

Determination Of The Selling Price Of Dimsum Products Through Target Costing Setting

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Abstract

This article provides an overview of the development of the ready-to-eat food business which is a trend in 2022 by considering production factors, raw material factors, quality and efficient costs, then premium products are produced with price advantages and special tastes. The production process begins with product design to the production stage which involves several departments with quality control that is strict enough to produce quality and hygienic products. Target costing is the most important part of a production process, in addition to being related to the calculation of production costs, it is also a controlling tool as well as a determinant of suppliers to get quality products at competitive costs. The purpose of this study is to analyze the cost of controlled production through the application of *Target Costing* and the determination of managerial policies related to the efficiency of the production process. The method of data collection and processing in this study was carried out by observation, interviews, and literature studies. The results of the study illustrate that through the application of *Target Costing*, the company is able to carry out various efficiencies including raw material efficiency through selected suppliers. Labor efficiency with the right time standards and determination of factory overhead is traceable to the products produced. It is hoped that this research will provide theoretical benefits that contribute to the science of Management Accounting related to the calculation of standard costing and performance improvement. Meanwhile, the practical benefits are in considering a special order policy for many products.

Keywords : Business Process Management, Production Cost, Target Costing, Performance

1. Introduction

The development of the culinary business in the era of increasingly advanced technology requires that the main players must carry out their business activities systematically both when fulfilling raw materials, production processes to reach buyers (Mikko Ketokivi et al., 2017). Every process that is carried out must be considered properly, of course, by taking into account current market conditions, the availability of raw materials, company capabilities, competitor capabilities and expected profit targets (B. Bujs et al., 2012). All problems in achieving the expected desires for the culinary business can be met through the keys to success, namely minimal costs, unique products, fast and satisfying service and concern for consumers' desires (I. Oncioiu et al., 2021).

Business processes carried out in a business in the form of small or micro, medium and large require a process that needs to be carefully designed, calculated, and controlled (N. Turner et al., 2017). This ability is a determining factor for business success, so that the company's goals in achieving efficiency and effectiveness can be achieved through internal business processes. The process is supported by a commitment to time, source of funds, and production process until the product is well-known and becomes a superior product in a particular market. The arrangement of success certainly involves a process called Just in Time (JIT) and Manufacturing Resource Planning (MRP). In line with the development of current technology, the ability in the business field to meet the needs of a fairly broad and diverse market, the use of interconnection tools between external and internal parties is very much needed to facilitate regulation and control. So that the expectations that the company wants can be in line with the market's desire for the product (D. Chaffley, 2002).

Every company always wants to provide the best to its customers, this is not only momentarily done but also for all time in the hope of achieving competitive advantage in a market full of competition. The achievement of these desires can be realized through measures in the form of savings in production, time, processes, raw materials, costs, and labor. A program that can meet the needs of all company desires is Business Process Management (BPM).

Efforts to give birth to products that are in demand by customers and are able to survive in conditions of fairly sharp competition in the future. Supply Chain Management tries to be a solution to meet these needs. Research by E.A. Willian et al. (2004) related to SCM revealed that the theory is a system of connections between organizations in companies that are connected to each other from the upper leadership to the lower class, each of which performs different functions but is able to produce value in the form of products or services that are able to become superior in their class (D. Chaffey, 2002). Through the JIT and MRP programs, the SCM program can be achieved well.

The implementation of SCM in company operations will involve technology related to coordination between the company's internals and suppliers and between parts of the company, as well as internal companies and consumers. Coordination is intended so that the value creation process carried out by the company can be achieved. This is also supported by strategies and risk mitigation for failures that may occur during the process (Dina Neiger et al., 2009). Steps that management can take in reducing supplier risk, production risk, and consumer risk can be done through risk identification, assessment, treatment, and monitoring during the improvement of these risks (Yiyi Fan and Mark Stevenson, 2017).

