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The impact of target costing on the competitiveness and financial security of enterprises

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Abstract

The main goal of companies operating on the market is the desire to achieve success. The feelings and criteria for assessing the company's success are varied. For employees, success means a high level of remuneration, additional non-wage benefits, job security and a good atmosphere at the workplace. Management measures success with financial results, product quality, market share, customer satisfaction, innovation, production efficiency, manufacturing costs, and the company's image.

In the literature on the subject, the basic measure of the company's success is achieving a competitive advantage, gaining a relatively large market share, which will ensure financial security allowing for further development.

Financial security depends largely on the extent to which management knowledge is known and understood, what are the financial skills and behavior of the management staff, the use of which contributes to the effective management of the company's resources.

In the current economic reality, gaining a competitive advantage by an enterprise is a difficult and complicated process. The determinants of competitiveness and financial stability are not only the products and services offered by economic entities, but the unique and specific knowledge in the enterprise. This fact caused the search and implementation of modern methods and concepts known as the lean approach.

The lean approach in the field of management is currently the dominant approach in Polish literature. Among the many publications in this area, we can mention, inter alia, the studies by Ohl, Sobańska, Wawer, Obłója et al., Świderska and Raulinajtys, Michalak, Krajewska and Stronczek, Szczerbak.

The aim of the article is to show the impact of target costing - a lean management tool on the competitiveness and financial security of enterprises. To achieve this goal, the method of analyzing the literature on the subject was used.

Keywords: target costing, lean management, lean accounting, cost management

1 The essence of the competitiveness of modern enterprises

The competitiveness of a given company is analyzed against the background of other, comparable entities operating in the same sector. In such an approach, it is perceived as the result of activities undertaken by the enterprise related to competing for the client. Overall, competitiveness reflects a company's potential - the resources, skills and capabilities that provide an advantage over other players in the same sector. Competitiveness can therefore be defined as a multidimensional feature of an enterprise, both resulting from its internal characteristics and related to the ability to adapt to changes taking place in the environment. It is a feature that distinguishes the company's ability to undertake such activities that ensure stable and long-term development and contribute to building market value. We also use the word "competitiveness" to describe the mutual relations taking place between enterprises in a given sector, as well as in the case of comparing the evaluation of the activity of selected companies. This means that competitiveness is relative, because when assessing the level of the company's competitiveness, we face the problem of choosing the right reference objects and adopting appropriate criteria and measures. Stankiewicz believes that the competitiveness of enterprises should be considered as a system composed of four elements:

1. the potential for competitiveness, understood as all material and non-material resources of the enterprise, key competences and abilities, enabling the acquisition of a permanent and difficult to undermine competitive advantage over rivals,

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2. competitive advantage (always having a relative nature), which can be understood as the effect of the effective use of the configuration of the components of the competitiveness potential, enabling the enterprise to generate an attractive market offer and effective instruments of competition,
3. instruments of competition, which can be defined as consciously and intentionally used tools and methods for building customer capital and creating goodwill,
4. competitive position, understood as the result achieved by the enterprise of competing in a given sector, considered against the results achieved by competitors. [36]

John Kay rightly points out that a competitive advantage sometimes does not necessarily result from the distinguishing abilities of a given company, but from its dominance or privileged position in the market. There are companies that benefit from a natural monopoly or benefit from market restrictions resulting from licensing activities or applicable legal regulations.

The ability can be distinctive only when it results from a feature that other companies lack. It should be emphasized, however, that it is not enough for a given feature to be only distinctive. It should also be durable and the sole property of the company.

Barbara Dobiegała-Korona and Stanisław Kasiewicz are of the opinion that the company's competitiveness on the market is the result of the synergistic influence of many internal factors inherent in the enterprise as well as the mechanisms and external conditions existing in the environment. It can be understood as the ability to develop, achieve benefits and profits, and build a competitive advantage. It seems that this is a very correct statement, because the company's competitiveness is undoubtedly determined by the external environment, but it is primarily influenced by the company's unique resources, key competences, skills, innovation, creativity and entrepreneurship.

