the most product designs of the parent company, while it is expected to restrict or hinder the chances of planning costs for the product.

Chen and Chung (2002) conducted a study in China in the Polyester Fiber Plant company for the manufacture of fabrics for the purpose of analyzing the use of reason - result for the application of target costing technique. The study reached the conclusion that the reason-result analysis represents a dynamic process of continuous improvements in operations by continuing to reduce costs for the purpose of improving the competitive position of the company.

It also (Kwah, 2004) conducted a study of Swedish companies to evaluate the possibility of using the target costing technique as a strategic planning tool in the modern business environment which characterized by rapid changes and by benefit from the experience of the

Japanese, it was found that strategic cost management have a major impact in Swedish companies is different from previous periods, and that the target costing technique is one of the most important components of management costs and that most Swedish companies are trying to use it.

While (Borgernas and Fridh, 2004) conducted a study of (91) Swedish industrial company, and the aim of this study was to assess the extent of use by the Swedish industrial companies to target costing technique. The results indicate that (16.5%) of the Swedish industrial companies are using this technique, and the lack of knowledge was the main reason for some companies to do not use it.

#### **While the studies related to the continuous improvement technique**

Fischer and Schmitz (1998) have a conducted study in the USA at IBM company in order to propose a comprehensive model for plan and control the process of continuous improvement, which focused on the continuous reductions in the cost of products, which will be called Half - Life Model, as it was developed on the basis of practical experience, the study also adopted the method of mathematical formulation and different practical examples to prove this model.

Shimizu and Lewis (2000) has conducted a study in the Toyota Company to identify the relationship between the production system of Toyota Company and continuous improvement and to understand the main role of the cost management of Toyota Company in the formulation of continuous improvement activities. The study found that the company was ingenious in the use of modern engineering techniques to achieve continuous improvement in its productivity.

While (Lee , et al ,2000 ) has focused in their study on industry techniques programs (CAD, CAM, CNC) and how to create value to the customer and is an improvement in the manufacturing systems in order to reduce costs, improve quality, reduce manufacturing cycle, and put eight steps to continuous improvements . The study found that many organizations can gains and benefits from this approach and that essential components of Kaizen costing is the ( work teams , and the use of tools to solve problems and move towards this philosophy to reduce costs).

Barraza and Lingham (2008) focused in their study on the scientific concepts of management, such as total quality management (TQM), quality control circles , and philosophy of kaizen costing in order that the organization can Review the increasingly volatile environment , used the kaizen work team in all management levels , the study has concluded that the Kaizen team generates incremental improvements and identifies gaps between reality and planned and identify the causes of this gap,

also contributes to the exchange of ideas and proposals to improve internal processes and achieve the effectiveness of the organization.

#### **Target Costing Technique: Conceptual Framework**

Attributed the beginnings of target costing technique to the first decades of the last century in the American Ford company and German Volkswagen Beetle company, during the thirties decade. In the Volkswagen company, and in order to achieve the target price of the DM900 vehicle, was found alternative technique based on the foundations of reducing the cost of manufacturing. However, the full development of target costing technique started during the period of scarcity of economic resources in the wake of Second World War. At that time, the Americans businessmen adopted a logo - improve product quality and reducing production costs at the same time, as this technique is known as -Value Engineering, which became applied gradually by Japanese companies to meet the high competition.

In the sixties, has been consolidated value engineering with the idea of reducing the cost of products in the early stages of the production process as much as possible, which means at the stage of planning and development. Where was the first use was in Japan by a Toyota company for the automotive industry in the year 1963 - which is known as - Genka Kikaku - although not referring Japanese literatures until the year 1978, and was later translated the term - Genka Kikaku into English as - Target Costing which was the term now used in all literature interested in the various parts of the world.

And despite that Kato criticized the use of the term of Target Costing as a translation of the Japanese term - Genka Kikaku, it met with general acceptance in the Western world, as it was during the annual meeting of Japan cost society in 1995 to use the term - Target Cost Management . (Kato, 1993: 34).

On the other hand, (Kawh, 2004: 30) agree with ( Feil et al., 2004: 12) that the beginning of the target costing technique was in Japan by the Toyota company in early 1963, moreover, they emphasizes that the beginning appearance in Europe and USA was held at the end of the eighties of the last century.

