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THE ORGANIZATIONAL CULTURE IN THE EXTENSION OF
THE GENERAL PROCEDURE "TARGET COSTING"

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Abstract

“Target Costing” method - means an instrument for the management of the cost which allows reducing the total cost of a product throughout the life cycle of its integration due to a close link between the production, research-development, marketing, accounting and quality departments. The organizational culture is a success factor for the extension of the general procedure "Target Costing". On the basis of the investigations on the organization several models may be shaped which provide a framework for a more in-depth analysis of the concept of organizational culture and a means of identification of the implications of its practical effects. When the organization is focused around a leader, the organization depends, from the point of view of efficiency, on trust and empathy, and from the point of view of the communication, on intuition and interpersonal communication. The climate in the organization is very cold, the use of the relationship power and of the signal power causes a fluctuation of employees who do not survive in such a competition frame dominated by informal rules. Organizations with this type of culture are in the form of concentric networks that focus on the source of the central power but with influences outwards. The purpose of this work is to present the role, the place and the importance of the organizational culture in the extension of the general procedure "Target Costing".

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Keywords: “Target Costing” method, cost, organizational culture, interpersonal communication, adaptability, organizational management.



1. Introduction

The large economic entities, mainly from the economically advanced countries, have constructed and adopted their strategies, imposing the new methods of production organization and cost analysis, meant to contribute directly to the increase of the turnover and profit, and to the reduction of the manufacturing cycles and costs. The great technological and organizational mutations emerged during the last two decades disturbed ,mostly, the manufacturing domain. The evolutions of demand and offer, of technologies and competition induce a special set of problems regarding manufacturing, both in point of objectives and strategies, and in relation to the organizational options. The new manufacturing paradigms need to be analyzed well in order to understand the evolution of management control and management accounting as specific information systems aimed at cost budgeting, cost calculation and cost control, influencing the tactical and strategic decisions of the economic entities. The production of the last decade of the 20th century was addressed to mass consumption with standardized products. The beginning of the 21st century brings significant novelties regarding the world economy, which characterize both the producers' offer and the consumers' demand, the economic entities finding themselves in a new competitive context determined by the emergence of new producers on all the world meridians with multiple competitive advantages.

Generalizing, the context of the present scientific research is related to the attitude and the behavior of the economic entities, components of a world economy system, which have adapted themselves to these evolutions by continually modifying their objectives and strategies. The new worldwide economic and technological conditions and opportunities determined the economic entities to be particularly preoccupied by meeting the clients' demands and preserving that market share held in the course of time, while trying to minimize their costs.

2. Problem Statement

Management accounting and cost calculation can be organized using different methods, this decision being up to every economic entity, depending on its features. According to the legislation in force, in Romania, management accounting organizes cost calculation using the following methods: global method, method on orders, method on stages, standard cost method, Direct Costing method or different methods adapted by each economic entity. The evolution of management accounting determined by manufacturing development and the production technology progress, and by the increasingly pressing demands of the competitive economy, substantiated in the orientation of both the production and the economic entity as a whole to the consumer and to the social side of life coincided with the evolution of the methods, but also with the taking over and adaptation of the advanced methods that the international specialized literature presents and debates intensely, demonstrating both its successful applicability and the identification of their weaknesses.

The present economic environment calls for the adaptation of management accounting, to have the possibility to offer information both reliable and useful for the decisional process, by the implementation and development of the capacity of using advanced cost calculation methods, such as Target Costing. This method called Target Costing is a cost management tool permitting to reduce the total cost of a product throughout its life cycle, due to the integration of a close connection between the departments:

production, research-development, marketing, accounting and quality. Target costing orients the company towards the market, assures a dynamic cost management even since the design stage, by the development of a strategic relation between the departments of the company and its external factors, also delineating a relation of self-control, cooperation and motivation of the whole personnel (Diaconu, et. al., 2003, pp. 133-134).

Target Costing imposes a rethinking and a reorganization of the economic entity, from both an accounting and a managerial perspective. We can affirm that it imposes, as a first stage, the development of a strong organizational culture, which can generate positive or negative effects in the process of implementation of such an approach. The lack of a strong organizational culture, well-consolidated on a global but also individual level, of the personnel, leads to significant deviations in the successful implementation of the Target Costing approach. Knowing that in the process of transformations taking place in the contemporary society, the organizational culture represents a major expression of manifestation of the human factor, one can affirm that it is one of the factors determining the performance and success of the organization's activity, culture representing the essential and indispensable element for organizational progress.

The concept of organizational culture is fundamental to explain some critical phenomena in the functioning of organizations, phenomena such as the creation of the hierarchy of values on which depend: the process of strategic steering of the system, the determination of the paradigmatic framework of the interhuman relations, the interpretation of time and space, the configuration of the informational system or the determination of the fundamental attitudes towards the internal and external environment. The development of the concept of organizational culture has also been favored by the major reconsideration of the role of the human resource in the organization's evolution.

