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# **Integrate target cost techniques and value chain analysis to achieve competitive advantage**

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## **Abstract**

This paper aims to check the philosophy of target cost accounting and continuous improvement techniques with a sign of the aspects of integration between them and its importance in achieving prices reduction and competitive advantage for the organization via the descriptive analytical approach. As a result, the techniques of target cost accounting and continuous improvement area unit among the foremost vital techniques of strategic price management moving the company's success to the implementation of it competitive methods. In conclusion, by the adoption of target cost accounting technique, the market was the most determinant of value instead of price.

**Keywords:** Continuous, improvement, target costing, technique.

# Integre las técnicas de costo objetivo y el análisis de la cadena de valor para lograr una ventaja competitiva

## Resumen

Este documento pretende verificar la filosofía de la contabilidad de costos objetivo y las técnicas de mejora continua con un signo de los aspectos de integración entre ellos y su importancia para lograr la reducción de precios y la ventaja competitiva para la organización a través del enfoque analítico descriptivo. Como resultado, las técnicas de contabilidad de costos objetivo y la unidad de área de mejora continua se encuentran entre las principales técnicas vitales de administración de precios estratégicos, que llevan el éxito de la empresa a la implementación de métodos competitivos. En conclusión, mediante la adopción de la técnica de contabilidad de costo objetivo, el mercado fue el factor más determinante en lugar del precio.

**Palabras clave:** continua, mejora, costeo objetivo, técnica.

## 1. INTRODUCTION

The modern business atmosphere is characterized by the emergence of an oversized variety of strategic variables that shaped a challenge for various sorts and kinds of organizations. These variables were pictured by extremely competition as a results of the good openness of international trade and investment and also the emergence of economic process, and therefore the ensuing from the cancellation or reduction of restrictions, trade tariffs, the emergence of international unions and trade zones, further because the rapid climb in production techniques and technology, and also the shortening of the life cycle of

product and also the customers have to be compelled to new product with top quality and low costs.

All that created the process of survival and growth - in such variables - depends primarily on the ability and success within the production, promoting and distribution of recent product compatible with the wants of this atmosphere in terms of value and quality, further as providing after-sales service, or face a state of affairs of cascading losses and so exposure to the chance of bankruptcy and liquidation. And for achieving this, most organizations adopt sure methods consists of a collection of long-run plans and procedures that guarantee survival and success. For the aim of thriving implementation of those methods and face these variables, the organizations use several of the trendy strategic techniques within the field of cost accounting and management accounting, like activity-based costing (ABC), activity-based management (ABM), total quality management (TQM), target costing (TC).

Target cost accounting and continuous improvement square measure 2 of the foremost vital techniques of strategic management accounting within the field of strategic price management, as a result of the assist to satisfy the wants of the competitive state of affairs and also the challenges long-faced by organizations at the current time, on the contrary from the normal price approach (Cost - Plus), the target cost accounting technique linking every of the external and internal variables associated with production , because it verify the target cost accounting within the early stages of the activities of the worth chain

so as for the company's management to require necessary to achieve those prices, whereas continued methods to cut back prices throughout the assembly process to enrich the work of target cost accounting technique by the activities of continuous improvement technique so as to achieve the best potential potency and productivity.

In lightweight of the higher than, there square measure several queries may be raised during this space, namely: what is meant by every of the target cost accounting technique, and also the continuous improvement technique? What square measure the variables that contributed to the looks of those two techniques? What aspects of integration between them in achieving prices reduction and competitive advantage strategies? These queries shaped the main target of our paper downside, its importance, and its objectives.

## **2. LITERATURE REVIEW**

Since the nineties of the last century began the studies and analysis within the field of target cost accounting and continuous improvement techniques, within the field of target cost accounting Amara (1998) conducted a study within the use of America, aimed to review the result of target cost accounting in reducing the prices of the producing method, so implement the strategy that meet the objectives of the corporate, wherever he did an in-depth study for the application of target cost accounting in Caterpillar D10 company since the late seventies of the last century.

The study found that the technique of target cost accounting does not replace any technique from the merchandise style techniques utilized in the corporate, however, they kind associate in Nursing integral a part of the entire activity of design/ re-design of the merchandise supported the premise of strategic designing. Bonzemba and Okano (1998) has tried to review a way to apply the target cost accounting technique by French firms, because the surroundings of those firms are totally different from the surroundings within which it arises target cost accounting in Japan, and looking on the views methodology taken from Renault company for the automotive trade, the study found that the corporate used the target cost accounting technique since the late eighties of the last century, because the main benefits of distinction between the normal approaches and therefore the target cost accounting technique in terms of coming up with prices and profits are applied by the corporate.