The 21st century forces a change in the current behavior of both managers and individual employees, which should be related to the growth of entrepreneurship and be expressed, among others, by in generating new ideas, implementing various innovations, and constantly adapting the market offer to changing circumstances. Such an attitude will ensure the financial security of the company and strengthen its market position. Releasing the layers of entrepreneurship among employees requires the freedom of information exchange and access to knowledge that the company has at its disposal. It is possible in any enterprise, regardless of its size and age. As P. F. Drucker noted, "... entrepreneurship is practiced by large and often old companies". The liberation of this entrepreneurship requires in many cases a change in the enterprise management system.

A modern enterprise is a complex economic organism. Its management requires extensive knowledge of market, production, technological and financial processes. The dynamics of these processes is very high, which undoubtedly leads to an increase in economic risk related to the conducted activity. In order to avoid or minimize the undesirable effects of the changes taking place, it is necessary to react quickly on the part of managers. This reaction may consist in changing the company's current strategy, changing the approach to the company's organizational structure, production process, cost measurement and organizational culture.

Currently, there is a noticeable worldwide implementation in companies of the lean management approach, and with it the principles of lean accounting - focused on measuring the value created for the client and focused on value streams.

Permanent introduction of improvements to all processes in the enterprise, which assumes lean management, provides organizations with a competitive advantage, improves market position and guarantees financial security [1, 2, 4, 6–11, 13–20, 22–35, 37, 38, 40–42, 44–47].

2 Lean management assumptions - lean management

Defining the essence of the lean management concept is not easy. This concept has been developed over many years and now there are many definitions, emphasizing its various aspects. According to Mikołajczyk, lean management belongs to the group of management methods (next to reengineering, benchmarking, outsourcing, downsizing), thanks to which, by limiting both functions traditionally performed in enterprises and getting rid of the resources they have, enterprises achieve greater overall productivity, work efficiency and quality of products or services. Liker believes that a key feature of this concept is the pursuit of resource efficiency and, consequently, cost reduction, as well as improved quality and shortened lead times by consistently eliminating waste through a flat, flexible organizational structure. According to Ćwiklicki and Obora, "lean management is a production philosophy emphasizing the minimization of all resources of the company used to achieve its goals. It provides for the identification and elimination of resources that

do not add value to the customer. . . , it includes a set of principles, the implementation of which helps to reduce costs by absolute reduction of all losses (muda) and by simplifying production and auxiliary processes ". Osbert-Pociecha defines company management according to the lean concept as a slow and continuous (never ending) process of rationalizing the entire organization and its relations with the environment. It is not a ready-made recipe, but rather a general idea of an approach to restructuring the activities of economic entities, and its aim - to adapt the enterprise to the market conditions of management through deep transformations of its organization and functioning. Blikle emphasizes that lean management is management through the reduction of waste, i.e. all unnecessary processes in the company, as well as its maximum adaptation to the market situation and the best use of all resources at the disposal of the organization. It is "such an organization of production, service and management processes that removes from them activities that do not bring added value". As you can see, the above-mentioned definitions partially distribute the accents differently to various elements of the lean concept, describing the essence and character of this concept. In free translation, lean management is quite commonly understood as "lean", lean "or" economical "management, the aim of which is to create simple and transparent structures in the company and to give more importance to work resources so that they can be used in the best possible way. According to the goal of lean management, the management of a "lean" enterprise is focused on delivering products that meet customer expectations, without defects, at the time when they want to buy them, with a minimum of waste of resources in technological processes.

Practice confirms the successes in many companies that have used a wide range of lean management techniques and methods. The operating costs of these enterprises decreased by a dozen, sometimes several dozen percent, with a strong emphasis on the implementation of changes. The effects appeared as a result of increasing efficiency, effectiveness, quality, better use of the machine park, reduction of fixed resources. Such a "slimmer" of the enterprise can be achieved as a result of changes in the management method, in the scope of the company's operations, organizational structure or the behavior of employees at all levels. Although this management concept has its roots in Toyota - a manufacturing company, it is also successfully used in other industries, e.g. in service companies, administration and healthcare.

Lack of commitment of the owners or the management board often turns out to be a barrier to the transformation of lean management. Perseverance is necessary, because changes can take from 2 to 4 years, and openness - lean management requires more partnership and less authoritarian leadership. There are few studies and reports about savings related to the introduction of lean management, because the financial results of an organization are influenced by various factors. Most often, such data is provided by enterprises whose shares are publicly traded. For example, Rexam plc (a global packaging company) reported that it saved around £ 20m annually with its lean methods in 2010-2014. Lean management is related to many management methods such as: process restructuring, TQM, Six Sigma.

