

# Research on the Application of Target Cost Management in Enterprise Economic Management

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**Abstract:** This paper first summarizes the relevant knowledge of target cost management, and then introduces the necessity of target cost management in enterprise economic management, then analyzes the main problems in China's enterprise economic management, and finally puts forward the target cost management in the enterprise economy. Effective measures applied in management, I hope to provide reference for those in need.

## 1. Introduction

Enterprise economic management can make the overall development of the enterprise conform to the needs of modernization and promote enterprise reform. The target cost management is beneficial to the enterprise to rationally formulate economic management objectives, to ensure that employees can achieve their goals according to requirements, and to complete their work efficiently. In the new era, enterprises must comprehensively analyze the form of economic management, so that enterprises have diversified forms of work and promote the stable development of enterprises.

## 2. Introduction to Target Cost Management

### 2.1 Features

Target cost management is a management method built on the premise of cost budget. The main logic is to combine enterprise budget and enterprise goals. In general, target cost management can be divided into three parts: enterprise budget, decomposition task and assessment system. First, the corporate budget. In the modern enterprise management, the budget is the main goal, which has certain constraints and directivity. The budget is the key data affecting the business operation in the cost target management. Second, break down the task. Decomposition tasks are an important part of enterprise management. In the process of work, managers can combine the goals set by the company to optimize the integration of all information and employees. Third, the assessment system [1]. It is necessary to strictly supervise the work of each link of the enterprise. Usually there is a big gap between individual employees and corporate goals. However, through effective constraints, employees can be encouraged to work smoothly around the goals set by the company.

### 2.2 Meaning

In the development of China's enterprises, the target cost management mainly refers to the rational formulation of relevant enterprise plans in the form of budgets in the business management, and in the near future, it can scientifically assess the profits and costs of the enterprises, and realize the goals, and then meet the requirements. Future revenue, that is, target cost management. In order to fundamentally achieve enterprise target cost management, enterprises should first develop a feasible overall goal, then clarify each cost from the overall goal, and rationally plan each cost. All staff in the enterprise must cooperate [2]. The overall goal is to better achieve the expected sales targets. The center of enterprise economic management is often the target cost management. The key point is to consider the goal of realizing the long-term business objectives of the enterprise. By constructing the target cost management, the cost of the enterprise can be effectively monitored, and

the economic profit of the enterprise must be improved to minimize the minimization. the cost of.

## **2.3 Basic Principles**

With the development of China's socialist market, if enterprises want to achieve better target cost management, they must always insist on the market as the leading business. Service-oriented enterprises must adhere to the consumer satisfaction as the core and combine the actual needs of the market. Produce high-quality goods, and then obtain higher economic profits, and truly achieve the goal of corporate target management [3]. According to the life cycle and the basic principles of the scientific development concept, we set targets for the company's production, sales and operation to clarify the company's expectations of maximizing profits and minimizing costs, and then form a systematic and comprehensive target management system with the least possible input cost. Get the most economic profit.

## **3. The Necessity of Target Cost Management in Enterprise Economic Management**

### **3.1 Helps Achieve the Goal of Sustainable Development**

Any enterprise that wants to achieve sustainable development must obtain strong support from the products, and the normal production of the products will not open the elements and the input of labor. According to the factors, Lu Lun, a country must produce and export the country with sufficient elements. Commodities, importing goods with scarce elements in their own countries, the cost of enterprises directly affects the future development of enterprises, especially state-owned enterprises with a certain scale [4]. Enterprises want to achieve sustainable development goals, which are not achieved overnight, and must be effectively managed and controlled. Cost, the necessary process to promote the stable development of enterprises is to enhance the target cost management of enterprises.

### **3.2 Helps to Increase the Economic Benefits of the Company**

The main indicator for measuring the economic status of enterprises is the target cost. It is the combination of foreign environment and domestic environment. It carefully analyzes and rationally plans every link in business management, reduces related consumption and expenditure, prevents unnecessary production links, and reduces For the loss of raw materials, with small details as the entry point, to better achieve corporate target management, increase the economic returns of enterprises, in the face of fierce domestic and domestic market competition, we must scientifically plan the target cost management of enterprises, adopt The appropriate management method and the awareness of saving resources can only achieve the goal of long-term development of the enterprise and provide a strong guarantee for the enterprise to obtain more economic benefits.

