

Adopting Agile Thinking in the Administrative and Cost Performance Units

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Abstract

The study aimed to identify the impact of applying the rational thinking method on the administrative and cost performance of economic units. This study followed the descriptive methodology according to a group of previous studies that included the subject of the current research to benefit from the information contained therein. The study recommended that the company should take advantage of the advantages of rationalization accounting in improving the company's continuity indicators, such as profitability and ability to pay obligations, and that companies should look at strengths, weaknesses, opportunities and threats in order to achieve a competitive advantage in the work environment, and the need for companies to empower skills and expertise its financial managers, and by informing them of the experiences of companies located in other countries, apply rational thinking approaches.

Keywords

Agile Thinking, Administration Performance, Cost Performance, Economic Units

The rapid advancements in all economic, social, and technological elements in recent years have rendered conventional accounting systems unsuitable for dealing with complicated operations. It has become necessary to find a new accounting system that improves, develops, and increases efficiency in order to work on improvements in management quality and reduce costs, as establishments must rely on other manufacturing models, including agile manufacturing, to make improvements in production and quality, so transition from traditional methods to new methods is required (Hosni Abdeen Abdeen, 2015).

Flexible or agile thinking is a modern concept necessary to advance and overcome legacy accounting challenges. Lean accounting is derived from Lean Manufacturing, which was originally a (Japanese) approach. Toyota applied it to the entire production system in the form of an integrated vision of the company in the form of an extended value chain that includes parties outside the company's framework from suppliers, customers, accounting procedures, control and measurement, and

management methods that reflect the reality of agile thinking and practices (Abdul Hadi Nabih Ahmed, 2021).

Through the complete preparation of financial and non-financial information reporting, to provide useful information to managers and employees of the enterprise to make agile decisions through its accurate tools that eliminate the loss and excess costs associated with traditional thinking of accounting, agile thinking aids in making the best decisions and rational improvement in the end (Hosni Abdeen Abdeen, 2015). Agile accounting prioritizes client value and requirements, as well as continual improvement. These choices save production time and cost while increasing prices, revenue, and profitability (Abdul Hadi Nabih Ahmed, 2021).

According to Tena Žužek and others (2020), because traditional thinking comprises a huge number of losses and waste, as well as some inadequacies in its operations, it is frequently accompanied by a lack of information on costs and performance monitoring. With current production improvements, businesses of all sizes must discover accounting systems that meet those changes, as

well as aim to develop production processes and remove waste and waste in resources. Therefore, this research aims to investigate the adapting of agile thinking in the administrative and cost performance of economic units.

Research Problem and Questions

Because traditional thinking comprises a huge number of losses and waste, as well as some inadequacies in its operations, it is frequently accompanied by a lack of information on costs and performance monitoring. With current production improvements, businesses of all sizes must discover accounting systems that meet those changes, as well as aim to develop production processes and waste in resources (Tena Žužek, 2020). The issue of agile thinking in management is one of the current and essential approaches and techniques that assist companies, particularly service and humanitarian organizations, in overcoming these challenges in light of the rapid changes and diversity of the beneficiaries' demands and wishes. Despite the use of this methodology, the outcomes are still uncertain, and some organizations may choose not to use it (Edivandro Carlos Conforto, 2014). Moreover, all of this by using agile accounting and the benefits it will give in terms of cost reduction and financial performance measurement in order to optimize manufacturing operations decisions (Ashour, 2018). According to what has been stated, the rational thinking approach is one of the most essential modern management accounting strategies that has produced positive results for businesses. The basic idea underlying this concept is to determine value from the perspective of customers and to reduce all forms of waste originating from non-value-added operations (Abdul Hadi Nabih Ahmed, 2021).

According to Hosni Abdeen Abdeen (2015), this is mostly apparent in company financial success, as minimizing waste directly reduces company costs and so enhances financial performance. Profits and financial performance will suffer because of this. When the administration adopts the strategy of avoiding waste, optimizing resource utilization, and continual improvement in operations, the administration has accepted the rational thinking technique, which will result in a number of significant benefits for the organization as a whole and its stakeholders (Abdul Hadi Nabih Ahmed, 2021). The research problem can be expressed by answering the following main question:

What is the importance of adopting agile thinking in the administrative and cost performance of economic units?

- Is there a relationship between agile thinking and

achieving distinguished administrative performance?

- Is agile thinking Capable of Reducing Costs in Organizations?
- What is the relationship between agile thinking and administrative creativity?