At present, much attention is given to the way human behavior are conditioned by cultural elements. Actually, numerous specialists of the economic, managerial, sociological, psychological domain etc. agree that, in an organization, culture represents a major determiner necessary to the functioning of the organization and to the obtaining of performances needed for progress. The concept of organizational culture is fundamental to explain certain phenomena critical for the functioning of the organizations, phenomena such as the determination of the paradigmatic framework of the interhuman relations, the creation of the hierarchy of values on which depend: the process of strategic steering of the system, the configuration of the informational system, the interpretation of time and space or the determination of the fundamental attitudes towards the internal and external environment.

Organizational culture is socially founded, created and preserved by the group of persons that make up the organization; it is hard to modify, given the complex human elements defining it. Organizational and managerial culture are important factors to obtain the competitive advantage of the firm, when their elements are known, analyzed and focused towards the realization of the objectives established by the firm strategies and policies.

The culture of an organization is indisputably and indissolubly related to organizing and managing, in the sense that the last two produce a culture, and culture influences them in their turn. Therefore, culture, organization and management are related by a relation of interdependence, which is dynamic, interactive. On the other hand, the economic situation of the organization influences the organizational culture by the size and the accessibility of the resources for the employees, by the

restrictions, respectively the economic facilities practiced, by the intensity of the economic stress on the evolution of the firm and of its employees.

Strong organizational cultures have following characteristics: groups organizational models are homogeneous and stable, the shared experience of members have a long duration and high intensity, no coordination between senior management and leadership (values, beliefs and attitudes are widespread and involve consensus of members), there is a concern for high socialization of new employees. Evaluation culture should not ignore the analysis of intrinsic and extrinsic variables that influence an organization. Cole finds six relevant variables (Cole, 2000, p. 40): the environment (refer to indicators of political nature, economic, technological, social, cultural and educational influence.), structure (type of organization), technology (includes everything related technical resources, equipment, machinery), individuals (in their capacity as individual personalities or group), goals (mission, strategy, policies) and culture (system of values, beliefs, methodologies, sub-cultural practices). Presenting widely entire research context, we can say that the purpose of this study is to establish the place, role and importance of organizational culture in expansion approach "Target costing" in Romanian economic entities.

3. Research Questions

Scientific research always starts from a question that causes investigator to identify and develop a comprehensive process of research to elucidate it. The research question of this paper is: "Which is the place, the role and the importance of organizational culture in expansion approach of "Target Costing" method in Romanian economic entities?"

4. Purpose of the Study

In an economic entity, organizational culture helps one understand the differences between what is formally declared, officially by the managers, and what is actually happening inside. By means of the organizational culture, the different rules, procedures, affirmations, declarations or decisions are interpreted and, to a certain extent, even applied. Moreover, beyond the elements with a formal character trying to establish in a centralized manner a certain attitude and behavior of the organization members, organizational culture creates and develops itself certain behavioral models that can be or not in agreement with the official versions. More often than not, a great part of the elements forming the organizational culture are intangible, not written, yet with a very great power of influence.

For this reason we have establish that the purpose of this work is to present the role, the place and the importance of the organizational culture in the extension of the general procedure "Target Costing"

5. Research Methods

The starting point of any scientific research is the epistemological positioning so we start this research through its inclusion in one of the two major current epistemological used in economics, namely positivism and constructivism. Theoretical research analyzes describes the current state of knowledge, the starting point being the theoretical documentation of completion through the literature related to the scope of the study in the context of the different accounting reference at national, european and international

level, in order to find the answer to the main question which was launched at the beginning of the scientific approach.

6. Findings

6.1. "Target Costing", an advanced dimension of management accounting

Implementation by economic entities manufacturing technologies such as technologies for automated production, production methods and computer-aided design systems, flexible production, control of quality, robotics, systems planning materials and production systems in a timely manner, substantially change the way products are produced and there is a need for management accounting level implementation of advanced methods for calculating costs as traditional and advanced methods in this new context it is misleading and even inappropriate. Thus this research presents advanced management accounting method "Target costing". A target costing approach, multiplication means implemented will not find its outcome unless they are mobilized all the powers economic entity concerned and informed all stakeholders (Diaconu, et. al., 2003, p. 169). This view is very important considering that the objective of the study is the product, which is a virtual concept, and anticipation and that the choice of produce is vital, with any conditions sufficient grounds for discussion, as long as performance anticipated product is subjected to a process of interpretation.