The stage of implementing a production process begins with preparation which includes design, estimating the availability of raw materials, implementing production, testing the feasibility of the product, and delivering it to consumers. This stage becomes the most important part during the production process. This stage is also the basis for determining production targets, profit targets and cost targets taken into account (G. K. Mislick and D. A. Nussbaum. 2015) in the research of Timofey Shalpegin et al (2017). Testing of the type of raw materials used, becomes the most important part in the preparation stage. The selection of the type of raw material includes the quality of the material, the composition of the raw material, the color of the raw material, the content of water absorbed in the material and the ability to unify other materials when the production process is carried out. These things are the most important part of a manufacturing company, compared to the stage of delivery to consumers.

The food business is a type of business that provides a promising level of profit. Especially if the process is well designed through a system that involves people who are professional and experienced in their fields. Ability in design starting from the design stage of the product produced to the production process is carried out and finally delivered to consumers, if compiled professionally with the implementation of target costing will provide convenience in its implementation. This is an interesting thing the relationship between suppliers, production processes, production cost determination through target costing and determination of selling prices has been studied by Timofey Shalpegin et al. (2017). Through target costing, management can determine production costs and profits in accordance with the strategic steps carried out when the production process occurs.

The ability to prepare the supply chain for the availability of raw materials is sometimes an asymmetric information. The ability of information that must be completed in real time, is not conveyed to other parts that need such raw materials. This results in the entire production process not running as it should, so that new problems occur that result in costs and profits changing. This has resulted in the role of target costing having to undergo adjustments in its application (Sourish Sarkar and Sanjay Kumar, 2015).

Uncertain economic conditions coupled with the declining purchasing power of the people require business players in the culinary sector to think about getting a step so that the products and services provided have value that can meet the needs of today's consumers. It is inseparable from the risk factors that should be considered in it (M. Alkahtani et al., 2021). The needs that consumers want today are low prices with a unique appearance and taste that is tailored to the tastes of millennials. The decision to produce and the determination of the maximum cost and profit in the selling price, requires careful calculation (Ionica Oncioiu et al. 2021). But is the target price set by the company able to be accepted by the market? This ability certainly needs to be analyzed in a study with the theme of implementing target costing at PT 49 Nusantara Muda in the midst of competitive dim sum business competition. The scope of the discussion includes selling price analysis with a target costing approach and maintaining competitive advantage through the current business process. (A. Fallahpour et al., 2017).

2. Literature Review

a. Business Process

The company's activities in preparing a production process starting from the readiness of raw materials from suppliers to end users are stages that require a design and calculations that are interrelated (Usha Ramanathan and Anggappa Gunasekaran, 2012). The role of technology is a support system that determines the continuity of the production process in an integrated and sustainable manner. The design of the processing stage is of course by paying attention to customer desires and market demands that prioritize price and taste. To achieve success in the process, a company must undergo changes taking into account current capabilities for the expected achievements in the future. The differences that arise from these assessments become steps that must be taken in the form of strategies (Sophie Richard et al., 2020).

The stage of business achievement for an industrial and service company involves a lot of technology as a tool that shortens and simplifies business processes. The process that was originally carried out traditionally by involving humans, now the role of humans is replaced by technology in the form of the internet of things (IoT), big data, Artificial Intelligence (AI) and Cloud Computing, Leski Rizkinaswara, 2020. Achieving the successful application of technology in a business can be done through reengineering the processes previously used. This step is carried out in order to achieve low cost with an effective process (Sophie Richard et al., 2020). Therefore, in achieving success, a business entity must always evaluate in assessing any activity that is considered not to provide the company's profit, this must be excluded from a business process. A business process is considered successful if the entity has optimized the efficient use of resources and produced in a timely and targeted manner (Ionica Oncioiu et al., 2021). Steps that can be taken in current conditions, the implementation of target costing can be a tool of business processes in regulating the level of efficiency of production activities and minimizing production costs so that maximum profit can be achieved.

