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Explaining the Role Model of Target Costing in Improving the Financial Performance of Food Manufacturing Companies

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Abstract

In today's competitive market, a successful company is one that, relying on customer needs and the capabilities of its employees, provides products and services that, in addition to reducing costs and prices, have high value to the consumer. To achieve these goals, cost management and product quality management systems must be used simultaneously, and target costing is a strategic cost management tool for profit planning and cost reduction. The purpose of the present study is to explain the role model of target costing in improving the financial performance of food manufacturing companies. The present study was conducted using a qualitative method and an exploratory approach. Data collection was conducted through interviews with 12 experts, including accountants and financial managers of food manufacturing companies in Sistan and Baluchestan province. The purposeful and selective sampling method and the research were conducted in 2025. The results of the study show that eight components of market price, customer focus, product design and production process focus, system collaboration (unit interaction), operational and production groups, product life cycle cost reduction, value chain participation, product level, and supplier relationships improve the financial performance of food manufacturing companies.

Keywords: Target costing, Financial Performance, Manufacturing Companies.

JEL Classification: L1, L25, Q18, G3, M4.

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INTRODUCTION

Management accounting techniques are among the important tools to achieve this important goal (Nazaripour, & Heidari. 2024). Target costing is proposed in management accounting and is considered a strategic management accounting technique (Sotudeh., et al. 2025). Strategic management accounting techniques emphasize improving service quality (Mehrabinia., et al. 2025). Target costing is a strategic management accounting technique that is used to determine the cost of manufacturing a product so that a product with a certain selling price, specific function and quality, and a reasonable level of profit is produced. (Forughi, & noroozi. 2019). Also, economic units whose goal is success will not be able to achieve their goals if they continue to use traditional systems and approaches in the field of cost and administrative accounting, because these systems are not able to provide sufficient information for economic units to achieve the desired success and maintain the successes they have achieved. Also, in the face of intense competition, the ability of economic entities to influence the revenue sector has been limited, which has led them to focus on the hidden aspect of profitability that is reflected in the cost and how it is managed. In addition, there is a feature that distinguishes the competitive market more than ever and is reflected in the high demand of customers for quality products, but with faster delivery while maintaining the price level in general. This is what has led economic entities to adopt strategies that are appropriate to these changes and in a way that allows them to continue and survive for longer periods. Therefore, it has become necessary to search for modern strategic techniques in the field of cost accounting and management that are compatible and coordinated with the developments mentioned and respond to them (Wael Alkababji. 2023). Among these techniques are target costing techniques and continuous improvement budgeting (Kaizen), because the target costing technique is one of the most important techniques that aims to produce products that meet customer demands after the market became a powerful driver of the pricing decision-making process, given the large number of types of products offered in the market by competitors at low prices, which required economic units to reduce the costs of their products. To a certain extent, which is called the target cost (Mchavi & Collins. 2025) Many Japanese companies concluded that multifaceted activities in production, as used by Western companies, could be used effectively with modifications. They believed that combining marketing, engineering, finance, production and planning staff in a specialized group had several benefits. These groups could test new methods and techniques for designing and creating new products and strive to increase the integration between upstream activities in the company's operations; target costing emerged from such an environment. A set of specialized tools including; operations analysis, value engineering, value analysis and concurrent engineering were introduced to complement target costing, and this placed Japanese companies in a prominent and effective position in the fields of product design and creation. It was only after these developments that European and American companies realized the value of target costing. Considering the role of target costing in companies, the present study has explained the role model of target costing in improving the financial performance of food manufacturing companies.

METHODOLOGY

The purpose of this study is to explain the role model of target costing in improving the financial performance of food manufacturing companies. This study is exploratory in terms of purpose. In terms of methodology, the present study was conducted in a qualitative manner; because in this approach, data are collected from various sources such as content analysis and interviews. The statistical population of the study includes management accountants and financial managers of food manufacturing companies in Sistan and Baluchestan province. The method of purposive and selective sampling was used, in which 12 people were selected as respondents in 2025.

RESULTS

The results of the study show that eight components of market price, customer focus, product design and production process focus, system collaboration (unit interaction), operational and production groups, product life cycle cost reduction, value chain participation, product level, and supplier relationships improve the financial performance of food manufacturing companies.

CONCLUSION

The target costing model is used as a strategic tool in improving the financial performance of food manufacturing companies. By focusing on reducing costs and increasing product quality, this model helps organizations optimize production processes by identifying and eliminating unnecessary activities. In this regard, setting target prices for products not only helps clarify the strengths and weaknesses of production, but also allows for more accurate forecasting of costs and revenues. In this way, companies can achieve greater profitability by making smarter financial decisions.

Contribution of Authors

This study was conducted individually.

Ethical Approval

Informed written consent was obtained from individuals for the publication of their anonymous information in this study.

Sponsor

This study had no sponsor.

Conflict of Interest

No conflict of interest was declared by the authors.

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