In recent years the number of companies used for this technique, especially in Japan, as more than 80% of companies in the aggregate industries, and over 60% of the companies operating in the field of manufacturing industries use this technique. In order to face the great invasion of the western products to Asian markets which have become comparable to or higher than Japanese products, as well as facing Japanese companies, a shortage of economic resources and technical skills, all of this led to develop concepts, tools, and new techniques to face the competition in terms of cost, quality and productivity (IFAC, 1999: 4).

Ellram, 2004: 8 indicates that the first article published on the target costing was in Fortune magazine in 1991, which showed that the technique of target costing was the Japanese smart secret weapon, therefore and from the above we can say that the target costing technique not new as claimed by some, and it return to the beginning of the nineties of the last century, when the western companies used production techniques contributed to the reduction of production costs and improve quality, but the real and integrated emerging for it in Japan, basically in Toyota company out of necessity to urgent technical aids the competitive position of companies in front of Western companies by introducing products or services of good quality and low cost, and contribute to the rationalization of economic resources used in the production process, which in a state of scarcity and decreases, especially in the period after second world war, as a result of the large economic development and growing consumer demand for raw materials.

Seidenschwarz in 1993 classified the target cost into three different groups according to the motives behind the use of (Feil et al., 2004: 11)

### **Market- Oriented**

This means that the objective of the application of target costing technique is to adapt to the competitive situation facing the company, as the modern business environment is characterized by the presence of a large, global competition result in the emergence of high-quality products and low prices. Thus, as a measure for the competition and survive in the market, companies must do to re-search and development and product design form that competes in the market situation in terms of price and quality.

### **Engineering-Oriented**

The great development in the areas of engineering designs contributed to provide new products characterized by modernity, simplicity and low production costs, which reflected positively on the selling prices, so companies have to do the necessary procedures, and that was including the use of target costing technique to cope with this development.

### **Product Function – Oriented**

Imposed a massive developments taking place in society for companies new requirements relating to the functions performed by the product in terms of the number of jobs and efficiency. Customer wishes a multifunction product with high efficiency in performance, so the company must look for alternative ways to achieve this. Therefore, it is

one of the main motives behind the application of target costing technique.

So, we can say that target costing was a strategic technique for cost management with front feeding by linking internal and external factors of the company in order to increase their profitability and their ability to compete and survive by preserving the elements of critical success (cost, quality, time, and innovation) and by following sophisticated engineering and informatics methods and techniques, hence, it is different from the traditional technical – Cost-Plus which working to nutrition bounced (reverse) because of its reliance on historical data. Therefore, the conditions of competition and developments in the business environment at both the inner and outer made of the companies gradually transformed from traditional technical of cost calculation to the target costing, which is now gradually evolving until it became its current form.

Thus, the target costing technique evolved from a simple tool used to control costs, to a comprehensive tool to manage profitability (Hasegawa, 1994: 5). Therefore, the target costing become take into account not only production costs, but exceeded all costs occurring within the product life cycle which is usually achieved by making use of analyzes of the value chain, which is developing relationships common to all members of the company's departments, such as processors, and customers, and distributors.

From the above it is clear that target costing technique one of the most modern and strategic techniques of management accounting developed to assist corporate management in the face of the challenges of the contemporary business environment which is characterized by high competitive and rising production costs and the diversity speed change of the wishes of the customers, where this technique characterized by the spillover to involve parties from outside the company such as suppliers and customers to take advantage of their opinions and suggestions in the planning process and product development. The implementation of the technique of target costing requires by the company to do many of the procedures and processes that are necessary for the success of the application.

Target costing is characterized by the holistic nature which involvement of all parties of the production process, both within the company or from outside, thus, the consequences of this overlap many of the properties that are the advantages and disadvantages and the factors affecting, as characterized by this technique with many advantages, where it focus on the strategic objectives of the company, and work to achieve it through use and integration with several management techniques, such as value engineering, benchmarking, value chain, and continuous improvement, and the adoption of the market as a guide to its operations and as the basis of determining the price, quality and quantity to be produced, in addition to the shift in the role of cost

accounting of calculating the actual cost of the finished products and semi-manufactured and the cost of inventories to participate in the process of design, development and production, as well as providing relevant information to decision makers.

