

## The Role of Quality Costs in Supporting the Blue Ocean Strategy and its Impact on Achieving Innovative Value: A Descriptive and Analytical Study of Zain Iraq

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### ABSTRACT

The study aimed to reveal the importance of integrating quality costs and the blue ocean in achieving innovative value at Zain Iraq. The study population consisted of relevant groups, namely employees in the financial management and quality departments, or their representatives, at Zain Iraq. The study sample consisted of (30) individuals selected from the study population. A number of statistical methods were used to analyze the data using the Statistical Package for the Social Sciences (SPSS) program, such as arithmetic means, standard deviations, simple and multiple regression, and critical path analysis to determine the direct effect. The study reached several results, the most important of which were the impact of quality cost elements on achieving innovative value at Zain Iraq, the impact of blue ocean elements on achieving innovative value at Zain Iraq, and the impact of the integration between the application of quality costs and the use of the blue ocean on achieving innovative value at Zain Iraq. The study presented a number of recommendations, most notably the need for Zain Iraq to continue implementing the quality cost system and the blue ocean, keeping abreast of developments in these technologies, and selecting those appropriate for the company due to their positive impact on achieving innovative value.

## **INTRODUCTION**

Quality costs are a fundamental concept that occupies a pivotal position in public administration and business literature, representing the cornerstone for building healthy relationships within organizations. They are reflected in employees' positive behavior toward their organizations. In the communications context specifically, trust becomes a key factor in shaping organizational culture and fostering collaboration, contributing to the achievement of the blue ocean strategy and the achievement of the desired innovative value.

Zain Iraq, a service-oriented telecommunications organization, operates in a volatile environment that requires careful coordination and joint efforts across various administrative departments, as well as close collaboration between managers and employees. In light of the challenges facing telecommunications organizations in Iraq in general, the need to enhance quality costs emerges as a basis for strengthening ideas toward adopting a blue ocean strategy to achieve innovation. Quality costs are not limited to financial aspects; they extend to decision-making processes and are closely linked to the organization's success. Blue ocean strategy and the achievement of innovative value reflect an organization's ability to achieve its objectives, namely efficiency and effectiveness. It is the result of the interaction of a set of organizational and strategic factors, as well as other indicators that reflect the organization's effectiveness in meeting the requirements of the external and internal environment. Therefore, a blue ocean strategy and innovative value creation cannot be achieved in isolation from a supportive internal environment based on trust, understanding, and effective communication.

In light of the challenges facing telecommunications organizations in a turbulent environment, this study highlights the fundamental relationship between quality costs, blue ocean strategy, and innovative value creation at Zain Iraq, a leading telecommunications company with multiple roles in technology in Iraq. Through this analytical study, the researcher seeks to uncover the impact of quality costs on blue ocean strategy and innovative value creation, and the extent to which this impacts the implementation of blue ocean strategy and innovative value creation.

## **LITERATURE REVIEW**

1. A study by Ada & Zengin (2010) aimed to explore the role of target costing in managing product costs while enhancing quality specifications that meet customer requirements. The study used an analytical approach by collecting and analyzing relevant data. This requires the active participation of all departments to achieve target costing and continuous improvement in product costs. Finally, the QFD-TC process was integrated into product design and development, along with accounting and cost analysis. The effective implementation of target costing relies on operations management analysis.
2. Study by Khozein & Dankoob (2011) aimed to identify the pros and cons of using activity-based costing. Identifying and avoiding the causes of failure

is the foundation for implementing and successfully implementing these systems.

3. A study by Malik et al. (2011) aimed to explore the behavioral factors responsible for the failure of cost management techniques to create added value in the manufacturing sector in Pakistan. The study considered one of the dimensions of organizational culture in organizational innovation and its impact on the role of cost management techniques in value creation, highlighting the importance of successfully implementing certified CMT for value creation. The study was conducted on 300 qualified accounting employees. The results of the study demonstrated the relationship between organizational innovation and the role of the Capital Market Authority in value creation.
4. A study by Alwan (2012) aimed to reduce production costs while maintaining quality in production, and to reveal the extent to which the role of quality affects production costs. The study used an analytical approach by collecting and analyzing relevant data. The results of the study demonstrated that organizations adopt a performance improvement process and adhere to ISO specifications, including continuous improvement and development. The results also demonstrated the importance of improving training efficiency and performance, better utilization of resources, and opening new markets for sustainability and growth.