The implementation of reengineering a business process in achieving cost efficiency and maximum profit, in practice is not as easy as written in an article. It is necessary to make adjustments gradually and this requires considerable time and costs. However, the final result obtained will provide significant benefits and benefits for the company in the long run (Dorota Klimecka-Tatar, 2021).

b. Competitive Advantage

The concept of competitive advantage expressed by Michael Porter (1985) is an advantage that a company has compared to the same company in an industry. These advantages are created with the aim that the capabilities possessed, the products produced, the services provided, the set selling price have a different position from competing companies. This can be achieved through cost leaders where the pricing is based on the smallest amount of costs. The next advantage is related to the shape or quality or taste that is unique or different from others. All of these advantages, both cost leadership and differentiation, are the most important values for companies in winning the competition in the middle of a business in an industry. The company's ability to obtain these advantages, must be accompanied by a strategy. The strategic steps taken must be serious to get a superior position in the midst of business competition in the industry (P. Kholopane, 2016).

c. Target Costing (TC)

Business competition is getting tougher, requiring business actors to be more careful in determining selling prices. The quality picture provided by a product is the value that the company conveys to its consumers. The process of forming value certainly goes through several stages, starting from the acquisition of raw materials to become a finished product that every consumer is ready to have. Such processing contains sacrifices that are assessed in the form of costs. For companies, the term target costing has become an important thing when it comes to producing a product or service, because the determination of the selling price is based on profit and total costs issued to produce such products or services (Hassan Yazdifar and Davood Askarany, 2011). Setting a costing target for a product or service, must consider all risks that occur, commit to the implementation of the process, cooperate with suppliers, reduce all obstacles, prioritize cost savings, and prioritize the quality and price offered.

Target Costing for the company, is a value offered with fairly strict qualifications. This is not only related during the processing of the product or as long as the service is prepared, but also supported by the ability of management in preparing the product or service. The readiness includes estimating activities and estimating costs, forming a special team for processing products or services, meeting schedules to coordinate all activities, and considering the life cycle, so that it can be initiated that the role of management is prioritized, both before the process and during the process to reach the end user (Yasemin Zengin and Erhan Ada, 2010)

Target Costing as a method of calculating costs is one of the considerations for a company that will make a decision to produce, because it is related to the company's operations. The adoption of production cost calculations through target costing is currently only a method of calculating costs, but not yet in the management order within the company (Hassan Yazdifar and Davood Askarany, 2012).

d. Company Strategy

The company's ability to apply target costing to selling prices is inseparable from the company's strategy. Strategy becomes the driving force in achieving the performance desired by the company. Related to strategy, management does so in the form of generic strategies, including cost leadership, differentiation, and Focus (M.E. Porter, 1997). Cost Leadership Strategy is a strategic step taken by the company through cost efficiency to provide minimal prices for buyers. Differentiation strategy is the development of products that are different from competitors, in the form of brand image, technology, customer service with the aim of prioritizing quality. Focus strategy which is a special strategy by combining low cost and differentiation, so that the achievement of the expected goals can be achieved soon (Hussein Hussein Hamood Sharaf-Addin, 2021).

3. Methods

This research method uses data sourced from surveys and interviews. The survey step was carried out to see the state of the culinary market around the location of the company that was sampled in this study. Other data collected during the survey include public interest in culinary, types of food traded, price levels of interest to the public, crowded time of visitors, and the length of time visitors who come to the café PT Dimsum 49. The implementation of this survey was carried out for two consecutive holidays in November 2022.

The second stage, data acquisition is carried out through interviews conducted as many as three visits with the aim of obtaining the process of determining raw materials from suppliers, operational management company, raw material management system to finished good, production costs during raw material processing, selling price determination policy, and distribution system to consumers. The determination of costing targets for the processing of raw materials into finished goods has undergone as many as eight stages as described in the flowchart below.