Despite the advantages of target costing technique that has been referred to, there are some deficiencies as seen by (Kwah ,2004, 37 - 38) that the great weakness in the target costing technique due to the case of pressure on the workforce, and this is inconsistent with the goal of target costing of reducing the time of the production scheduling, which will be difficult as well as the link of target costing technique with normal profits is logical when the company is close to normal levels of profit. Accordingly, when working below the level of profit usual, especially in the case of achieving the cascading losses, the reliance on target costing technique based on normal profits can lead to unrealistic goals, goals difficult to achieve in light of the fact and circumstances of such companies, so the senior management in this time normally accept any rational way to reduce costs.

So we can say that, although it remains target costing technique an important technique in reducing costs, since it is difficult to have a administrative technique or method without any points of weaknesses which along with its strengths points, and because the technique of target costing applied by levels of and stages, so we can easily overcome weaknesses by taking advantage of certain aspects fit with the circumstances and requirements of each company.

Therefore, organizations must be when used the target costing technique takes into account the factors affecting it in order to achieve the greatest possible benefit by improving the quality of products, and increase the number of jobs performed, and reducing costs of production at the same time. Here we must point out that the processes of improvement and cost reduction should not stop at the technique of target costing which applied before starting the production process, but must continue during the production process by making small and continuing improvements to reach the highest possible efficiency, by adopting a complementary technique to the working of target costing technique which is called the continuous improvement technique.

### **Continuous Improvement Technique: Conceptual Framework**

It is clear from the above the importance of target costing technique to reduce the costs of products with improved quality and functions performed by, and by carrying out the study and analysis of all internal and external variables that affect in the product in order to reach the level of performance that enables the company to compete in the market and make profit. The technique of target costing applied during the planning stage to the

productive process, but in order to reach high levels of performance, operations must continue to reduce costs and improve the quality of the product over all stages of the life cycle of the elements of the value chain. The continuous improvement of the most important methods that have helped corporate management in achieving its objectives in this area, so we will try to demonstrate the concept, elements and tools of continuous improvement.

The beginnings of continuous improvement started in Japan and by the beginning of its application by the Toshiba Company in 1946, and Matsushita Electric Company in 1950, and Toyota company in 1951. It was born and developed the philosophy of this technique as a result of necessity and the need felt by companies for excellence in global markets. It have been describes as the secret of Japan's success in the competition, this philosophy indicate to continuous strive towards small improvements, it mean performing small things with better method and achieve higher performance levels. Some mixing between the continuous improvement and creativity or Innovation, so that creativity is the focus of the management of Western companies in order to achieve significant, decisive, and short-term changes , and the role of senior management distinguished it, and its focus on products and processes, and the financial and technological investment are high. Is called the creative specifications referred her above in the United States of America the term (rapidly improved), while the continuous improvement depends gradual improvements steps and long-term , and contribute to include the management and staff at all levels of the company, this means that collective participation and improvements result from the pursuit of knowledge the so-called (trade secret), which focus on processes and not on results, and the financial and technological investments limits are much lower than they are in creativity.

So, the aim of continuous improvement through ongoing collective efforts based on the human element to the introduction of small improvements to the product or service, which accumulate over time to be a product accumulation of these improvements are a new product is quite different from the original product.

Continuous improvement is defined as (The continuing efforts of existing processes to explore the best methods for implementation, which include focused research on the interest activities to the company to meet the requirements of the customer). (Atkinson et al., 1997: 69)

Hilton see it as: (continuous efforts to delete the loss and reduce response time and simplify the design of each of the product and processes, and improve the quality of customer service through the development of cost management systems. (Hilton, 1999: 17 - 18). It is noted from this definition to focus on reducing the cost of products by deleting the loss and the creation of design streamlined products and processes contribute to improving the quality of goods or services provided to customers and thereby achieve the profitability of the

company and customer satisfaction.

