

Abstract

Empirical research into the practices of target costing has mainly been performed by Japanese researchers for the Japanese situation. Few efforts have been made to investigate the relevance and occurrence of these practices in non-Japanese companies. Furthermore most of the studies have been in the form of case studies, which does not allow a comparative study thereby neglecting to factor in the cause and effect similarities and/or dissimilarities resulting from differences in the economies.

To further this objective two unlike economies have been chosen viz. India and Libya. Here the major consideration being to compare two economies in considerable variance with each other in terms of size, nature, managerial practices, manufacturing procedures and personnel handling.

It stands to reason that the level of industrialization of a nation has a direct relationship with the degree of sophistication in their business practices. Since manufacturing cost reduction is necessary in order to offer a product at a competitive price and therefore sustain the profitability of the industry.

The questions are asked and answered in this research are:

Hypothesis -I) The ability of the target costing technique to achieve the 'Asking price' by controlling the production cost differs in countries which are in different stages of development.

Hypothesis -II) The implementation of type of cost reduction methods in the automobile industry differs in countries which are in different stages of development.

Hypothesis -III) The factors affecting market positioning of automobile products differs in countries which are in different stages of development.

Hypothesis -IV) The duration of use of cost reduction technique is correlated with the appreciation on benefits and drawbacks of target costing in the countries which are in different stages of development.

The following major findings are evident:

- 1) Perceptions of achievement of asking price and achievement of required profit by controlling the production cost is crucial for participants from both the countries.
- 2) Large majority of the respondents from India and Libya admitted that they use value engineering as a method of cost reduction technique.
- 3) The perceptions of type of goals that are to be achieved through the implementation of cost-reduction methods are almost similar across two countries.
- 4) There is consensus that target costing should be applied at the research and development stage.
- 5) Libyans agreed that the suppliers have important role in the cost reduction process in the automobile industries, Indians disagree.
- 6) Indians and Libyans feel that target costing process is too complex to implement in the organization.
- 7) Higher duration of use of target costing is significantly associated with the appreciation of having benefits of the use of cost-reduction techniques. This finding support and validate the fact that 'more you use better you appreciate'.