## **METHODOLOGY**

This study adopts a descriptive and analytical approach. The study questions, hypotheses, and model were developed through a review of the theoretical literature related to previous studies and research. The questionnaire was then developed to meet the target data to arrive at conclusions and recommendations regarding the importance of integrating quality costs and the blue ocean in achieving innovative value at Zain Iraq.

### **Study Population and Sample:**

First: Study Population:

The study population consists of Zain Iraq. The analytical unit consisted of employees in the senior management, financial departments, and quality cost departments at these companies, totaling (30) employees.

### **Validity of the Study Tool:**

To verify the apparent validity and logical validity of the questionnaire's content, it was presented in its initial form to a number of specialized and experienced arbitrators to judge the validity of the questionnaire's paragraphs and their suitability for the proposed study themes. In light of the expert referees' comments and suggestions, the linguistic wording of some paragraphs was modified, a number of paragraphs were deleted, new paragraphs were added, and similar paragraphs were merged, making the study tool highly applicable to the study sample.

**RESEARCH RESULT**

Level of responses to the research variables.

These three variables (Quality costs , Innovative value, and Blue ocean strategy ) were measured to extract the arithmetic mean and standard deviation, as follows:

**Table (1) Level of responses of the research sample to the research variables**

Standard Deviation	Mean	Variables
1.1	2.3	Quality Costs
1.3	3.4	Innovative Value
1.5	4.5	Blue Ocean Strategy

The results for the above variables indicated that the sample's responses to these variables were above average and tended toward agreement, with a standard deviation indicating a high level of agreement.

**Table No. (2) Impact matrix**

		Quality costs
Blue ocean strategy	F	39
	Sig	0.000 <sup>b</sup>
	$\alpha$	0.72
	$\beta$	0.76
	R Square	0.73 <sup>a</sup>

**Table (3) The impact of Quality costs on the total Blue ocean strategy through the Innovative value**

Overall impact	Indirect impact through the dimensions of Innovative Value	direct impact	Responding variable	The influencing variable
0.9	7 0.0	0.22	Blue Ocean Strategy	Quality Costs

## DISCUSSION

Testing the Hypotheses of Impact between Research Variables The Impact of Quality costs on Blue ocean strategy

The following table shows that the calculated (F) value between the Quality costs variable and the Blue ocean strategy variable reached (39). This means that there is an impact of the Quality costs variable on the Blue ocean strategy variable. The **Zain Iraq** company confirms the existence of the effects of Quality costs in achieving Blue ocean strategy. From here, we conclude that the second hypothesis is accepted, according to the statistical results in Table No. (2)

Analyzing the direction of influence between the research variables by using path analysis to demonstrate the influence between the research variables.

I will analyze the direction of influence of the Quality costs variable on Blue ocean strategy through the Innovative value variable in the **Zain Iraq** company. Path analysis was used for this purpose, which presents important statistical methods that can be used to analyze the correlation coefficients between the variables and divide them into direct and indirect effects. The results of the analysis of the influence relationships using the path method were as follows:

### The concept of quality management.

Cost management techniques: A set of measures taken by managers to achieve customer satisfaction, while reducing and continuously monitoring costs (Horngren, 2006, 991).

Activity-based costing (ABC): A system that first collects indirect costs for each of an organization's activities and then allocates activity costs to the products, services, or other objectives that drive the activities (Horngren, 2005: 131).

Target costing (T.C): A market-oriented cost management technique used at the beginning of a product's life cycle—the early stage of the product life cycle—to enhance overall profitability and productivity (Al-Dhahabi and Al-Ghaban, 2007, 236).

The term quality has been used in various forms to express differing viewpoints and opinions, as there is no clear and specific definition for it. For

example, many writers, researchers, and specialists have addressed it, each from their own perspective. For example, Hizer & Renelit (1996, 81) explained that TQM refers to a focus on the entire organization, starting with the supplier and ending with the consumer. TQM represents management's commitment to and concern for all aspects of products and services of importance to the consumer.