And from the fact that continuous improvement means the obligation to make gradual changes for the better and continuously, it is not in a vacuum, but depends on the basic elements defined by some based on the philosophy of Japan for being paved the real her, and of maintaining certain actions derived from the heritage and civilization, extending for thousands of years, and summarized these elements the so-called (5 S), since they represent (5) Japanese words beginning with the letter (S) if what read in English, means the daily improvement activities at all levels which, according to (Skaggs, 2003: 1 - 2):

S1 - (Seiri): focus on the deletion of unnecessary activities of the workplace through a process called giving a red card (Red Tagging).

S2 - (Seiton): focus on the efficiency and effectiveness of production processes through the adoption of an appropriate strategy to ensure the process of organizing and managing work.

S3 - (Seiso): screening and constant cleaning of the work site.

S4 - (Seiketsu): the need to develop standards for performance can be consulted to determine the errors and deviations, and these standards must be involved in their employees; because they are closer to the reality of work as well as being born an incentive they have to work to achieve them.

S5 - (Shitsuke): one of the most important and most difficult elements in the investigation because it is linked to the training of the workforce to achieve the above elements and make them part of their behavior.

So, it is clear that the process of continuous improvement consists of a group of elements in succession result, according to the steps and procedures necessary for the process of continuous improvement, as the aim of these elements to make changes towards the better and continuously, that is, in the case of constant repetition.

And that the work of these items are in a coherent, integrated, and notes that these elements designed to increase work efficiency and raise the quality level, which indicates the importance and vitality are provided by the continuous improvement in improving the competitiveness of the company and achieve their goals in general.

So we can say that the application of continuous improvement is one of the basic things to be successful work of the management because it makes the company in the case of continuous superiority and excellence to competitors, where improvement not temporary work , which performs several times throughout the life of the company, but it is a continuous work , and the improvement process an inclusive process involving all workers in all levels of management.

Feil et al. confirms that , the continuous improvement technique is closely linked to target costing technique , as it focuses on the process of continuous costs reducing

during the production stage, in the time when the target costing technique is designed to help achieve the target cost of the product specified by the market and that during the planning of the production process (Feil et al., 2004: 15 - 16).

Thus, the continuous improvement technique focused on the gradual and sustained reductions in the costs that must be achieved in the products of the company during the implementation of the production process (Cooper, 1995: 239). As the first use of the target costing technique in Japan - the continuous improvement technique beginning also was in Japan, because it is closely linked to the target costing technique, as it was a complementary technique for it to the ongoing process is called reduction of costs.

And some writers see it as a part of target costing, (Ward and Graves) see that the continuous improvement technique was a part of the target costing technique , but applied during the manufacturing process, include the activities of costs reduction, which focuses on changing manufacturing processes for existing products. (Ward and Graves, 2004: 29), Therefore (Hilton, 1999, 220) see that, the continuous improvements as the process of costs reduction resulting from the gradual and continuous improvement of activities through small improvements of the products.

To applied the continuous improvements, there is some principles of continuous improvement technique: (Mark, 2004: 1)

- Human resources are represented the most important for the company.
- The process must be implemented in a manner of continuous improvement rather than radical change.
- Improvements must be built on the basis of statistical quantification evaluation of performance.

From the above, we see that, there is a need to employ continuous improvement technique in an integrated manner with the target costing technique, this integration helps to achieve as much as possible to reduce the production costs because of the extension of the process over the product life cycle - as well as improve quality and achieve competitive advantage , and that there is a big similarity between the objective of the target costing technique and continuous improvement, as both seek to achieve the target profit without sacrificing the level of quality and functional of product, but we can be summed up some of the differences between them, like:

- Target costing technique applied during the planning stage while continuous improvement technique applied during the manufacturing phase of product life cycle.
- In continuous improvement technique, the employees carries the responsibility to improve operations and reduce costs, while it was applied a set of techniques and procedures in the target costing technique systematically to achieve cost reductions.
- The savings in reducing costs and improving product quality and function of the use of target costing technique

was greater than those realized from the continuous improvement technique.

And, in general we can say that, to guarantee to achieve the targeted levels of performance by the companies, whether in the field of cost or in the quality of the products they produce, requires not to overlook the importance of both of target costing and the continuous improvement techniques in achieving these objectives, as well as to lack of separation between these two techniques, and consider them as integrated techniques, one complements the other work under the broader process known as cost reduction, and then contribute to strengthening the competitive strategy adopted by the company.