### **3.3 Helps to Achieve the Common Benefits of Consumers and Operators**

Target cost management is an effective management method and also a management activity carried out by enterprises. In the current industry market competition, enterprises want to achieve better and faster development, gain more economic profits, and need to further strengthen the relationship between consumers and enterprises, as well as communication between various departments of the enterprise, pay attention to the goal. Cost management, master the behavior of consumers, consumers' hobbies, etc., combined with the correct positioning of the market, deepen the understanding of the management of the staff track enterprise, scientifically set the target cost, ensure that the enterprise can obtain a strong market competitive advantage, and change the production of the enterprise. The business situation will enhance the overall management level of the company, and thus fundamentally realize the mutual benefit between consumers and operators, and implement the scientific development concept.

## **4. The Main Problems in the Economic Management of Chinese Enterprises**

### **4.1 Management Philosophy is Not Advanced**

At present, the management philosophy of many enterprises in China is still quite backward. First of all, in some private enterprises, there is a family-based management model. When applying for employees, corporate managers often pay attention to their work attitudes and blood relationship, which makes it difficult for many high-quality employees to fully utilize their talents. It is difficult to fully understand the management mechanism of enterprises modernizing applications. Secondly, in some enterprises in China, the management structure lacks scientific and rationality, and there is a serious one-word situation. It is difficult to stimulate the enthusiasm of employees, which results in low level of operation.

### **4.2 Target Indicators Are Unreasonable**

At present, many enterprises in China have not made reasonable targets, which has led to deviations in the direction of business operations. First of all, some companies blindly set goals. Some leaders rely on their own subjective ideas to develop development goals that are inconsistent with the actual development of the company, so that it is difficult for companies to obtain sufficient returns after paying a lot of costs. Second, some enterprises When formulating development goals, statistical data work is generally completed by applying a layer-by-layer reporting method. For example, the company strictly requires the sales staff at the grassroots level to turn over the sales plan, and combined with this plan to develop the overall sales target of the company. This method is very dependent on the work experience of the employees of the company, and it is easy to cause certain differences in the goals.

### **4.3 Enterprise Budget Formulation is Lack of Science**

Many enterprises in China do not have a reasonable budget, which makes it difficult for enterprises to effectively control their own costs. First of all, some companies consider their own actual financial situation and formulate financial budgets that are suitable for enterprises. This method is difficult to make the output and investment of the company closely related, which will increase the waste of enterprise resources and reduce the management of enterprises. Level. Secondly, some enterprises in China still use the short-term budget management mode in the management process. In the business environment, the return period of general enterprises can not be less than 12 months, so if the enterprise adopts a short-term budget management model, it is not in line with the enterprise. Business cycle.

### **4.4 Internal Management is Quite Confusing**

At this stage, the internal management of many enterprises in China is quite confusing. The main reasons for this problem are as follows: First, some internal interpersonal relationships are very complicated, and it is easy to make corporate management difficult to be transparent. And secondly, some enterprises do not have a reasonable allocation of powers, and there are widespread cases of repeated management. Third, some enterprises have a lack of flexibility in the salary structure, and employees' expenditures and returns do not match, making it difficult to mobilize the work of employees. Initiative and enthusiasm. Usually, the key to these problems is that the company does not refine the overall goal, which leads to the employee's work is not in line with the company's economic goals.

### **4.5 Assessment System Needs to Be Improved**

At present, many small and medium-sized enterprises in China have imperfect assessment systems. First of all, some enterprises adopt a coordinated management approach, and adopt strict regulatory mechanisms in the work process to standardize the behavior of employees. Although this method can enhance the work efficiency of employees, it cannot stimulate employees' creative thinking ability. Secondly, the assessment system of some enterprises is very rigid, and there is no

timely affirmation and encouragement for some hidden values of employees. Finally, some enterprises have blindly formulated the assessment system, and have not considered it comprehensively. The subjective consciousness of leadership plays an important role in the assessment process.

