



# Guidelines For Target Cost Management Of Micro, Small And Medium-Sized Enterprises (MSMEs) In Thailand

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## ARTICLE INFO

## ABSTRACT

The purpose of this research was to examine the guidelines for target cost management. Data was collected from 400 Micro, Small and Medium-sized Enterprises in Thailand by questionnaire mail survey. The key informants were accounting executives. To test the research relationships, structural equation modeling (SEM) as a statistical technique was employed. The results revealed that the guidelines for target cost management. The highest means consisted of customer orientation, design process management, product life cycle cost management, value chain management, target price strategy and teamwork development. The analysis results of the structural equation model were satisfied through the evaluation criteria with the empirical data with the Chi-square probability of 0.134, the relative Chi-square of 1.133, the correlation index of 0.961, and the root index of the mean square of the error estimate of 0.018. To improve and increase the benefits of target cost management, executives need to determine how to implement target cost management in a business. Thus, firms need to create business vision, be aware of competitive forces and manage organizational changes through outstanding restructuring, redesign and re-engineering their practices, operations, functions, and strategies in order to meet target cost management implementation requirements.

**Keywords:** Target Cost Management, Target Price Strategy, Customer Orientation, Design Process Management, Teamwork Development, Product Life Cycle Cost Management, Value Chain Management, Micro, Small and Medium-sized Enterprises

## 1. INTRODUCTION

To succeed advanced economic performances, businesses effort to use strategic modern production for obtaining a real advantage compared to the competitors. Within the adopted strategies, firms have promoted, primarily, new production organization and cost analysis methods, which have a direct association in increasing labor productivity, turnover and profit, minimizing stock costs, reducing production cycles, and ongoing production costs and enhancing capital rotation speed. The firms' economic performance is becoming increasingly more globalized and the economic entities are faced with the appearance of new producers in almost all the geographic areas (Ionescu, 2015). Within this new context, firms have to quickly invigorate their competence and respond to the rapid change of the business environment to achieve their strategic goals. All these changes have also led to the adaptation of cost instruments and management control. Under these new conditions, to achieve their goals related to quality, quantity, cost and flexibility, the economic entities are trying to construct and implement new internal and external structures. The piloting of all economic entities' processes and capabilities must be done to continually increase performance (Celayir, 2020).

A traditional costing system functions in an environment which there aren't competitive trade and productive activities. Based on this system, first major costs are established to design and change for a product, then designed products will extend to mass production, and its cost is determined under the system. Regarding the expected profit to management, a part of the cost is added to it as the profit, and finally the product will be supplied to the market in a specific price. This pricing system is called "cost-plus". The properties of such pricing system are that its productive processes are under the management efficiency. Customers have no influence on establishing type of productive processes, the activities aren't designed on basis of customer's

requests and the estimated profit is calculated based on the managers want and his standards. Hence, with relate to the fact that both profit and cost are influenced by management performance, selling price is considered a dependent variable based on the above-mentioned factors and an output of this system. The given system can minimize in Fluency on competitors, and it hasn't needed flexibility (Musawi et al., 2014).

In target costing management (TCM), the price is considered an independent variable. The market price is defined based upon marketing research and through introducing functions, features, and product quality, and through making forward the product perfectly. At the secondary phase, the executive represents his favorite profit based on pre-determined standards and objects for each product, then, the inventorial costs affected target costs. The market is considered the beginning point and the stage of product creating is considered the ending point for TCM (Ansari, Bell, & Swenson, 2006). Nowadays, companies are expected to use TCM for creating goods with high quality and favorite functions to satisfy customers as well as achieve expected profit just for their duration. TCM is considered a technique which define the market price first, the expecting profit is subtracted by this amount, finally the remained sum will be the product cost. A competitive product should enjoy factors such as cost, flexibility, efficiency, and quality. Importance of these differs from a product to the other and from a market to the other (Matarneh & El-Dalabeeh, 2016).

TCM can be considered as a cost management approach that has expelled its most important task to goods from the productive unit. One assumption of TCM may be that since after production designing, its main cost has been obligated, so there wouldn't possibility in reducing costs unless one could revise the product through redesigning. For instance, usable materials, number of parts, and needed time for assembling parts are determined at designing phase. Thus, cost management puts the finger on the method before designing to produce or sell products with predetermined cost and finally evaluate the favorite profit. TCM covers a full cost of business, it applies to its full value chain. Hence, at one end of the value chain, customer value must be expressed the value the product provided for customers. At the other end of the value chain, it must connect business with its stakeholders to create the value (Chartered Global Management Accountant, 2021). TCM is multidisciplinary, multifunctional and integral to the business model that creates value for customers in order to achieve sustainable competitive advantage of firm (Phornlaphatrachakorn, 2017).