3 Lean management principles and tools

The lean concept includes a set of principles on which its functioning is based. They are derived from the TPS (Toyota Production System). According to Womack and Jones, lean management is based on five principles :

a) the principle of determining the value of the product from the point of view of the customer and his needs. Defining value requires a joint analysis by the producer and the customer of what the customer really needs. This may mean a radical change in relation to the value that the customer has previously acquired and the manufacturer has offered. As a result, this leads to a product definition. Such a critical attitude towards value determination is also necessary in the process of further product development. The next step in defining value is determining the cost of the product in production units or the service in service units;

b) the principle of ensuring the smooth flow of value in the manufacturing process. This principle implies the need to implement a continuous, smooth flow of materials and information. Continuous material flow means the transfer of a workpiece from one process to the next, as soon as the operation on the part is complete;

c) the principle of pulling the production in the whole system, according to the suction system (pull). This principle requires the production of products in the quantity that is needed and only when they are necessary. This means that as long as there is no signal to produce a finished product or subassembly, the production of these products should not be launched. The production should be done in small batches according to the Just in Time method and the flow should be controlled using the Kanban technique. The principle of suction leads to a shortening of the production cycle and a reduction in inventory, including work in progress;

d) the principle of striving for perfection through continuous improvement of the system. Striving for excellence

can be carried out in two ways - through continuous improvement (Kaizen) and through the introduction of radical changes (Kaikaku). The first way focuses on individual activities in the value chain, the second - on improving the entire value chain. Choosing one of these methods requires determining the distance that exists between the present state and perfection, and then determining which forms of waste in the value stream should be removed first;

e) value stream identification for each product. The stream of value covers all activities undertaken in order to carry out a given product through the entire process characteristic for it, from the purchase of raw materials and materials to the delivery of the finished product. There are two types of value streams: full and internal. The full stream covers processes from component acquisition, through supplier processes, to the end user - its analysis is crucial from the point of view of optimizing the costs of flows throughout the entire supply chain. The internal stream of values covers the processes inside the analyzed enterprise along with the relations with direct suppliers and customers of the organization, and its analysis is crucial from the point of view of improving the efficiency in the enterprise [5].

The presented principles focus on creating value from the customer's point of view and eliminating all kinds of waste, including by shortening the lead times of processes and products, reducing inventories, increasing productivity. The category "value" means all those product properties, in different phases of product (service) development and different phases of customer service, that the customer expects and for which he is willing to pay a fixed amount at a specific place and time. The focus of this concept is therefore, on the one hand, the customer with his individual needs, and on the other hand, the optimal and constantly improved organization of the company's production and logistics. In this concept, high priority is given to the human factor. It is of particular importance to involve all employees in the continuous improvement of the company's processes, at every stage of the company's weight loss cycle, and to change their attitudes, way of thinking and acting, promoting active and continuous commitment to the improvement of the company.

4 Lean management methods and techniques

The implementation of the goals and principles of the lean concept requires the use of various methods and techniques of improvement (management), which were created at different times and places, and the discussed concept combines them into one set.

The basic lean management tool is Value Stream Mapping (VSM). It is based on a graphic representation of the value creation process in the enterprise. Its purpose is to collect data on the actual flow of physical elements and information. Value stream mapping includes the analysis of material, people, work and information flows and points to lean management's orientation towards enterprise value management. In addition to mapping value streams in lean management, methods such as Just in Time, Kanban, Jidoka, Andon, 5S, Standardized Work, Visual Management, TPM, SMED, Poka Yoke, 5W, Ishikawa Chart, Kaizen are used.

The list of lean tools is longer, and the professional literature on the subject mentions and discusses about 50 of their types. As you can see, the lean concept in conjunction with other concepts implements its goals and principles, using various tools (methods and techniques), with varying degrees of complexity and difficulty in using them.

Creating a model of a lean enterprise requires the simultaneous application of a different approach to the organization of the enterprise (lean manufacturing), the production process, organizational culture, lean management and changes in the approach of managers to the lean leadership team, an aspect of enterprise change that has been too often overlooked, as emphasized by such authors like Bob Emiliani, Mike Rother, and Arthur Byrne.