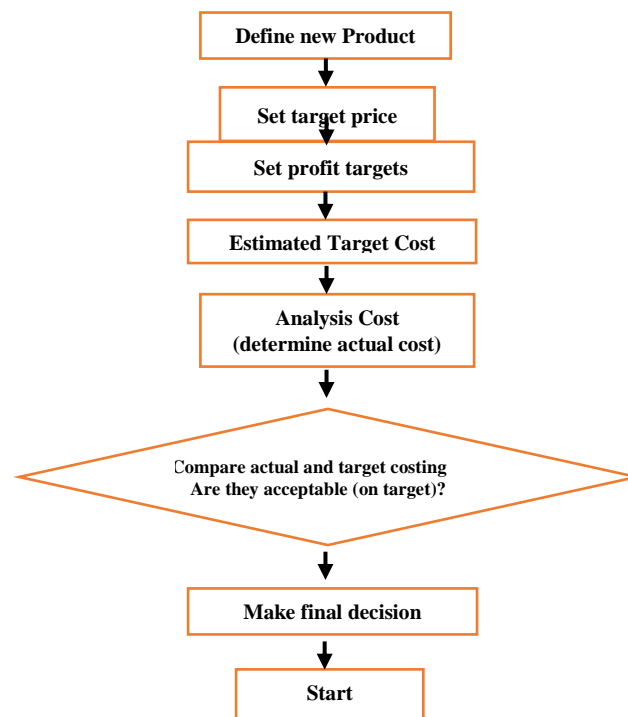


Figure 1: Methodology Target Costing

Business Process becomes the most important part in the company as a basis in determining production costs, selling prices, profit levels, amount of revenue, customer desires, the amount of resources to be used, the length of time to be used, the expected increase in profits, the company's development strategy, as well as the company's development expectations in future. Coordination of the implementation of business processes, becomes very important as a basis in preparing the necessary resources. To strengthen the company's ability to improve its business performance, the use of target costing is part of cost management. The target costing formula is:

$$\text{Allowable Cost} = \text{Target Price} - \text{Target Profit}$$

This study also measured the price range that customers can receive for now between Rp185,000.00 and Rp190,000 volume of 100 pieces of dim sum. This pricing is also used by companies as a basis for determining prices according to the Target Costing method. To get sales figures, this study also uses upper

and lower limit figures, so that the price set is not much different from the market price in general. The determination of the level of profit is an important consideration for the company, because this figure is the basis for other products produced by the company.

4. Results and Discussion

a. Description

The survey results illustrate that the culinary market in the Bekasi area is quite competitive with various offers of ready-to-eat food in the form and taste as well as prices that are adjusted to the standard of living and ability Bekasi community. Along with changes in lifestyle after the Covid-19 pandemic that prioritizes clean, healthy with adequate nutrition, there are many culinary places that serve the need for this. The company where this research was conducted, also serves a variety of foods with a variety of ingredients and shapes tailored to the latest tastes, but all of them have the theme 'Dimsum'. Based on data from the Central Statistics Agency (BPS) for the West Java region in the 3rd quarter of 2022, the number of food and beverage providers has increased by 4.67%. Meanwhile, in the same period, the growth of the food and beverage industry sector reached 3.66%, as seen in the chart below.



Source: Industry Research Data

The culinary business that mushroomed in the Bekasi area, West Java can provide an overview of the food patterns that were in demand by the community at that time. Food patterns made from chicken are the main pattern for the people of the Bekasi area, because these raw materials are estimated to be easy to obtain and the purchase price that can be reached by the community. Various flavors can be produced from the processing of chicken. This business opportunity was captured by the dimsum company PT 49 Nusantara Muda. Dimsum is a snack that first appeared in China with very varied types, with a serving time when a meeting is about to begin. This food is treated as an appetizer and is of a snack nature. Dimsum has the meaning of the word touching the heart according to Chinese grammar whose presentation is carried out on a small plate along with a warm tea drink (Liputan6.com, 2021). Currently, dim sum is one of the processed ready-to-eat food products that has been widely marketed from street vendors to restaurants. The growth of the market for dim sum products is increasingly mushrooming, motivating entrepreneurs to make similar businesses. The increase in dim sum entrepreneurs in various regions, resulting in sharper business nuances.