Research Significance and Limitations

The significance of the research stems from the topic it addresses, which is reflected in agile management, as it is one of the main themes that has received, and continues to receive, significant attention from researchers and businesses seeking to advance their work. The field of application in non-governmental organizations that are working hard to achieve high levels of quality due to the importance of their role in times of obligations and quick change. Furthermore, the study's findings can be used to enhance and improve the services of organizations. The study's significance stems also from the use of agile thinking and accounting tools as a value chain and target cost in reducing costs and measuring financial performance in order to provide accurate information about all operations that occur within the study sample company and for all administrative levels in order to make decisions. Furthermore, the significance of this study originates from the significance of the topic it addressed, as the application of the rational thinking approach is one of the contemporary and vital instruments for the success of businesses, as it works to eliminate waste or damage throughout the manufacturing stages. It is also critical to establish a link between rational thinking and financial performance. The study's significance arises from the importance of financial and administrative performance and its impact on businesses. Finally, this study is one of the first to address the use of rational thinking in the administrative and efficient performance of economic units.

Research limitations

The conduct of this theoretical research will be based on previous studies whose topics revolve around the idea of adopting agile thinking in the management of institutions of all kinds and sizes and cost management within them. These previous studies were all conducted recently, i.e. after 2012 until 2021. The researcher will also try to cover the independent and variable variables of the current research, but by referring to previous studies, it was found that the variables of the current research will not be collected in the same study, so each study was referred to separately to collect information that meets the purpose of the research for each variable. In addition, the theoretical side includes approximately 9

pages, although it is better that the number of pages for the theoretical side be more, but this was determined due to the lack of previous studies that include the variables of the current researcher's study, which can be relied upon as a basic structure for building research topics.

Research Objectives

- Investigate if there is a relationship between agile thinking and achieving distinguished administrative performance.
- Investigate if agile thinking is Capable of Reducing Costs in Organizations.
- Represent the relationship between agile thinking and administrative creativity.

Research Key-terms

Agile thinking: Is the organization's ability to change its plans to suit the changes that occur according to the requirements of the market and customers (Edivandro Carlos Conforto, 2014).

Administrative performance: Is a set of strategies that control the internal and external operations of the institution (Muhammad Faisal Abrar, 2020).

Cost performance: It is a set of strategies that control the financial units in the institution, whether profits, accounting operations, accounting or losses (Hosni Abdeen Abdeen, 2015).

Research Methodology

Since the research is theoretical, the descriptive approach has been used by referring to previous studies that searched for the adoption of lean thinking in administrative and cost performance. Therefore, by the study conducted by (Victor Jiménez, 2020). By establishing a Scrum-based technique for building and deploying costing systems, the researcher proposes an agile approach to managing organizations. The cost model is based solely on ABC. However, the main concepts of the suggested technique can be extended to different costing methods, for which comprehensive instructions are supplied.

According to Hosni Abdeen Abdeen (2015), the use of agile accounting technologies, particularly the value chain and target cost, has a direct impact in decreasing costs in firms as well as waste and loss of time and resources. As well, the notion of agile accounting arose to represent the financial performance of organizations that use rational thinking concepts and principles as one of their business strategies, necessitating a shift in the accounting, measurement, and control systems. Agile accounting also gives the knowledge required to make proper, sound, and feasible judgments.

Recently, the global markets have seen the

development of severe competition as well as the creation of new technologies and work to satisfy the needs of customers and accomplish their happiness (Tena Žužek, 2020). All of this resulted in the spread of the rational thinking method, which is considered one of the modern methods of spreading, but it has been known and applied for a long time by the Toyota Car Company and was dubbed the "Toyota Production System" because some economic units adopted the rational thinking system (Hosni Abdeen Abdeen, 2015).

With these changes, and from an accounting standpoint, any flow of activities is usually accompanied by a flow of costs, so non-value-added activities represent a cost borne by the facility and that it charges on the cost of the product and its price, which may negatively affect customer satisfaction (R&D, 2019). The same is true for administrative and financial performance, as non-value-added operations can have a detrimental impact on financial and administrative performance. As a result, for firms seeking to gain profits, growth, and progress, the ongoing hunt to identify and remove operations that do not bring value is a very critical affair (Ashour, 2018).

With such a high level of unpredictability and turbulence in the environment, the traditional method of strategic planning is no longer relevant to the firm. As a result, organizations' primary focus should be on managing uncertainty and lowering risks. The ability to perceive and seize opportunities, change direction, and avoid collisions has been termed as thinking agility (APM, 2018).