The presented concepts and methods of lean management do not constitute a cycle or a procedure. The purpose of implementing lean methodology in an enterprise is to use them in parallel, because the characteristic feature of lean management is to look at the processes implemented in the organization from the customer's point of view in the cross-section of value streams. understood as a sequence of actions necessary to transform materials, work and information into a product or service useful for the client.

A lean approach to management and production systems is also associated with the use of lean accounting - an accounting system that takes into account the principles of a lean production process or services rendered, oriented towards measuring the value created for the customer in the long term.

5 Lean accounting

Szczupłe systemy rachunkowości są integralną częścią kompleksowego wdrażania podejścia lean w organizacji i służą motywowaniu pracowników do ciągłego doskonalenia procesów, zrozumienia przez pracowników wartości tworzonej dla klienta, analizowania wyników finansowych osiągniętych dzięki zastosowaniu metod szczupłego zarządzania.

Celem szczupłej rachunkowości (lean accounting) jest eliminowanie sporządzania rozbudowanych, skomplikowanych i zbytecznych raportów i transakcji oraz metod zorientowanych na kontrolę ex post działalności operacyjnej, stosowanych w tradycyjnej rachunkowości zarządczej.

Lean accounting dostarcza nowych narzędzi do pomiaru rentowności strumienia wartości, które zapewniają utrzymanie wymaganej kontroli procesów w przyszłości, generowanie dokładnych i aktualnych informacji niezbędnych do zwiększania wartości dla klienta, eliminowanie działań i czynności księgowych uznanych za marnotrawstwo i niezakłócających przy tym utrzymania kontroli finansowej jednostki, wykorzystywanie zasad sporządzania sprawozdań finansowych zawartych w standardach rachunkowości (US GAAP), dostarczanie istotnych informacji, które umożliwiają pracownikom na każdym szczeblu organizacji ciągłe doskonalenie procesów. [3]

Szczupła rachunkowość jest rachunkowością dostosowaną do wymagań i warunków szczupłego zarządzania (lean management). Główną przyczyną powstania szczupłej rachunkowości były niedoskonałości współcześnie wykorzystywanych systemów rachunkowości i ich niedostosowanie do założeń szczupłego zarządzania. Współczesne systemy informacyjne rachunkowości były często krytykowane zarówno przez specjalistów rachunkowości, jak i innych dziedzin [39]. Zdaniem krytyków tradycyjne systemy rachunkowości: [21]

a) include complex processes that require the consumption of resources,

b) do not add value to customers,

c) encourage the use of inflexible, high-performance processes and the maintenance of high stock levels;

d) send erroneous signals for making price decisions and selecting sources of supply,

e) generate information understandable to few people in the company,

f) they deform the image of profitability of individual products, services and customers.

On the basis of this criticism, among others, activity-based costing. Many people are looking for other solutions. One of the newest attempts to overcome the shortcomings of traditional accounting systems presented in American literature is lean accounting.

Among the lean accounting methods tailored to the needs of management processes in lean enterprises, the following are used: product life cycle account, target costing, cost reduction account (kaizen costing), value stream cost and results account, product features and characteristics cost accounting, and methods of inter-organizational cost management in the supply chain.

The aforementioned lean accounting methods create a cost accounting system integrated with the production system and management system based on the principles of a lean enterprise. Comprehensive implementation of lean accounting methods, with the simultaneous application of the lean approach principles in management systems, increases the quality of information and increases the value for the client, both at the strategic and operational levels, thus enabling the implementation of strategic goals. The usefulness of lean accounting methods in a lean organization is based on their mutual integration within the lean accounting system. In the implementation of lean accounting tools, it is characteristic to link the target costing account and the kaizen account with the cost and results of the value stream.

Comprehensive use of the above-mentioned accounts increases the effectiveness in achieving strategic goals.

6 Target costing

The concept of target costing, known in Poland as target cost accounting or target cost accounting, is now recognized as a strategic tool for lean management accounting or strategic cost management, which is a response to the growing competition on a global scale and the extremely dynamic development of information technology in recent years. and communication. This concept was first used in Japan at Toyota Motor Corporation in the 1960s. At the end of the 1980s, other countries such as the USA, Germany and France became interested in it. The authors of this cost management philosophy are Japanese scientists M. Sakurai and T. Tanaka. The target costing concept is based

on a strategy that emphasizes the use of multidisciplinary financial and non-financial performance indicators. It is characterized by a market-based and strategic approach to product costing. Its goal is to reduce product costs throughout the product life cycle, while maintaining a certain level of functionality and quality.

