Application Analysis of Target Cost Management in Enterprises Economic Management

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Abstract: The management of enterprises has not just focused on the management of personnel and system, but more concentrates on the setting of target management. Target management is that enterprises carry out a series of division management under the condition of understanding their own budget, so as to achieve the goal of low input and multi output. Facing the social competition, improving the profitability has become one of the means, and the way to achieve good benefits is to do a good job in the cost management of enterprises. Therefore, this paper makes relevant analysis according to the application of target cost in the economic management of enterprises.

1. Overview of target cost management

Target cost management is one of the important ideas of modern enterprises’ management. When carrying out economic management, they integrate the strategic development objectives of enterprises through the cost budget to formulate a practical draft of economic management.

As we all know, enterprises economic management is the cornerstone of target cost management. And the core is to control the operating cost, also avoid the outflows of enterprises funds and unnecessary capital expenditure, and then ensure the maximization of enterprises’ economic management benefits. In the process of economic management, the cost management of fixed assets is very important. Generally, it is mainly carried out through the quality of equipment maintenance, equipment loss and equipment depreciation, to effectively control the fixed assets of the enterprises.

2. Importance of target cost management in enterprises economic management

Target cost management enables enterprises to better adapt to the development of the whole market economy. For the current market, there is too much competition, then how an enterprise can stand out in such a market depends on its own management. In our society, there are more and more similar products or alternative products in the market. If one profitable product appears, later many similar products would come out in no time. Only by doing a good job in enterprises’ target cost management can they ensure the competitiveness of their products in the market, so they need to keep on improving product quality and reducing input costs. What’s more, there is also a price quite competitive with the market, and the company will also make corresponding profits, which reflects the importance of target cost management.

In addition, target cost management enables enterprises to improve their management level. It involves the whole stage from production to sales of finished products. Both internally and externally, profit can be maximized through target cost management. Also, this is a process of full participation, and each link is closely connected, which achieves the purpose of better communication among all levels of the enterprises, and arranges the work with the method of target cost management. It has greatly improved the management level of the enterprises.

Last but not least, target cost management could improve the economic benefits of enterprises. As everyone knows, the ultimate goal of an enterprise is to make profits, and target cost management is an effective method to achieve this goal. All expenses of products from production to sale will affect the final profits, so it is necessary to make the cost prediction and control of all links in advance. The
cost management is a good way to do this, and it could improve the production efficiency of enterprises and increase economic benefits.

3. Strengthening the application strategy of target cost management in enterprises economic management

3.1 Establishing a new concept of cost management

Enterprises first need to break the old concept of cost management and input new knowledge of target cost management. Then the final profit of an enterprise is not simply winning in price, but linked with procurement, production and sales. Therefore, it is vital to reduce the production cost, the processing time and unnecessary changes, as well as improving their own quality to meet the market demand. Therefore, shortening the product cycle can reduce costs and improve the profitability of their own enterprises.

3.2 Market oriented understanding of customer needs

Target cost management is of great importance for the operation and development of manufacturing enterprises. Then it attaches importance to the formulation of enterprises’ business objectives, which is closely related to the needs of the market and consumers. Therefore, in the operation and development of manufacturing enterprises, in order to ensure long-term operation and long-term development, we must take the market demand as the foundation, formulate the enterprises’ business objectives, also carry out the product design, and formulate the selling price and expected profit. Moreover, the system of target cost management affects the production and sales links of manufacturing enterprises, and ultimately affects the economic benefits of enterprises. Therefore, only market-oriented can we understand the needs of the market and consumers, then conduct a lot of research and in-depth analysis on the current market and consumer needs, as well as understanding consumers' consumption preferences and consumption habits. According to this, designing products that meet consumers' preferences could ensure that the products of the enterprises meet the needs of the market and consumers, also ensure the competitiveness of the products, together with improving the economic benefits of the enterprises and promoting the operation and development of the enterprises.