Whereas Borgernas and Fridh (2004) conducted a study of (91) Swedish industrial company, and therefore the aim of this study was to assess the extent of use by the Swedish industrial firms to focus on cost accounting technique. Fischer and Schmitz (1998) have a conducted study within the USA at IBM company so as to propose a comprehensive model for arranging and manage the method of continuous improvement, that centered on the continual reductions within the value of the product, which is able to be known as half - Life Model, because it was developed on the premise of sensible expertise, the study conjointly adopted the strategy of mathematical

formulation and totally different sensible examples to prove this model.

Shimizu and Lewis (2000) have conducted a study within the Toyota Company to spot the link between the assembly system of Toyota Company and continuous improvement and to grasp the most role of the price management of Toyota Company within the formulation of continuous improvement activities. The study found that the corporate was ingenious within the use of contemporary engineering techniques to realize continuous improvement in its productivity. While Borgernas and Fridh (2004) has centered in their study on trade techniques programs (CAD, CAM, CNC) and the way to make worth to the client associated is an improvement within the producing systems so as to cut back prices, improve quality, cut back producing cycle, and place eight steps to continuous enhancements.

The study found that several organizations will gains and edges from this approach which essential elements of Kaizen cost accounting is that the (work groups, and also the use of tools to unravel issues and move towards this philosophy to cut back costs). Borgernas and Fridh (2004) centered in their study on the scientific ideas of management, like total quality management (TQM), internal control circles, and philosophy of kaizen cost accounting so as that the organization will Review the progressively volatile setting , used the kaizen work team all told management levels, the study has finished that the Kaizen team generates progressive enhancements and identifies gaps between reality and planned and determine the causes of this gap, conjointly

contributes to the exchange of concepts and proposals to boost internal processes and come through the effectiveness of the organization.

Within the Volkswagen Company, and so as to realize the target worth of the DM900 vehicle, was found different technique supported the foundations of reducing the value of producing. However, the complete development of target cost accounting technique started throughout the amount of inadequacy of economic resources within the wake of the Second war. At that point, the Americans businessmen adopted an emblem - improve product quality and reducing production prices at an equivalent time, as this system is understood as -Value Engineering that became applied bit by bit by Japanese corporations to satisfy the high competition. within the sixties, has been consolidated price engineering with the thought of reducing the value of merchandise within the early stages of the assembly method the maximum amount as attainable, which suggests at the stage of designing and development.

Wherever was the primary use was in Japan by a Toyota company for the automotive trade within the year 1963 - that is understood as - Genka Kikaku - though not referring Japanese literature till the year 1978, and was later translated the term - Genka Kikaku into English as - Target cost accounting that was the term currently utilized in all literature inquisitive about the varied elements of the planet. And despite that Kato criticized the employment of the term of Target cost accounting as a translation of the Japanese term - Genka Kikaku, it met with general acceptance within the Western

world, because it was throughout the annual meeting of Japan value society in 1995 to use the term - Target value Management (Kato, 1993). On the opposite hand, Borgernas and Fridh (2004) consider that the start of the target cost accounting technique was in Japan by the Toyota Company in early 1963, moreover, they emphasize that the start looks in Europe and USA was command at the top of the eighties of the last century.

This means that the target of the applying of target cost accounting technique is to adapt to the competitive scenario facing the corporate because the trendy business atmosphere is characterized by the presence of an outsized, international competition end in the emergence of high-quality merchandise and low costs. Thus, as a life for the competition and survive within the market, corporations should do to research and development and merchandise style type that competes within the market scenario in terms of value and quality.

### **3. CONTINUOUS IMPROVEMENT TECHNIQUE: CONCEPTUAL FRAMEWORK**

It is clear from the higher than the importance of target costing technique to cut back the prices of product with improved quality and functions performed by, and by ending the study and analysis of all internal and external variables that have an effect on within the product so as to achieve the extent of performance that permits the corporate to compete within the market and create profit. The technique of target

cost accounting applied throughout the look stage to the production method, however, so as to achieve high levels of performance, operations should still scale back prices and improve the standard of the merchandise over all stages of the life cycle of the weather of the worth chain.

The continual improvement of the foremost vital ways that have helped company management in achieving its objectives during this space, therefore we are going to try and demonstrate the construct, parts and tools of continuous improvement. The beginnings of continuous improvement started in Japan and by the start of its application by the Toshiba Company in 1946, and Matsushita utility in 1950, and Toyota Company in 1951. It had been born and developed the philosophy of this system as a result of necessity and therefore the would like felt by firms for excellence in world markets. It describes because the secret of Japan's success within the competition, this philosophy tells continuous attempt towards tiny enhancements, it means acting tiny things with higher methodology and comes through higher performance levels.