There is no single, generally accepted definition of target cost accounting in the literature on the subject. The discrepancies result from the variety of purposes of the application of this system. According to Nowak, it is "a modern production cost management system, adapted to the increasing competition on the market, shortening the product life cycle, as well as customer expectations as to the quality and functionality of products and their selling prices. Target cost accounting focuses on the costing of manufacturing new products, with the use of this accounting starting at the stage of product design and sales planning, as well as determining the expected sales volume and expected sales price ". The shift identifies two main goals of target cost accounting:

a) cost reduction, i.e. lowering the cost of manufacturing a product while maintaining its high quality,

b) strategic profit planning based on sales information and product design and manufacturing data.

On the other hand, Zackiewicz, analyzing the literature on the subject in detail, lists the following goals of the application of target cost accounting: [43]

a) managing the costs of new products throughout the product life cycle,

b) adjusting the product cost structure to market requirements,

c) reducing product costs throughout the product life cycle,

d) providing the basis for cost control in all operational phases, as well as to ensure the achievement of the assumed profitability goals of the product throughout its life cycle,

e) optimization of key factors of product success, i.e. cost, quality, time, in the design and development phase,

f) ensuring the profitability of new products in the market launch phase,

g) ensuring the target profit by taking into account the current market conditions in the medium and long term,

h) maintaining cost competitiveness while meeting the diverse needs of customers and at the same time realizing profit in accordance with strategic plans.

Despite the different goals of using target cost accounting in enterprises, this system is used in the planning and product design phase. It is characterized by market orientation - product design begins with a target price and target profit, and the relationship between target price and target profit determines the level of costs allowed by the market - the so-called acceptable costs, i.e. it is distinguished by a different method of determining prices and costs in relation to the traditional system of cost accounting. In addition, products are perceived through the prism of the expected quality, functionality and price acceptable to the market. It is a planning and product cost reduction tool. It is related to long-term profit planning, taking into account the company's competitive position and customer needs. It allows you to coordinate the activities of employees from various functional areas of the enterprise in order to achieve an acceptable level of product costs. The target cost is the result of the work of interdisciplinary teams, covering such functions as: marketing, product planning and development, production, sale and distribution of products, accounting, controlling, strategic planning.

When analyzing the above-mentioned goals and definitions of target cost accounting, it can be noticed that different authors perceive the goals of target cost accounting differently. For some authors, the target cost accounting is a tool, technique, method, system, concept, philosophy of strategic cost management or cost reduction, for others it is a technique, system, profit management strategy. The presented definitions also allow to indicate the perception of target cost accounting in two dimensions: narrow and wide. In a narrow sense, target cost accounting is understood as a tool or technique for calculating the cost of products taking into account its specific quality, functionality and price. In a broad sense, it is perceived as a method, system, philosophy of strategic cost management of the enterprise. What all the definitions have in common is the fact that target costing is aimed at determining the cost of a product, where the basis for determining the acceptable cost of a product are customer expectations regarding its price, function and quality.

7 Target costing implementation stages

The target cost accounting implementation procedure is a complex process, taking place in several stages. In the first stage, the achievable target price should be established for the defined product. The attainable price is the price that customers are willing to accept, and at the same time it allows to achieve the market share assumed by the company. To determine it, the company should estimate the future total revenues from the sale of the product, which depend on the concept of a new product and the possibilities of the potential market for this product. This concept assumes that the selling price of the product is imposed by the market, which is characteristic of enterprises operating in the conditions of strong competition. The market determines the price based on the value that the product carries to the customer. The selling price should therefore reflect the value of the product perceived by the customer, which is primarily its expected functionality, quality, image of the product and its brand. The selling price of the product should also take into account the selling price of competing products. If competitors' products are of higher functionality and quality, the market price of the product should be lower than that of competitors. If the company is able to meet the customers' needs more than the competition by providing a product of better quality, greater functionality, or in a shorter time, then it will be able to obtain a higher market price than the competition. However, this price will always be a derivative of how the product is perceived by the customer, and not of the company's price expectations.