To record performance, ongoing cost optimization target implies the participation of all stakeholders in the economic unit and also cooperation and transparency in the information process and procedural evaluation of the entire journey (Horga, Bratu, 2003, p. 43). Throughout involves procedural language and an overview of joint actions to achieve common experienced knowledge transfer from experienced people. This route requires intense involvement of heads of all managerial structures of economic entities involved in this process, using technical means by calculating and estimating the costs by including engineers value, often hit by some incompatibilities cultural nature of the designer, who was the antithesis manager or after the controller and auditor management, which typically have distinct vision and compact on the new project (Radu, 2010, p. 325). Target-costing method objectives are (Dumitru, Ioanăș, 2005, p. 369): i) directs economic entities and their management by the market; ii) claims cost management in the early stages of product design; iii) requires dynamic cost management, as costs are revalued constant target; iv) involves improvements in terms of motivation, because behaviors are influenced directly by constraints found on the market.

In order to achieve the objectives, Target-costing method is founded on the following principles (Ansari, Bell, 1997, pp. 11-15):

1. Establish target cost: A system that uses target costing sets target cost by lowering the selling price of profit margin desired. The price is controlled by the market and the profit target is determined by the economic entity's financial needs. Target cost is based on two Sub Principle: stock price defines the product and profit plans (plans are reviewed frequently so that economic entity to produce only those products that meet profit margin); target costing system is characterized by competitiveness, intelligence and analysis (an understanding of the sales price evolution can provide information on changes and competitive threats).

2.Focus on the customer: customer needs of quality, cost and delivery time is an important orientation within a system based on target costing. It is absolutely essential that the economic entity understand customer needs and know what services they provide entities competing for customer satisfaction.

3.Focus on design: system design product target costing considered a key process for cost management. Establishing a product design requires a longer period of time because it wants eliminating the time and cost it generates post marketing change the design of a product. Target costing system requires changing the mentality engineers must look at both the cost of the product and the technology required for its production and design. Also involved in the design process of establishing economic entity all departments to examine the prototype so that the product can be changed before entering the production process;

4.Active involvement from both internal and external economic entity: target costing system uses information from both internal environment of the economic entity, from across all departments (engineering, production, sales, marketing, accounting, procurement, service) and information from the external environment from customers, suppliers, distributors etc ..

5.Orientation life cycle of the product: target costing method takes into account all the costs of owning a product during the period of operation (selling price, operating costs, maintenance and repairs, the cost of decommissioning). The goal is to minimize life-cycle costs of the product, both for the consumer and for the producer. From the point of view of the consumer orientation of the product life cycle means minimizing the cost of ownership, usage, maintenance and disposal of the product. From the point of view of the manufacturer involves minimizing costs on the design, production, marketing, distribution and servicing the product.

6.Setting up the value chain: target costing system is based on relationships developed long-term, mutually beneficial, suppliers and other members of the value chain such as distributors and recyclers.

In addition to these main principles we consider it is necessary to add a new principle, namely: development and strengthening culture. A principle absolutely necessary to observe and analyze from the beginning of the "Target costing". Thus established place of organizational cultures within the research of the project approach aims to present the current state of organizational culture within economic Romanian entities and the role of organizational culture as the decisive factor in the project "Target costing" that can be successfully applied.

6.2.Organizational culture, at the frontier between past and present in the Romanian economic entities.

The organizations were described as organizational (Pondy, Mitroff, 1979, pp. 3-39) culture, myths, rituals, stories, ceremonies and other cultural artifacts that have been discussed by a number of writers (Samra-Fredericks, 2004, pp. 125-141).

The notion of "organizational culture" was first launched by Antony Jay, thus (Jay, 1967, p. 79): "It is known for some time about organizations that are social institutions with customs and taboos [...] they are political institutions, authoritarian and democratic, peaceful and warlike, liberal and paternalistic". Jay was referring to organizational culture, although the concept was little known at that

time. The organization plays institutions and unwritten rules of behavior constitutes a system of shared meanings, terms and symbols that "communicates the organization's members (Jay, 1967, p. 80). "The perception of organizational culture in its complexity specifications provide a major contribution made by the famous Dutch professor Geert Hofstede like that organizational culture is:

- holistic because the whole is more than the parts;
- historically determined, as it reflects the time evolution of the organization;
- connected to the anthropological elements of nature;
- socially based as it is created and maintained by a group of people connected to the organization;
- unable to change due to complex human elements involved.

In the current economic environment, organizations must be distinguished from the competition by a continuous concern and steadfast on the increasing prosperity of the organization as well as all key factors that are involved in the organization, to develop a high competitiveness in businesses . In the major changes involved in any effective process to adapt to the competitive environment, organizational culture must be a fundamental component of the transformation of the Romanian organizations, especially those of foreign trade. In our view, the concept of organizational culture is essential to explain phenomena taking place within organizations, namely: creating the hierarchy of values, interpersonal relations, structuring the information system, determining attitudes essential to changes in internal and external environment.