Ferganbaum (1983, 7) defined it as a combination of product or service characteristics related to marketing, engineering, manufacturing, and maintenance, through which the needs and desires of the consumer can be satisfied.

### **Total Quality Management Costs**

The concept of quality management is receiving significant attention from researchers today. Quality is no longer limited to the quality of goods to meet customer needs. The concept of quality of services provided to consumers has emerged, encompassing processes, procedures, and human resources. The level of business success is measured by the quality of services provided to customers. This has led to "quality becoming a competitive advantage that no industrial or service organization can enter the competitive market without offering an acceptable level of quality. Quality has become linked to competition and continuous improvement. Recently, quality has become of paramount importance due to new global economic developments. Providing the information necessary to measure, analyze, and report on quality costs has become a basic requirement of cost accounting systems" (Dalton, 2008, p. 63).

### **The Concept of Value Management**

This concept is a multidimensional one that requires analyzing jobs to achieve the best value and return on investment at the lowest possible cost (Aghimien and Oke, 2015: 8).

Mezra defined it as a management approach to developing the economic unit's strategies, analytical tools, and administrative processes within the framework of achieving the ultimate goal of maximizing value for that unit (Mezra, 2013:92).

Olawumi et al. believe that the primary goal of the value management approach is to improve value for the customer. However, other objectives of this approach include solving problems facing the product or service management process, reducing costs, improving functions related to the product or service, and improving communications and the use of resources, especially local resources, in production (Olawumi et al., 2016:42).

Asia cited other objectives of value management, such as:

1. Designing an effective cost management system that aligns with the objectives of the economic unit.
2. Determining the method of consuming the economic unit's resources and consumption priorities.
3. Describing the relationship between profit and cost by determining the effectiveness of activity performance.

4. Identifying and evaluating new future activities through which the economic unit's performance can be improved. (Asia, 2019:8)

### **Measuring the Value of Innovation**

Creativity is an important and preferred value for many companies, especially in a world of rapid development and technical and technological progress. Innovation is defined as the results achieved by an economic unit from creating a new method or system of production that leads to changes in the components of the product and its design (McKenzie, 2017: 11).

Haar conducted a survey of a sample of global companies and found that 43% of innovation measures were quantitative, 40% were semi-quantitative, only 3% were qualitative, and the remainder were a mixture of both quantitative and qualitative measures. In his study, this researcher identified several quantitative measures, including:

- 1- Number of patents
- 2- Number of ideas proposed by employees (and the percentage of ideas approved).
- 3- Number of new products
- 4- Patent costs
- 5- Sales of new products
- 6- Research and development costs
- 7- Sales profits from new products
- 8- Return on investment in new products
- 9- Number of certificates of appreciation obtained (Haar, 2018: 414-419)

### **Blue Ocean Strategy:**

A type of modern strategy discussed in modern and contemporary strategic management books, based on the idea of Professor W. Chan Kim and his colleague Professor Renée M. Mober. This strategy is based on the idea that an organization that wants to achieve success in its business life does not necessarily have to occupy a strong competitive position. Rather, it can achieve success without competition. This is achieved by adopting new markets in which to offer its new products, or by introducing alternative goods and services that do not attract competitors. In this way, the organization can achieve abundant profits, and with its intelligence and strategic leadership, it can attract new customers and consumers, making customers more loyal to its products and services.

The impact of quality costs Through the Blue Ocean Strategy, innovative value realization at Zain Iraq is achieved.

## **CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusion**

In light of the results and limitations mentioned above, this study recommends conducting further studies on Zain Iraq. Similar studies should also be conducted in other countries, especially Arab countries, as they are similar to the company in cultural and social aspects. The study also

recommends that Zain Iraq continue to implement a quality costing system by improving quality, reducing costs, and increasing customer satisfaction, given its positive impact on innovative value realization. Zain Iraq also recommends continuing its Applying the Blue Ocean, keeping up with developments in these technologies, and selecting the appropriate ones for the company.

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