### **The strategic impact of integration between target costing and continuous improvements techniques**

The target costing and continuous improvement are the most important techniques of strategic management accounting in the field of strategic cost management, as it was called this name because of its concerns focused on the support and the assignment of strategies that followed by the managements of companies, especially the strategies of competition, a result of the nature of the contemporary business environment by the appearance of the challenges of intense competition, and global major openness of the trade and economy, as well as the transformation of industrial economies and societies to the heavy reliance on modern technology and informatics.

And in order to meet the competitive forces facing the company, there are three basic strategies can generally be used in various types of industry and the company can choose one of them, it : (Porter, 1998: 35)

- Overall cost leadership strategy.
- Differentiation strategy.
- Focus strategy.

The successful adoption of these strategies requires the availability of many of the conditions and the use of techniques that help on that, where the techniques of target costing and continuous improvement represent the most important techniques of strategic management accounting that will help the success of these strategies to the impact of the use of the results will help to achieve the objectives of those strategies.

And that the strategic cost management represent one of the modern approaches of management accounting which sheds light on the issues and strategic matters and puts the cost analysis in a broad framework to be used in the formulation and development of best strategies for the differentiation and enhance the competitiveness of the company, so we can define the strategic management accounting as the accounting that covering and analyzing data for an activity and its competitors for use in developing and controlling activity strategies, in

particular the levels and trends in costs, prices and production volume and market share and cash flow and the quota required of the total resources of a company.

And that, the basic inputs to the process of strategic cost management was the strategies of cost-leadership, differentiation and focus, as well as the analysis of competitors, which is accomplished by analyzing the value chain of them, as well as the use of strategic analysis tools to identify the strengths and weaknesses in the company and match them with the opportunities and environmental threats diagnosed through a process of environmental scanning for the purpose of determining the best options that can be implemented in order to achieve strategic objectives, it also requires development of standards and connotations for the purpose of benchmarking, and to ensure the success of the strategies.

So, we can see that the techniques of target costing and continuous improvement are among the most important techniques of strategic cost management affecting the company's success to the implementation of its competitive strategies, and despite the fact that there are more of a strategic competitive as possible to pursue one of the company, the usefulness of these techniques that can be felt in the light of all of these strategies are in support of the least-cost strategy, where the adoption of target costing and continuous improvements techniques helps to achieve the objectives of least-cost strategy, as well as support differentiation strategy, and also support the focus strategy, so we can see that there is a strategic impact for the techniques of target costing and continuous improvement in support and the assignment of strategies to compete.

### **CONCLUSIONS**

Although that the beginning of the target costing technique dating back to Western companies, the real appearance was in Japan by Toyota Company held during the sixties of the last century, then spread in many Japanese companies, target costing is administrative technique used to manage the costs were, so it called Target Cost Management, because it aimed to manage the costs of working through the use of data and predictions of the future for the purposes of the current planning, as well as linking internal and external factors of the company in order to increase their profitability and their ability to compete and survive, The adoption of target costing technique, the market was the main determinant of price rather than cost, and the cost to be affiliated to the price and then need to be reduced in response to competitive prices prevailing in the market, and finally the application of target costing appropriate all kinds of companies, but the most appropriate and take advantage of the application are the companies that apply the modern administrative and accounting systems

such as JIT, and value engineering, and total quality management, and others, as well as companies characterized by short life cycle of their products.

And that the early application of continuous improvement belong to Japan, as described on it (the secret of Japan's success in the competition) , and it represent the ongoing efforts to improve products and production processes during the production phase of the life cycle of products to reduce costs and improve quality through small and gradual improvements , where it perform through the use of several tools each of which depends on the availability of the conditions and requirements of the application and quality improvement to be implemented , and that the continuous improvement is an integral part of and supportive of the process to reduce production costs by using the target costing technique because it helps to reduce costs over the life cycle of the product and not only downwards at the stage of planning and development only.

And finally that the target costing and continuous improvement techniques are represent the most important techniques of strategic cost management lead to a significant impact in the successful implementation of competitiveness strategies (least-cost , differentiation, and focus), because the results from the application of these techniques lead to the objectives of these strategies of primarily the basis for the reduction of production costs and improve its quality.

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