Some mixture between the continual improvement and creative thinking or Innovation, so creative thinking is that the focus of the management of Western firms so as to attain vital, decisive, and short changes, and therefore the role of senior management distinguished it, and its specialize in product and processes, and therefore the monetary and technological investment square measure high. is named the artistic specifications referred her higher than within us of America the

term (rapidly improved), whereas the continual improvement depends on gradual enhancements steps and semi-permanent, and contribute to incorporate the management and employees in the slightest degree levels of the corporate, this implies that collective participation and enhancements result from the pursuit of data the supposed (trade secret), that specialize in processes and not on results, and therefore the monetary and technological investments limits square measure a lot of not up to they are in creative thinking (Atkinson et al., 1997).

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

The methods of competition, results of the character of the up to date business surroundings by the looks of the challenges of intense competition, and international major openness of the trade and economy, moreover because of the transformation of business economies and societies to the serious reliance on fashionable technology and scientific discipline. And so as to fulfill the competitive forces facing the corporate, there is a unit 3 basic methods will typically be utilized in varied styles of trade and also the company will select one amongst them, it (Porter, 1998).

Overall value leadership strategy. - Differentiation strategy. - Focus strategy. The triple-crown adoption of those methods needs the provision of the many of the conditions and also the use of techniques that assistance on that, wherever the techniques of target cost

accounting and continuous improvement represent the foremost vital techniques of strategic management accounting can| which will| that may} facilitate the success of those methods to the impact of the employment of the results will facilitate to attain the objectives of these methods (Selomo & Govender, 2016: Beiki & Vahidi Elizaie, 2016).

Which the strategic value management represent one {in all| one amongst| one in every of} the fashionable approaches of management accounting that sheds light-weight on the problems and strategic matters and puts the value analysis in a broad framework to be utilized in the formulation and development of best methods for the differentiation and enhance the aggressiveness of the corporate, thus we are able to outline the strategic management accounting because the accounting that covering Associate in Nursinggd analyzing knowledge for an activity and its competitors to be used in developing and dominant activity methods, specifically the amount and trends in prices, costs and production volume and market share and income and also the quota needed of the full resources of a corporation.

And that, the fundamental inputs to the method of strategic value management was the methods of cost-leadership, differentiation and focus, moreover because the analysis of competitors, that is accomplished by analyzing the worth chain of them ,as well because the use of strategic analysis tools to spot the strengths and weaknesses within the company and match them with the opportunities and environmental threats diagnosed through a method of environmental

scanning for the aim of deciding the simplest choices which will be enforced so as to attain strategic objectives, it conjointly needs development of standards and connotations for the aim of benchmarking , and to make sure the success of the methods.

Therefore, see that the techniques of target cost accounting and continuous improvement are among the foremost vital techniques of strategic value management touching the company's success to the implementation of its competitive methods, and despite the actual fact that there is a unit additional of a strategic competitive as attainable to pursue one amongst the corporate, the quality of those techniques which will be felt within the light-weight of all of those methods area unit in support of the least-cost strategy , wherever the adoption of target cost accounting and continuous enhancements techniques helps to attain the objectives of least-cost strategy, moreover as support differentiation strategy , and conjointly support the main target strategy, thus we are able to see that there is Associate in Nursing strategic impact for the techniques of target cost accounting and continuous improvement in support and also the assignment of methods to contend (Bachi et al., 2019).

#### **4. CONCLUSIONS**

As a result of it aimed to manage the prices of operating through the employment of information and predictions of the longer term for the needs of the present coming up with, similarly as linking internal

and external factors of the corporate so as to extend their gain and their ability to vie and survive. The foremost acceptable and profit of the applying square measure the businesses that apply the fashionable body and accounting systems like JIT, worth engineering, total quality management, and others, similarly as corporations characterized by short life cycle of their product, which the first application of continuous improvement belong to Japan, as delineate thereon. Besides, it represents the continued efforts to boost product and production processes throughout the assembly part of the life cycle of product to cut back prices and improve quality through little and gradual enhancements.

Wherever it perform through the employment of many tools every of that depends on the provision of the conditions and needs of the applying and quality improvement to be enforced, which the continual improvement is AN integral a part of and subsidiary of the method to cut back production prices by victimization the target cost accounting technique as a result of it helps to cut back prices over the life cycle of the merchandise and not solely downward at the stage of designing and development solely and at last that the target cost accounting and continuous improvement techniques square measure represent the foremost vital techniques of strategic price management result in a big impact within the sure-fire implementation of fight methods, as a result of the consequences from the applying of those techniques end in the objectives of those methods of primarily the premise for the reduction of production prices and improve its quality.

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