3.3 Clarifying the cost management mode

Before implementing the target cost management mode, enterprises managers should first clarify the purpose and mode of target cost management, and then enable employees to understand the working mechanism, so that they can abide by the enterprises' management regulations and standardize the working behaviors. Besides, clarifying the cost management objectives can help enterprises respond to the requirements of China's sustainable development, together with improving their innovation and the abilities of innovation of employees. That’s why enterprises managers should pour attention into and understand the actual needs of consumers and strengthen communication with consumers, so as to ensure the clarity of goal setting, and then eliminate all kinds of interference, so that the formulated economic management model can meet the actual development needs of enterprises. And enterprises ought to integrate the mode of cost management into the supervision mechanism of enterprises so that they are capable to correctly carry out various supervision and management work and guarantee the advanced and purity of the workers.

3.4 Establishing a perfect target cost control system

A perfect management system is crucial for the successful management of target cost. In order to establish a perfect target cost control system for enterprises, we should do the following three points. Firstly, as a part of the business chain, cost management needs to better manage the operation of products and improve the level of financial and accounting analysis, to ensure the correctness of cost data and ensure that enterprises can obtain benefits in time. Secondly, enterprises need to improve the management system and apply scientific data to optimize the cost target. Thirdly, in the stage of
product design, data collection and statistical management should be strengthened, also users’ information should be integrated to ensure efficient product design and output.

3.5 Strengthening information management

With the rapid development of Internet technology, the application scope of information technology is also expanding, and the product production, transportation and sales process is becoming more and more scientific and automatic. This requires that Chinese enterprises should comply with the pace of the development of the times, continuously improve their production and sales mode through scientific and technological means, and gradually improve the management level. Before applying the method of cost management, managers should first have a clear understanding of the status of economic management, and then establish an information management system according to the actual situation, then use big data to strengthen their understanding of market demand, also improve the automation level of data processing, product production and transportation, and enhance information collection processing and management capabilities. Furthermore, enterprises could also use cloud computing to improve their ability to analyze information, then deeply excavate the information that can guide the development trend of enterprises. By doing these, they are able to integrate the existing resources of enterprises, also strengthen cost management and control, and help managers formulate management plans with high feasibility. Moreover, enterprises should also use scientific means to strengthen the supervision and evaluation of employees, also understand the actual needs of employees, and gradually improve the work level and innovation ability of employees, so as to promote the innovation and development of enterprises.

3.6 Establishing an evaluation system to supervise and motivate employees

In order to improve cost management, an appropriate evaluation and control system must be established to assess and supervise the work of employees. By managing the actual cost of the enterprises, the implementation of target cost management could be monitored and evaluated, and the scientific objectives of evaluation and management could be formulated. The management of target cost within the enterprises can be used as an effective means to improve the economic efficiency and economic management of the enterprises, to guide the implementation of target cost management and promote the improvement of the overall management of the enterprises. In addition, promoting the cooperation between different departments of the enterprises can better manage the target cost, and scientifically control production cost with the participation of all departments of the enterprises, so as to establish a reasonable enterprise cost management framework, and the enterprises can play an effective role according to the cost management system. Finally, according to the implementation requirements of the risk preference, they establish corresponding information systems, such as cloud computing, big data, artificial intelligence, etc., and rely on these intelligent systems to establish calculation of intelligent risk control, monitoring and early warning system, etc.

3.7 Combining target cost with responsibility cost

"Sweeping before your own door" is an easy situation, which also affects the implementation of target cost management. It is suggested that enterprises can divide departmental responsibilities according to the Department's responsibility for products, implement responsibility management according to the investment proportion, and popularize the importance of target cost management to make everyone move in the same direction. Sometimes control of details is more important than the overall control, many mistakes in a small link will have a great impact and lead to more investment in human and material costs. Therefore, the method of target cost management combined with division of responsibilities and the clarification of department responsibilities would also promote the progress of an enterprise and ensure the product quality.
4. Conclusion

To sum up, in the process of business development in China, in order to improve the efficiency of economic management, we need to give full play to the value of target cost management. Through the reform and optimization of its cost management, we should improve the awareness of cost management of enterprises employees, also give full play to the value of economic management, and improve the business efficiency and employee cohesion of the enterprises.

Reference