According to Hosni Abdeen Abdeen (2015), agile development has proven to be sufficient for dominating the provided scenarios and capitalizing on project changes as opportunities. When the project is substantial, the aim and solution are well defined, and the requirements are stable, the 'conventional' approach is robust. The agile approach, on the other hand, is positioned as a benefit when the project goal is clear but the solution is ambiguous. Complex interrelationships with a large number of interfaces characterize the design and implementation of costing system initiatives.

'Traditional' techniques, on the other hand, are predicated on linear relationships that do not capture the entire complexity of these initiatives. In such a setting, an agile-iterative approach to the design and implementation of costing system projects may be beneficial (Victor Jiménez, 2020). To be better, agile organizations employ techniques targeted at being more responsive and adaptable, while the risks of supply shortages or disruptions are mitigated by pooling inventory or other capacity resources. Firms that can respond to changing, diverse, and unpredictable client needs on the front end while avoiding back end risks to supplier interruptions might be considered strategically

agile (Victor Jiménez, 2020).

The Japanese were the first to adapt the mass production approach. Ohno Taiichi and Shingo Shigeo were able to put their own revolutionary approach: Changes Die Quick (Change Die Quick) machines in the late 1940s by obtaining some secondhand American pistons and continual research. By the late 1950s, he had reduced the time required to prepare the machines from one day to three minutes, a record time, in addition to eliminating the need for specialized experts (Abdul Hadi Nabih Ahmed, 2021).

Agile thinking considers the value chain in such a way that the facility does not carry out any activities other than those that add value and continuity to those activities as much as possible. As well, agile thinking focuses on making smart decisions quickly and addressing problems in the best way possible in the shortest period of time. As a result, only those actions, times, persons, and activities that bring value to the consumer will be included. Rather than pushing the product, rational thinking produces flow in any design and delivers things effortlessly and swiftly (Muhammad Faisal Abrar, 2020).

In addition, it turns out that what is meant by the concept of agile thinking is to shift the workforce's style of thinking in the organization from the old operational method to the rationalization approach. This necessitates the development of a training plan for these forces to train them on the rationalization approach's principles and methods, as opposed to the traditional manufacturing approach's principles and methods, which are based on the principle of value payment and a method based on functions and departments (Jouko Nuottila, 2016).

As the agile thinking approach is a holistic approach to mass production, operation, and accounting, it necessitates dramatic changes in thinking in all business establishment systems such as the production system, storage system, and accounting system. The agile thinking emerged to simplify and improve business, minimize waste and wastage, and improve decision-making. For example, guided manufacturing was discovered in order to provide value to the product and to the customer, as well as to remove waste, loss, and defects, increase quality, and regulate production in the process (Edivandro Carlos Conforto, 2014).

Agile is a phrase that denotes flexibility and agility, and it represents the speed with which variations may be dealt with smoothly. A standard intellectual process attempts to develop things and services at the lowest possible cost and in the shortest amount of time. It also emphasizes efficiency, boosting output, and attaining the least amount of material and moral damage (R&D, 2019).

As a result, depending on Ashour (2018) opinion, one of the most important basic principles of the concept of lean management is the search for appropriateness in an ever-changing and rapidly changing world. Additionally, it

is clear that when we talk about the concept of agile or flexible management, it is meant talking about a philosophy that requires every individual in the organization to participate fully in its principles. Managers must adapt their operational style in order to motivate and engage employees in the usage of agile management tools.

Benefits of Lean Management: o Increase the speed with which operations are completed, according on (Hosni Abdeen Abdeen, 2015):

- Better knowledge management.
- Improved operations, resulting in fewer errors.
- Increased consumer satisfaction.
- Inventory reduction.
- Increasing profits in a shorter period.

It is regarded as one of the methods for increasing productivity and the key to achieving successful transformation that represents independence from chaos. This tool attempts to improve the workplace and the environment around workers in order to increase productivity. It also ensures that standard work is implemented in order for things to be quickly found and accessed immediately (Tena Žužek, 2020).

Employee recommendations are also regarded as one of the most crucial pillars of agile thinking in businesses. Where the management consults the employees, discusses the challenges, and comes up with a collaborative solution to them, it must obtain the appropriate backing from the administration by offering all of the essential capabilities to accomplish the change (Abdul Hadi Nabih Ahmed, 2021). Workers are given new responsibilities to improve the enterprise's production processes, and these jobs allow them to divide their effort on the one hand in routine work that they are accustomed to, and on the other hand, non-routine tasks to think about how to improve the institution's performance, solve production problems, and eliminate waste (Muhammad Faisal Abrar, 2020).