Starting from the development of processed foods made from chicken and the increasing demand for ready-to-eat foods, this opportunity was captured by PT 49 Nusantara as a promising business. Initially, the products offered were standard with increasing buyers, not only in the Bekasi area but throughout Jakarta. Changes in the pattern of people's needs, which were originally enough to enjoy dim sum with simple preparations, now the

demand has changed to dim sum with fish flavor, shrimp flavor, crab flavor, taste very nutritious squid. The increasing changes make companies have to open branches in several potential areas with public consumption in the form of dim sum food, this is also a potential New to release new variants in the form of dumplings, steamed buns, shrimp hakau, xiaolongbao or soup dumplings, fried dumplings, fung zau or chicken feet, and gyoza. Seeing the opportunity for the demand for dimsum products in the Online world is increasing, owners have begun to focus dim sum as their main business. A business company is not talking about products, but *services* and long-term relationships.

b. Business Process

Daily activities in the company's operations involve three most important parts, including the raw material purchase section, the production section, and the finishing part. Each section has subsections that are responsible for solving the tasks for which it is responsible.

1. **Raw Material Purchase Section:** Receiving raw materials from suppliers and storing them to the warehouse and dividing them into production
2. **Production Department:** Receiving raw materials from the purchasing department, carrying out the stirring and grinding process, carrying out molding and toppings, and steaming. The production process has been completed then in packing.
3. **Marketing Department:** Receiving goods from the production department and distributing them to distributors

The entire section above is illustrated below .

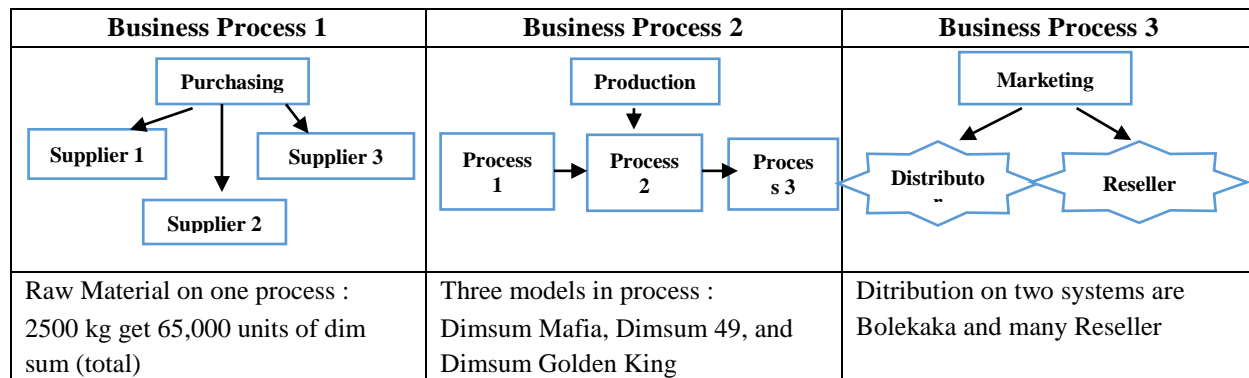


Figure 1: Process Big Picture - an overview map of the process flow

This study used interviews with owners in person. The production process is carried out every day with 3 processing times and produces 3 types of dimsum, namely Dimsum Mafia, Dimsum 49, and Dimsum Golden for premium types. Dimsum Mafia is a type of dimsum for the cheapest and most sold price tiers. As for dim sum 49 for the restaurant level with serving with warm drinks. Golden King dimsum is a special type because the raw materials have different qualities and the composition of the ingredients is also different, intended for hotels.

The production process is carried out in 3 business processes: (1). Purchasing; (2). Production; and (3). Marketing.

Business Process 1 – Purchasing

- Determining the type of raw material and price
- Determining the amount of raw materials needed
- Determine the schedule for the use of raw materials of the desired quality

Business Process 2 – Production

- Determine the required amount of raw materials of each type produced

- Carrying out the grinding and stirring process
- Printing and toppings
- Perform the steaming and packing process

Business Process 3 – Marketing

- Packing in a major party
- Distributeto distributors
- Distributing to resellers

The production process starts from business process 1 continues to process 2 and ends in process 3. The processing time is carried out 2 hours and in one day three processes are carried out. During the survey in the field, the process starts from the purchase of raw materials with certain qualifications that have been set by the production department. Suppliers for the fulfillment of raw materials, have existed since the company was founded so that it has not undergone changes. The timeliness of the arrival of raw materials is also in accordance with the specified schedule. As for processing which includes grinding, complaining, printing and topping feeding has been carried out by employees through machines and manuals, because there are parts that requires the involvement of human hands. The next process is steaming where the molded somay must be steamed so that it becomes cooked and ready to be served

c. Target Costing

This study applies the calculation of cost of goods produced using target costing. The determination of profits has been carried out by the company's leadership for all products between 12-21%, this is done taking into account competitive market conditions and the price level that It is desirable for the community and business continuity in maintaining the existence of this business. Through the cost calculation formula where target cost = target selling price – target profit, the calculation of the target cost charged for each type of product is.