To determine the target price, it is necessary to know the expected sales volume. For this purpose, a detailed analysis of the new product market should be carried out, taking into account such issues as: market size, market share expected by the unit, and customer behavior forecasts. The tool that a company can use to determine the expected sales volume is the awareness-trial-repeat model. [48]

This model assumes that the predicted sales volume can be calculated according to a formula:

$$S = R \text{ x } O \text{ x } P \text{ x } I$$

where:

S - anticipated sales volume,

R - expected market size,

O - percentage of people who are aware of the product,

P- percentage of people who will buy the product,

I - average number of repeat purchases.

Having information on the sales volume, knowing the preferences of customers and knowledge of the market, the company can determine the level of the average price that it will be able to obtain on the market for a new product.

Having a determined price, the company moves to the second stage, in which it designs the target profit margin - i.e. such a level of profit from the sale of the product that will allow the company to achieve the desired return on sales, taking into account future market conditions for selling the product. In practice, two approaches are used to establish the expected profit margin:

a) based on sales profitability,

b) based on the return on capital employed.

In the first approach, the expected profit margin is set as a percentage of sales, while in the second approach, it is set as a percentage of the assets involved in the new product.

In the third stage, the allowance cost is determined, which is the difference between the target selling price of the product and the target unit sales profit. It indicates the level of unit costs ensuring the enterprise achieving the desired profitability of product sales at the assumed target sales price. The allowable cost is compared to the current cost of the product, which is the cost at which the product could be manufactured without making improvements to the product design or production process. The difference between the running cost and allowable cost determines the amount of possible cost reduction that must be achieved through proper product design and cost management over the long term. The acceptable cost is the starting point for the target cost, because in the target cost accounting, the achievable price and the expected profit rate determine the level of costs. The acceptable cost is a cost, the amount of which is constant (invariable) - it is a goal to be achieved.

The fourth stage of target costing consists in determining the current (drifting) cost, taking into account technological and organizational factors of production and the amount of possible cost reduction. The "drifting" cost is only an estimate - not a target to be achieved.

The fifth step is to set a target product cost. The target cost of a product is an attainable cost value. As a rule, it is set at the acceptable cost level, and the difference between the higher running cost and the lower acceptable cost is the amount of possible cost reduction that the team of product designers and constructors will try to achieve. In practice, the amount of potential cost reduction is most often divided into two parts - the part achievable and unattainable at the product design stage. Designers can reduce the current cost by an attainable proportion by using techniques such as value analysis or global quality control. In contrast, the part of the cost reduction that cannot be achieved at the design stage is a strategic challenge requiring cost reductions in the long term.

The sixth stage consists in determining the target costs of individual components of the designed product. They indicate the maximum cost at which we can produce a given element or component of the product on our own, or at what maximum price we can pay our suppliers for its delivery. The process of determining the target costs of components is often in practice called function analysis or functional analysis.

The final step in target cost accounting is the creation of target supply chain costs. In this process, the enterprise using target cost accounting forces its contractors to enter this account. The target supply chain is thus created when a company purchases individual elements needed to produce the designed product externally, and does not produce them on its own. In such a situation, the target costs of individual components determine the maximum purchase prices at which the company will be willing to buy them from external suppliers, but on the other hand, they constitute the target selling price for the next company (supplier) in the supply chain.

If the enterprise is unable to meet the target cost at a level lower than or equal to the acceptable cost, then it may choose one of the options:

a) modify the product design in order to reduce costs,

b) accept a lower than originally assumed profitability of the product,

c) abandon the production of a given product.

Target cost accounting is a complex system in which business processes are connected and intertwined that cover the entire value chain and the entire product life cycle. It is most effective in a high-tech environment, where it becomes possible to use the entire set of planning, control and cost control tools at the stages of product planning and design and the production process in order to influence the product cost structure, determined in terms of market conditions.

In the philosophy of target cost accounting, the increase in efficiency is influenced by the introduction of even the smallest improvement at every management level in the enterprise. It should be emphasized, however, that the introduction of new management tools, including lean accounting tools, that have not been used so far, cannot take place spontaneously, without thorough, prior preparation. It is surely a long process in which all kinds of problems and conflicts can arise. You should act carefully, according to the previously developed scenario, focusing on those sections of the company's operation, where particular difficulties may arise during its implementation. Such a plan should be adapted to the development strategy of a specific organization, so that it can fully lead to positive changes that allow for rational and effective use of the human, production and material potential.