## **5. Effective Measures for the Application of Target Cost Management in Enterprise Economic Management**

### **5.1 Based on Market Demand as the Main Direction to Clarify the Cost Management Objectives**

The main purpose of a company's operational development is to obtain good benefits. Whether it is product innovation or target cost management, it is necessary to appropriately reduce operating cost investment and obtain sufficient market share. Therefore, in the process of implementing the target cost management, the enterprise must implement all cost management standards in consideration of market demand and user needs. If the cost management work is actively carried out in order to reduce the cost investment, and the market development trend is neglected, this will certainly hinder the stable development of the enterprise and cause the company to suffer significant losses. At the same time, companies must seriously consider all the special factors in the process of setting target cost management, and consider the additional costs caused by some uncontrollable factors, thus ensuring that the cost control work is scientific and effective.

### **5.2 Establish and Improve the Target Cost Management Control Mechanism**

It is necessary to establish a sound management system to ensure that the target cost management work is truly in place. Under the influence of continuous improvement of the target cost management system, it can not only improve the efficiency of enterprise management, but also optimize the management of the enterprise. First of all, in the product design process, it is necessary to strengthen data collection and management, efficiently integrate user information and market information, and provide some favorable conditions for production and design of products. In this link, by constructing a complete target cost management system, the accuracy and objectivity of the corresponding data can be guaranteed, and the target cost management efficiency can be improved. Secondly, in the production and operation of enterprises, it is necessary to combine product management operations and strengthen financial accounting analysis to ensure that each department can obtain benefits and costs in the first time. On the basis of establishing and improving the target cost management system, we will continuously optimize the cost, rationally use each data to effectively realize cost management, and improve management efficiency.

### **5.3 Effectively Master and Control the Production Cost of the Enterprise and Realize the Production Cost Control of the Whole Process**

The quality of production cost management will be related to corporate financial management and capital flow. At present, with the increasingly reform of the market economy system, target cost management has gradually become an important part of business operation management. By applying target cost management in enterprise production cost management, internal management can be realized from the micro level to the macro level, and the employees' work interest can be improved, and each employee is required to actively enter the cost management, which is beneficial to improve the efficiency of cost management. At the same time, it is necessary to appropriately adjust the production targets and processes according to the market development needs and user needs, so that the products can meet the needs of users. Under the influence of the management model, accurate predictions can be made on the products before production, and adjustments can be made in time. The cost management in the event is transformed into the pre-cost forecast, the enterprise is correctly guided to scientific control, or the loss of resources is reduced in sales, and the market competitiveness of the product is improved.

#### **5.4 Strengthen Employee Awareness of Cost Management**

Target cost management is not only a management method led by corporate management. To fully utilize the role of target cost management, all employees must actively participate in the daily cost calendar and refine management objectives. Really implemented to all employees, the only way to better play the role of management. Therefore, in the implementation of target cost management, we must pay attention to the cultivation of employee cost management awareness, strengthen the communication between each department as much as possible, and refine the target cost. At this stage, many companies in China do not pay attention to the cost management of employees, and only pay attention to the overall cost management control. This often causes the company to only face the implementation of the cost management model, but the employees do not correctly understand the necessity of cost management, let alone talk about Active participation in cost management has led to a lot of money lost in operations and management. Therefore, it is first necessary to clarify the operating costs of all jobs. Secondly, employees who are required to work in this position must carry out various tasks according to the expected goals in their daily work, implement target cost management, and reflect the overall target cost management in all operations of the enterprise.

#### **6. Conclusion**

In short, when conducting economic management, enterprises must fully realize the necessity of target cost management and highlight their own value. The relevant work is carried out so that enterprises need to build a sound management system and establish a comprehensive management information system. To improve employees' management awareness, managers must make reasonable and reasonable predictions, strengthen their competitive advantages, and increase their economic returns.

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