Table 1. The target costing (old)

Product Name	Percentage of Profit margin + target cost	Target selling price	Target Cost
Dimsum Low	110 %	1 55,000	140,909
Medium Dimsum	115 %	165,000	143,478
Premium Dim sum	120 %	200,000	166,667

The maximum production cost for each type of product with the following calculations .

Table 2. Total Costs for the product Dimsum Low

Particulars	Number of units	Total Cost (Rp)	Unit Cost
Direct Materials	100	106,908	1,069.08
Wages of workers	100	11,250	112.50
Electricity	100	15,770	157.70
Paper	100	160	1.60
Pack	100	1,331	13.31
Total Production Cost			1,354.19
The Administrative and Marketing Cost			182.90
The Final total cost			1,537.095

Table 3. Total Costs for the product Dimsum Medium

Particulars	Number of units	Total Cost (Rp)	Unit Cost
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Direct Materials	100	101,567	1.015.67
Wages of workers	100	11,250	112.50
Electricity	100	15,770	157.70
Paper	100	160	1.60
Pack	100	1,331	13.31
Total Production Cost			1,300.078
The Administrative and Marketing Cost			182.90
The Final total cost			1,482.978

Table 4. Total Costs for the product Dimsum Premium

Particulars	Number of units	Total Cost (Rp)	Unit Cost
Direct Materials	100	132,296	1,322.96
Wages of workers	100	11,250	112.50
Electricity	100	15,770	157.70
Paper	100	160	1.60
Pack	100	1,331	13.31
Total Cost			1,607.87
The Administrative and Marketing Cost			182.90
The Final total cost			1,790.77

The breakdown of the total cost for the entire product is.

Table 5. Total Final Cost

Particulars	Number of units	Unit Cost (Rp)
Dim sum Low	100	1,537.095
Medium Dimsum	100	1,482.978
Premium Dim	100	1,790.77
sum		

Table 6. Actual selling price of the three products

Particulars	The actual cost of the products	The actual profit margin	Actual selling price
Dim sum Low	1,537.095	186	1,732.095
Medium Dimsum	1,482.978	346.50	1,829.478
Premium Dim	1,790.77	400	2,190.77
sum			

Table 7. Percentage of target reduction in product costs with its total cost

Particulars	Actual Cost	Target Cost	The target reduction	Percentage of target reduction to the actual costs
Dim sum Low	1,732.095	1,364	368.095	21.25%

Medium Dimsum	1,829.478	1,303.50	525.978	28.75%
Premium Dim sum	2,190.77	1,600	590.77	26.97%

Based on the calculation above, the total production cost consists of Direct Material, Wages, LPG, Paper and Pack as well as administrative and marketing costs. The results illustrate a significant loss of 21.25%, 28.75%, and 26.97% of the target cost set. In accordance with the principle of target costing that with the set production costs, the company can determine what components are included in the production costs. So that later a total production cost will be obtained that is able to compete with other companies in the same industry.

The step that the company can take related to these losses is to re-engineer all production costs incurred. So the company's leadership lowered its profit to 10% - 15% of each product taking into account the latest prices and the current situation of competitors. Here are the current prices.

Table 8. Competitive products and their price in the market

Product Name	Competitive Products	Competitor type	Competitor Price	Notes
Dim sum Low	Normal Type	Foreign	1,700	Similar Quality
		Local	1,550	Similar Quality
Medium Dimsum	Normal Type	Foreign	1,750	Similar Quality
		Local	1,650	Similar Quality
Premium Dim sum	Normal Type	Foreign	1,900	Similar Quality
		Local	2,000	Similar Quality

Table 11 illustrates the current prices taking into account the surrounding competitors. After discussions with the company's leadership, the price for each dimsum was set at IDR 1,600 for low dimsum; medium dimsum IDR 1,700, and premium dimsum IDR 1,900.