Ashour (2018) highlighted that the agile thinking and management strategy necessitates reliance on highly qualified workers and officials, allowing them to detect errors in a timely way and, as a result, decrease the chances of loss and waste of resources as much as possible. This is accomplished by adhering to a training policy that is based on objective foundations in all aspects, defined by conformance of the institution's training programs to the content of the waste-reduction mechanisms, and dependence on multi-skilled training.

As a result, administrative creativity can be characterized as an initiative demonstrated by an employee or management with the ability to deviate from the typical or traditional process of thought. This qualitative development occurs, as the employee gets more sensitive to difficulties, shortcomings, and changes in knowledge and elements. Hence, administrative creativity can be defined as an

intellectual process that aims to tame and promote thinking to be more flexible and smooth, as well as to build creative talents in decision-making and problem-solving (Strode, 2015).

Administrative approaches differ, and there are numerous administrative schools used by large corporations across the world, one of which is the agile thinking method. This entails employing soft management techniques, reducing waste, and focusing on continual improvement. Agile management is also defined as an organization's ability to excel administrative performance, which is characterized by rapid responsiveness and the speed with which it adjusts its work approach to meet the demands of change (Edivandro Carlos Conforto, 2014).

It is the administrative process that focuses on principles, stream, and attempting for the finest through teamwork, in addition to making good use of scientific facts and data and speed of response to the challenges facing the organization. As well, the opportunities available to it, in order to achieve the best results and to eliminate all activities that do not add value to the business completely (APM, 2018).

Because agile thinking is an intellectual discipline, it promotes dealing with the generative mind's "innovations" As a result, it has become one of the components of organizational continuity, or their exit from the labor market, with the acceleration of events and surrounding changes, speed and high flexibility are required for both survival and continuity (Radha Shankarmani, 2012). The agile thinking in administration and its implementations to projects are the leading and successful strategies for achieving administrative innovation at the lowest possible cost and in the simplest and most straightforward manner (Jouko Nuottila, 2016).

In the adoption process, the company recognizes the need for a costing system and chooses to adopt a specific system, so it builds and implements a management or cost system using agile thinking. Several causes, such as pressure from numerous stakeholders and organizations, the need to enhance management processes, or even product and market characteristics, can lead to a choice in favor of a new method, and therefore its implementation (Victor Jiménez, 2020).

The costing system can also be customized or adjusted to better meet the organization's demands and conditions. The new costing system must be implemented in accordance with the implementation plan, and employees and supervisors must be trained. Cost management is defined as "a system for profits planning and cost management that is dependent on selling price, customer focus, product design, and the presence of an integrated work team dedicated to applying the system." (Radha Shankarmani, 2012).

The use of a target costing system allows for the practice of cost control during the early phase of product

development, and it sustains such practices throughout the product's life cycle through active dealing with the complete value chain (Muhammad Faisal Abrar, 2020).

Victor Jiménez (2020) highlighted that target costing seeks to provide a product or service at a cost, quality, and price that both satisfies customers and generates a sufficient profit for the organization. Agile thinking in cost management is an essential tool for meeting consumers' needs and increasing the value delivered to them. Cost management is used to understand client requirements and to evaluate what changes need to be made to maximize the value supplied to the customer.

The financial plan encompasses a series of actions that begin with the idea of generating a new product and progress through all stages such as design, production, and marketing until the product is delivered to the client with quality, requirements, and an appropriate price. This strategy, it should be mentioned, focuses on client needs and ongoing improvement (Abdul Hadi Nabih Ahmed, 2021).

The level of accuracy, effective use, and overall dimension are three parameters for evaluating the success of a costing system. Accuracy refers to the improved accuracy of product costs when compared to the preceding or traditional costing system. The application stems from the fact that the costing system must be utilized for cost computation and analysis, as well as to support cost reduction and continuous improvement activities inside the business (Hosni Abdeen Abdeen, 2015)

The overall dimension is connected to stakeholders' general perceptions of the costing system and its utility in supporting operational and strategic decision-making. As a result, the 'correct' design of a costing system is critical to its success and successful use in an organization. Such a fit and the perception that stakeholders have of it may result in varying degrees of acceptance (Victor Jiménez, 2020). Several scholars have emphasized the importance of developing an organizational culture that ensures that once the costing system is installed, it will be used effectively as a decision-making tool (Victor Jiménez, 2020).

Organizations require effective costing systems to assist decision-making, which can be accomplished through the use of an agile project thinking approach, which is defined here as a method for developing a solution to a problem progressively. More effective and faster-developed costing systems contribute to improved organizational performance and economic sustainability (Tena Žužek, 2020).

