

FACTORS AFFECTS THE USE OF TARGET COST AMONG INDUSTRIAL COMPANIES IN JORDAN

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Abstract: This study examines the factors that significantly affect the use of the target cost by industrial companies in Jordan. These factors were the properties of Value Engineering (VE). This study adopted the deductive approach to reach its goals. It provides a theoretical framework for building hypotheses. The hypotheses were tested for results that could then be generalized. In this study, 40 managers from different industrial companies in Jordan participated. After reviewing several related studies, a five-point Likert scale questionnaire was designed to collect the required data, which was then analyzed using SPSS.

Keywords: Target cost, Value Engineering (VE).

1. RESEARCH BACKGROUND

Managerial accounting has developed like other economic and social sciences, as a result of economic and social growth. and has great value in commercial and industrial societies. According to the Institute of Management Accountants (IMA)" managerial accounting is a profession that involves partnering in management decision making, devising planning and performance management systems, and providing expertise in financial reporting and control to assist management in the formulation and implementation of an organization's strategy (Appelbaum et al., 2017).

The current economic community is characterized by increasing competition, rapid technological development, shortening the life cycle of products and consumers' desire for renewable products of a suitable price and high quality (Zourob, 2016). Under these circumstances, each institution seeks to satisfy the wishes of the largest possible number of customers and thus maximize its market share and ensure its survival. This depends on several factors, including the ability to produce and market renewable products services that meet consumer requirements in terms of quality and price, because of these changes in the economic environment, it is necessary for industrial companies to use modern managerial accounting methods and avoid traditional methods, to maintain competitive advantage and cope with the great economic development, and to achieve high quality for products and services of these companies (Menon & Melendez, 2017). Thus, many modern methods of managerial accounting have emerged, and one of which is the target cost (TC) method. Target cost method is defined by the IFAC (2008) as "a cost management approach that is based on demand-driven production because it focuses on customer requirements for quality, cost and time" (Al-Attar & Alsoboa, 2016). Target cost method is based on the idea of studying the needs and desires of customers and determining the appropriate price that the customer can pay for a good or service, we can then implement the target cost method through several steps (target price setting, target profit setting, target cost setting (Seddeq & Yousef, 2018). Target cost method grew in Japan in (1973) as a tool for the development of some American methods and a private method to give the Japanese industries competitive advantages in terms of cost, price, and quality to meet the modern industrial business environment variables, The concept of target cost method is applied in order to improve the enterprise culture towards cost management more than traditional methods, which are limited to the cost of inventory and the combined costs (Appelbaum et al., 2017).

Currently, a very large proportion of industries use this method, such as the automobile industry, electronics, household appliances and other advanced industries, and most Japanese companies such as Toyota, Nissan, Sony and Canon use this method (Basili, 2010). The study of the impact of target cost on the quality of products and services of industrial

companies give us a full impression of the nature of costs that will be reduced through the application of target cost to these companies, and thus improve their performance and achieve a competitive advantage, And provide high-quality products and services.

2. THEORETICAL FRAMEWORK

This study has chosen to use Value Engineering (VE), and this decision is factored for several reasons. First of all, the formulation of VE was based upon six established models as follows: Information, Creative, Functional Analysis, Evaluation, Development, and Implementation. The use of all these six factors together in one model namely Value Engineering is viewed as more apt and VE will be the base of this study. The fact that the VE model is more lenient in measuring behavior and acceptance as opposed to the preceding theoretical models becomes the second reason for its usage in this study. Apart from that, VE appears to have the capacity in foreseeing the target cost adoption in roughly 72% of instances, whereas other models of adoption particularly kaizen cost (KC), and total quality management (TQM), we're only able to forecast roughly 38% of the instances (El-Madhoun, 2016; Garina et al., 2017).

3. METHODOLOGY

This study selected 40 managers from industrial companies to be participants. Data were acquired online (online questionnaires at (www.surveymshare.com)). The questionnaire comprises one part and this part includes eight key constructs that have an association with to use target cost.

4. INSTRUMENT'S RELIABILITY

Pilot test decides the dependability of the instruments of estimation before the execution of the real observational work. In Gay and Airasian (2006), dependability identifies with the level to which a test unswervingly gauges what is it should. Further, the underlying unwavering quality of the inside consistency of the information from the pilot study is estimated utilizing Cronbach's alpha (Cronbach, 1984). As Zander and Kogut (1995), Cronbach's alpha worth can be expanded in either the number of things or the normal relationship.

Table 1: Scale Reliability Alpha – Pilot Test of Model's Questionnaire (N=40)

Variable	N. of Items	Alpha (a)
Information	6	.921
Functional analysis	6	.853
Creative	6	.841
Development	6	.932
Evaluation	6	.854
Implementation	6	.942
Use of target cost	6	.962
Products and services quality	6	.904

5. SUMMARY

The target cost of new managerial accounting methods that support the activities of different companies. In addition, in the position of industrial companies, this method has become prominent. To this end, current research examines requirements for the use of target cost in the context of industrial companies.

The obtained results indicate that both the environment and the available infrastructure in industrial companies are suitable for applying the targeted cost method. In addition, the study provides more knowledge regarding the current state of management awareness in companies of the importance of the target cost. In addition, the study found that managers in industrial companies already possess sufficient knowledge in addition to awareness regarding the adoption of target cost use in their field of business. However, there are also barriers and obstacles that may hinder the actual use of the target cost. Therefore, more studies should be conducted. However, as this research found, managers were well aware of the limitations of using target cost in the context of products and services provided by industrial companies.

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