Romanian companies in the past for its walking pattern of communist rule. Communism promote the idea that the undertaking to become a great family man rather not receive the same advantages as the heart and culture. The man had to bear the entire system, without conscience and horizons of development. Which means our connection with organizational culture was built with entering the Romanian economic and social environment of multinational institutions, or experience shared by those who came from space alien. With the arrival of foreign capital or those who have studied / lived abroad performed with small steps organizational culture development principles in other industries, than economic. Discrepancies in Romania mainly between areas, are very different: in Bucharest and in the cities that are seeing development, are familiar with every aspect of organizational culture, but in the country there are many organizations / institutions that do not have a stage developed on its own organizational culture, or not yet realized the need to have an organizational culture of its own. We can not speak of organizational culture if we do not invest in their employees and changing teams working groups for performance. To achieve performance in training organization requires vision, a system of values and concepts shared by all employees of the organization, which stimulates their behavior and character specific business organization. Organizational culture in successful organizations participate in its operation, supporting communication, socialization among employees, provides trust and adoption of common processes to achieve the mandatory objectives.

6.3.Organizational culture - a decisive factor in the implementation of the Target Costing project in an organization.

To achieve performance through the "Target costing", it takes a strong and positive organizational culture that is characterized by the homogeneity of values and perspectives that provide

positive motivation. We demonstrate that this practice generates high performance culture, it does not work linearly and does not apply to all cases. So a strong culture can be transformed into one rigid, stifling and inhibitory if it breaks the reality environment.

Organizational culture is very important in supporting profitable growth objectives of an organization. The practice of such a strategy is focused on business excellence, product quality, customer satisfaction, employee obligations and mobilizing partners. The basic elements that creates an organizational culture and also fundamental organizational culture with which it is growing (Burduş et al., 2003).

We can highlight some benefits of organizational culture, such as:

- supported the organization and promotion of organizational identity and brand;
- supporting and leading the company's leadership on vision development promoters;
- Well-designed building on organizational change; develop a powerful team with high cohesive strength, but motivated and faithful organization;
- significantly decrease the personnel change or oscillation;
- model of economic prosperity efficiency and high yield;
- generates new value systems and models of economic action;
- maintaining close contact with the business community, social and friendly;
- supports the concept of growth / sustainable development.

So the role of organizational culture within the organization brings not only benefits, but also challenges for achieving goals (Sparrow, 2001, p. 86). Organizational culture is perceived as a possible source of sustainable competitive advantage for the organization through its potential so it can produce comfort to support employee performance. To implement the project "Target costing" in an organization takes a strong culture with the following characteristics: groups organizational be homogeneous and stable experiences shared by members to be of a long duration and high intensity no coordination between senior management and leadership and to high socialization is a concern for new employees.

7. Conclusion

The effects of applying and using the "Target costing" are firstly the increasing cost competitiveness and secondly obtaining quality of stabilization. Since this method is customer-oriented, the economic entity that administers it requires satisfaction of the customer expectations by developing reliable and durable products. Another effect of the method is its development program and a much shorter product design, because the effort is more and more intense for design and product development. Unit of measure of success for economic entities that have implemented the target costing method is represented by profitability. All taken decisions in an target costing environment impact the profit. To be successful, an economic entity must meet the needs of customers, the amount that they are willing to pay in order to satisfy their need and the volume of products that they are willing to purchase. Also competing products should be well known, functions, features and cost. Finally after collating these information it can be planned and achieve goals achieve product quality, cost and speed in design in accordance with market requirements.

But to reap the benefits and opportunities offered by the project "Target costing" Romanian economic entities must develop and strengthen early stage of the project a strong organizational culture based on strong beliefs and values assimilated by all staff. An organizational culture well costs will lead to a relatively rapid implementation of such a project, and for small and medium entities with good data organization implementation may take 3-5 weeks, and for large economic entities between 3 and 6 months. Such research highlights the need to develop organizational culture as a prerequisite for success in the implementation of the "Target costing" and emphasize that to have a guaranteed success in an organization requires a strong organizational culture. One that provides a logical direction and the work of an organization that stimulates and motivates employees is culture. Unfortunately, in the Romanian economic environment, managers do not know the concept of "organizational culture" is not aware of STIs existence and mission.

Supporting such a situation can constitute a dangerous obstacle on the way of the increase of the degree of competitiveness of the Romanian organizations on the internal and external market, and therefore of the competitiveness of the national economy as well.

To be a competitive organization it is necessary to create, maintain and develop a strong organizational culture, based on relations between organizational culture, firm image, CSR, extremely important domains for the competitiveness of the Romanian organizations in the framework of a very dynamic competitive environment.

The management of an organization seen from the point of view of the organizational culture represents a strategic tool, becoming an indispensable component of an effective and efficient management.

To conclude, we are convinced that a healthy organizational culture based on solid principles in the whole organization is a clear chance to success.

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