Products processed by PT 49 Nusantara Muda have premium quality prioritizing taste and nutrition made from selected ingredients, so with the aim of achieving adequate price profits adapted to conditions the current market by 10% - 15%. The current calculation for target costing becomes.

Table 9. The Target Cost (new)

Product name	% of profit margin + Target cost	Target selling price	Target cost
Dim sum Low	110%	1,600	1,454
Medium Dimsum	110%	1,700	1,545
Premium Dim sum	110%	1,900	1,727

Related to the target cost (new) with a profit rate of 10%, when compared to the final total cost contained in table 5, the emphasis on production costs that the company can do is.

Dim sum Low: $1,537,095 - 1,454 = 83,095$

Medium dimsum: $1,545 - 1,482,978 = 62,022$

Dimsum Premium: $1,727 - 1,790.77 = (63.77)$

The calculation results above illustrate the action of reducing production costs for premium dim sum because the target cost set is 1,727 while the total cost of the product is 1,790.77. So the company had to lower the cost of its products by 63.77. For other dim sums, no decrease in the cost of production is required.

Facing competitive business competition, cost control is very important in achieving competitive advantage among the snack and filling food industry. Insignificant price differences, sometimes an important consideration for millennials. One of the factors that shape the selling price is the determination of production costs which of course weighs the company's policy and strategic direction in maintaining competitive advantage. For this reason, in determining the selling price of products, companies must be selective in determining what costs are taken into account.

5. Conclusion

The business process run by the company has described the coordination between parts, so that the process is able to run in accordance with the system that has been set by management. So that management can easily control, because each business process has its own responsibilities. Typical business process of PT 49 Nusantara Muda is simple organizational structure, communication between organizations is carried out through verbal and procedural. Sometimes the owner as the president director provides a lot of training to each employee related to managerial management so that the organization is able to work based on the knowledge and experience provided through various trainings. Through the provision of various knowledge provided, each employee is expected to be able to develop his identity into a strong and ready human being in facing future challenges well (Ionica Oncioiu et al. 2021).

The achievement of excellence for a company must be done through the right steps in a business process. This step must certainly have a key success factor that the company instills in every activity related to the production process (Abdelkafi & Täuscher, 2016; Zott et al., 2011 in Ionica Oncioiu et al. 2021). The company where this research is carried out has the key to success, namely cost efficiency and maximum quality as evidenced by the price of its products. Without reducing production costs and maintaining existing quality, this company has achieved its excellence in producing dim sum products at competitive prices based on costing targets set.

Value is the main highlight for customers of a product. Value can be formed from the price or costs incurred during the time the product or service is produced. Target costing is a method that can be used in calculating the price or cost in question, so that the resulting product can be produced optimally. In this case, the cost management is required, so the company must consider the process to be carried out on the product (T. Yoshikawa et al. 1995). The set of a process that is run, must have a different value compared to other products. This difference is the main advantage for companies in winning the competition among existing companies.

Meeting people's needs for snacks with a satisfactory level of price and quality, has been produced in a sequentially arranged system. The system is formed from a business process by considering the accuracy of the receipt of raw materials by the Warehouse section, the entry of raw materials to be processed by the production department, distribution finished goods by marketing and distributors. The processing process has occurred sequentially and is mutually sustainable between the supply of raw materials to finished products.

Based on various considerations made by the company's leadership regarding the implementation of target costing, two profit approaches have been carried out, namely the first 10% - 20% profit. The company gets quite significant losses. As for the determination of profit of 10% - 15%, in premium dim sum should be carried out a cost emphasis of 63.77 for each unit. As for low and medium dim sum, no cost suppression is required.

The use of target costing as a tool in determining selling prices and production costs becomes effective when the financial data owned by the company is accurate. So that when the company has to reduce profits, the management can immediately adjust the production costs that must be charged. This may not be done by management, when the financial data it has and the business processes carried out by the company are unsystematic

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