Target Costing in Business Process Reengineering

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1. Business Process Reengineering Activities in Japanese Companies

Recently, Business Process Reengineering (BPR) is discussed with great interest among Japanese companies. However, only a very small number of them, around 2%, actually tried to implement BPR and eventually obtained remarkable results. One of the reasons for the low acceptance of BPR in Japan is that it is perceived as being nothing particularly new. Although Japanese companies are very interested in the concept of BPR, most parts of this management approach are identified as being very similar to best practices common in Japanese companies. Another reason is that Japanese companies are also aware of the great difficulties caused by the implementation of BPR including the huge burden on the workforce it might entail. Moreover, Kaizen, one of the basic Japanese business philosophies, fosters gradual but continuous improvement of the management of business processes taking place within Japanese companies.

Applying Kaizen, thus, has already enabled Japanese companies to become very successful in the international business environment. Considering these factors, it might be understood why the majority of Japanese companies are reluctant to changing as radically as it is demanded by advocates of BPR. Yet, BPR generally stands for improvement and change in the way things are being done in the company. Therefore, I am going to show the necessity to reengineer Target Costing, one of the famous management tools developed in Japan.

2. Necessity of Reengineering Target Costing (TC)

Many people want to learn what TC really is and how it works. They are eager to learn from the experience and best practices applied by Japanese companies as they are famous for their management success. However, I also want to show the difficulties confronted by Japanese companies implementing TC. Finally, I will point out why Japanese companies have to reengineer their internal Target Costing activities.