

THE RELATIONSHIP BETWEEN VALUE ENGINEERING AND THE TARGET COST FOR INDUSTRIAL COMPANIES IN JORDAN

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Abstract: This study looks at factors that have a significant impact on industrial companies' use of target costs in Jordan. The properties of Value Engineering (VE) were these factors. The study used the deductive method to achieve its objectives. It provides a theoretical framework for hypothesis formation. The experiments that could then be generalized were tested for their hypotheses. 40 managers in Jordan from various industrial companies participated in this research. A five-point Likert scale questionnaire has now been revised to collect necessary data, which was analyzed with SPSS. Following a study of several related studies.

Keywords: Managerial Accounting, Target cost, Value Engineering.

1. RESEARCH BACKGROUND

Strategic accounting has grown as other economic and societal sciences as a result of economic and social growth. And it has great value in industrial and manufacturing environments. Administrative responsibility is a practice according to the IMA, including management decision-making, execution of planning and performance management and financial reporting and tracking capabilities in order to assist management in designing and executing an organization's strategy (Appelbaum et al., 2017).

The competition, rapid innovations, shorter life-cycle goods and the ability of consumers to purchase green products at a product price and high satisfaction characterize the current economic environment (Zouró, 2016). Under these circumstances, every company is trying to meet the expectations of as many consumers as possible, thereby its market share and ensuring its sustainability. Owing to these changes in the economic environment, industrial businesses must use new control accounting techniques to avoid conventional approaches and retain a competitive advantage, while dealing with the significant economic impact, including the need to offer and sell sustainable commodity services that meet their customer requirement in terms of quality and price. Managing accounting has thus developed many modern methods, including the goal cost approach (TC). The IFAC target cost protocol (2008) describes it as "a demand-driven approach to cost management, concentrating on consumer quality, cost, and time requirements" (Al-Attar & Alsoboa 2016). Goal cost methodology The objective cost approach is focused on the principle of looking at customers' needs and desires and deciding what price the consumer should pay for the good or service, and then, through a variety of steps (target costing, target benefit definition, target costing), can enforce the target cost method (Seddeq and Yousef, 2018). Target cost system developed in Japan (1973). The principle of target cost method is used in order to develop the culture of companies to handle cost more than traditional, to give Japanese industries competitive advantages in terms of cost, pricing and quality in order to face the modern industrial market environment,

Actually, this process is being used by many industries, including automotive, electrical, household appliances and other advanced industries and most Japanese companies like Toyota, Nissan, Sony and Canon (Basili, 2010). Studies on the

effect of the cost-taking of the products and services of industrial firms on the quality of products and services provide us with an insight into the essence of costs that will be minimized by implementing the cost-taking of these businesses and enhancing their efficiency and gaining a competitive edge.

2. THEORETICAL FRAMEWORK

The Consistency Engineering (VE) research has agreed to use and this decision is taken for several reasons. First, six developed models were used in the formulation of the VE: information, innovative analysis, operational research, evaluation, development and implementation. In one model, namely value engineering, the use of all these six factors in combination is considered more appropriate and VE will be the cornerstone of this study. The second reason for its use in this analysis is that the VE models are more lenient in their estimation of behavior and acceptance than the previous theoretical models. Besides that, VE seems to be able to predict the adoption of the target cost in around 72 percent of cases, while other adoption model models, especially kaizen costs, and total management of quality (TQM), can only predict around 36 percent (El-Madhoun, 2016; Garina et al., 2017).

3. METHODOLOGY

This study selected 55 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=55)

Variable	N. of Items	Alpha (a)
Information	7	.901
Functional analysis	6	.872
Creative	5	.831
Development	7	.915
Evaluation	6	.849
Implementation	6	.940
Use of target cost	8	.902
Products and services quality	6	.892

5. SUMMARY

Target costs of new management accounting methods that support different companies ' activities. Moreover, this method has become prominent in the position of industrial companies. For that purpose, current research looks at the requirements for use of target costs in industrial enterprises.

The results obtained show that both environment and infrastructure are suitable for the use of the targeted cost method for industrial enterprises. The study also provides further information about the present management awareness of the importance of the target cost in companies. Furthermore, in addition to the awareness of their target use in their field of activities, managers in industrial enterprises have already had sufficient knowledge. However, barriers and obstacles are also present which can prevent the actual utilization of the target cost. More studies should therefore be carried out. Nevertheless, as this study showed, management knows very well the limitations of the use of target costs for products and services delivered by industrial companies.

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