The literature rarely explored elements other than the technical, ignoring the cost-benefit analysis of acquiring cost information and the effective use of such information for decision-making. The literature recognizes and explores four types of criteria that influence the success of the design and implementation of activity-based costing systems (Hosni

Abdeen Abdeen, 2015):

1. Technical elements connected to understanding of an ABC system's ideas and procedures, such as the identification of cost objects, activities, resources, and cost drivers, which permits determining the cost of products and other relevant cost objects.
2. Organizational variables, such as top management support, corporate structure, training, and other resources to aid in execution, organizational culture, and strategy.
3. Behavioral aspects, including those connected to the views, interests, and attitudes of stakeholders in the design and implementation process, as well as users of costing systems (e.g., resistance to change).
4. Other considerations include competency, quality, and relevance of cost information for decision-making, the size of the organization, industry characteristics, and the usage of incentives for the use of the costing system, as well as the latter relevance for incentive and performance systems.

According to Abdul Hadi Nabih Ahmed (2021), the cost management system and agile thinking are related in that the cost management system is employed in agile thinking since it provides a set of tools such as value chains, value engineering, redesign, and simultaneous engineering that work to bridge the cost gap and reach the allowed cost. As well, there are various barriers to using lean accounting, including the following:

- Lack of training procedure, as rapidly changing processes necessitate employees gathering all the necessary abilities for understanding the business and gaining comprehensive knowledge of the original processes, as well as following up on all commercial releases.
- Lack of functional convergence across departments, for example, in certain firms, departments are distinct from one another, resulting in a lack of interaction between personnel.
- It is necessary for the management accountant to link all of the figures he collects to the financial statements and to abandon the historical cost mentality when creating the organization's financial statements.
- A sense of professional superiority, since some management accounting professional institutions suppress information and reports required to spread the culture of gracious accounting.
- There is a dearth of research and instructional support for Lean Thinking techniques.

Conclusion and Recommendations

Nowadays, the worldwide markets have seen the rise of fierce competition, as well as the development of new

technologies and work to meet customers' wants and achieve their delight. All of this resulted in the spread of the rational thinking method, which is considered one of the modern methods of spreading, but it has long been known and applied by the Toyota Car Company and was dubbed the "Toyota Production System" because some economic units adopted the rational thinking system.

With these changes, and from an accounting standpoint, the flow of activities is usually accompanied by the flow of costs, so non-value-added activities represent a cost borne by the facility and that it charges on the cost of the product and its price, which may have a negative impact on customer satisfaction. The same is true for administrative and financial performance, as non-value-added operations can have a negative influence on both. As a result, for businesses looking to increase profitability, development, and progress, the continuing quest to identify and eliminate non-value-added operations is vital.

The institution administration's function is to accomplish goals by developing activities that are backed by known and tested tools and techniques for planning, organizing, monitoring, and controlling activity. These operations are carried out to achieve the objectives of the organization, which are typically connected to scope, time, cost, quality, risk, and benefits. In a constantly changing context, institution administration provides a fertile ground for creativity and the use of certain concepts, systems, or methods to fulfill specified goals.

The application of agile thinking is advocated for improving the efficiency and effectiveness of costing system design and implementation, resulting in a significant extension of the generated works. Furthermore, this article explains how managers may easily implement agile thinking in their organizations, while also making a significant contribution to cost and administrative performance practice.

The application of management principles, approaches, tools, and procedures in institutions can raise the likelihood of their success. Furthermore, in addition to the technical aspects of costing system installation, it is necessary to carry out effective resource management as well as stakeholder expectations, which institutions management practice strongly contributes to.

Recommendations

The recommendations reached by the current research are:

- Agile thinking must be applied to a large extent for the elements and components of the production system.
- It was found that the most applied elements of Lean production are the organization of the workplace in

- proportion to production requirements.
- The top management should take care of the problems and difficulties facing production and quality processes and be prepared to eliminate them.
 - Orientation towards implementing the Lean production system in an integrated manner and benefiting from its multiple advantages.
 - Attention to spreading awareness of the culture and concept of the lean production approach.
 - Work on training workers and raising the efficiency of the human cadre in order to make optimal use of it in the application of the lean production system.
 - The necessity of providing the ingredients for applying lean thinking tools to reduce waste instead of traditional mass production systems.
 - The study also recommended that the company should take advantage of the advantages of rationalization accounting in improving the company's continuity indicators, such as profitability and ability to pay obligations.
 - Additionally, companies should look at strengths, weaknesses, opportunities and threats in order to achieve a competitive advantage in the work environment.
 - As well, the need for companies to empower skills and expertise its financial managers, and by informing them of the experiences of companies located in other countries, apply rational thinking approaches.

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