8 Benefits and disadvantages of target costing

Target cost accounting, like other cost management concepts, has a number of advantages, but also disadvantages that limit its application. The most important strengths of target cost accounting are: [12]

a) reduces and eliminates the risk of disturbing the financial stability of the enterprise through early management of future costs,

b) enables the enterprise to achieve a competitive advantage,

c) enables and forces the cooperation of various departments in the company (interdisciplinary teams), integrates various areas of activity,

d) disciplines the flow of information in the enterprise,

e) promotes the search by designers and technologists of the most modern solutions ensuring high product quality at the lowest possible cost,

f) ensures faster introduction to the market of new products and more efficient modification of the existing ones,

g) it enables the placing on the market of products that do not have to undergo major changes after starting production,

h) mobilizes to search for the best, but not the most expensive, suppliers and cooperators,

i) enforces customer-oriented activities.

Basic disadvantages of target cost accounting:

a) the need to accurately plan and then implement the assumed sales volume,

b) the need to properly determine the target market price of the product,

c) fulfillment by the company of a number of conditions in order to effectively apply the concept, e.g. introducing appropriate calculation systems to determine the price, target cost and its individual components, training employees and creating appropriate incentive systems encouraging involvement in work and showing creativity,

d) time-consuming implementation of target cost accounting.

Przedstawione mocne strony rachunku kosztów docelowych przeważają nad słabymi i szczególnie w obecnych czasach dużego nacisku na obniżanie cen, czynią go przydatną i skuteczną metodą kreowania konkurencyjnych wyrobów. Wdrażając rachunek kosztów docelowych należy eliminować słabe strony, natomiast mocne wzmacniać i wykorzystywać.

9 Ending

With the development of the concept of "lean" thinking in running a business, not only the systems and methods of producing products and services, but also the methods and techniques of company management changed.

A modern enterprise, striving to maintain a constant competitive advantage and financial security, is forced to constantly search for sources of building this advantage. By ensuring access to information through the implementation of modern lean management tools –lean management, an economic entity creates conditions conducive to building a competitive advantage. These entities skillfully use their resources and skills, and are able to effectively create and then deliver products or services to their customers in a better, faster and more effective way than competing companies. They gain a competitive advantage faster in selected markets. Undoubtedly, the focus on lean management is a solution that allows enterprises to effectively build a competitive advantage.

Lean management accounting, which includes target cost accounting, supports managers with its concepts and tools in formulating and implementing strategies leading to achieving and maintaining a sustainable competitive advantage of the enterprise. Target cost accounting allows you to optimize costs in the customer value chain in the cost leadership strategy and achieve the lowest costs with the highest customer expectations in the quality leadership strategy. It enables the company to achieve a competitive advantage and success in a changing environment by offering a product with features desired by consumers and at an acceptable price, while ensuring the level of profitability and market share expected by the company, which in turn provides the company with financial stability and an established market position in the long term time and under changing market conditions.

The use of target cost accounting may inspire enterprises to introduce innovative technological, organizational and marketing solutions aimed at achieving planned costs, a specific quality level and financial result. However, target cost accounting cannot be implemented in organizations that do not want to change their way of acting and thinking. Achieving maximum benefits from the implementation of lean methods and techniques is conditioned by taking into account the "soft" aspects of management, in particular the extensive use of knowledge and skills of all employees. The implementation of tools is necessary, but the support for them must be based on cooperation and continuous improvement of the organizational culture.

10 Summary

The current socio-economic situation requires a modern enterprise that strives to maintain a constant competitive position and financial security, changes in management, new procedures, new thinking, and thus effective tools and concepts for managing an organization. Skilful implementation of lean management tools ensure quality, effectiveness and efficiency of performed activities, safe development of the company, are the foundation for building trust in relations with employees, clients and business partners. The aim of this article is to present target costing - a concept that is currently considered a strategic cost management tool, which is a response to the growing competition on a global scale and a guarantee of financial security. Along with the target cost accounting, a new method is created to support the achievement of operational and strategic goals of the company in the conditions of changing customer expectations, globalization, rapid technological progress and increasing risk.

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