## 2. LITERATURE REVIEW

TCM was originated from the Japanese automobile industry in 1960s and then was successfully introduced to Western companies since 1980s (Feil et al., 2004). Many large firms have adopted TCM to improve their cost management and consequently increase their competitiveness (Thapayom, 2022). In this research, target cost management refers to a system of profit planning and cost management that is price-led, customer-, design-centered and cross functional (Ansari, Bell and Swenson, 2006). TCM is a system under which a corporate plans in advance for the product costs, price points, and margins that it wants to reach for a new product. If it cannot produce a product at these planned levels, then it cancels the design project entirely. With TCM, a management team has a powerful instrument for continually monitoring products from the moment they enter the design phase and onward throughout their product life cycles. It is considered one of the most critical tools for completing consistent profitability in a manufacturing environment (Thapayom, 2021).

TCM is an outstanding tool for planning a suite of products that have high levels of profitability. This is opposite to the much more common method of creating a product that is based on the engineering department's view of what the product should be like, and then struggling with costs that are too high in comparison to the market price (Baharudin & Jusoh, 2020). Here, TCM as one source of firms' abilities is valuable, non-imitate, and non-substitute. It is a key factor of driving cost advantage, customer satisfaction, and sustainable competitive advantage. In this research, key principles of TCM include target price strategy, teamwork development, customer orientation, product life cycle cost management, value chain management and design process management (Swenson et al., 2003).

### 2.1 Target Price Strategy

Advances in technology have facilitated an enhanced importance on targeted price promotion to customers. Given the increased use of targeted price promotion by businesses and the important emphasis on marketing's capability to create substantial value for companies, it is imperative that researchers provide increased attention to the value-creating potential of targeted price. The significant push by manufacturers and retailers to embrace targeted price as a strategy to offer exclusive prices only to select customers is fueled by the continuous developments in marketing technologies, which increase firms' capability to target customers. Overall, firms' targeted price strategy includes the collection and understanding of vast amounts of data on customers to create insights into customers' likely response to promoted products, brands, and services (Madhavaram & Bolton, 2020).

Target pricing is the process of assessing a competitive price in the market and using a business's standard profit margin to that price to arrive at the maximum cost that a new product can have. A design team then attempts to generate a product with the required features within the pre-set cost constraint. Additionally, everyone on the team within the firm must work together to achieve the set costs. If the team cannot achieve the product within the cost constraint, the project is terminated. By taking this method, a company can guarantee itself of gaining a reasonable profit across its product line, without being burdened by any low-

profitability products. However, if the standard profit margin is set too high, it may not be possible to develop very many products within the cost constraint.

In conclusion, target price strategy helped address customer requirements and work together in teams. Managers will be able to apply the method as an important tool for competitive advantage if they follow aforementioned principles more diligently (Celayir, 2020). Hence, the associations are hypothesized as follows:

**Hypothesis 1:** target price strategy has a positive effect on (a) teamwork development and (b) customer orientation.

### **2.2 Teamwork Development**

Team members represent a broad group of people including producers, engineers, designers, R&D experts, procurement, cost accounting, marketing specialists, and from outside the economic unit suppliers, customers, traders, distributors, and other service providers (Szczerbak, 2022). A teamwork orientation is explained as firm's employees working together to accomplish the business's goal. In achieving the target cost, TCM needs development being made to the product manufacturing processes and design without sacrificing the value-added functions or features (George & Jones, 2005). This can be done with the full effort of the whole company and the total participation of all employees throughout the company.

Accordingly, Huh et al., (2008) indicated that teamwork orientation is one of the critical success factors for the successful implementation of TCM. In Japanese businesses, through cross-functional management, members from different functions and knowledge backgrounds work together with one another to generate unique strategies. This collaboration supports the Japanese businesses to accomplish the target cost for the product at the given level of quality and functionality (Baharudin & Jusoh, 2020).

Quality teams is a set of employees are productive or functional unit itself based on management's approval. Members of these teams will meet on a regular basis and periodically to debate the problems and the development of special quality and production issues that influence their work solutions (Al-Khateeb et al., 2016). Hence, the associations are hypothesized as follows:

**Hypothesis 2:** teamwork development has a positive effect on (a) customer orientation and (b) product life cycle cost management.

### **2.3 Customer Orientation**

TCM focuses on market-oriented management, aiming to satisfy and attract the customer on one hand and offer more effective planning process on the other hand. The target costing model indicates independence of customer preferences causing in additive utility functions for the customer-oriented optimization of cost structures. The customer-oriented optimization of the cost structure is then conducted only for those costs that exceed the costs of the minimum variant. This modification justifies the preference independence assumption in TCM and allows for a more reasonable assignment of required adjustments in costs per product component (Homburg et al., 2021).

Customer orientation as the appropriate understanding of one's target customers that support to generate superior customer value continuously. Under the highly competitive market, many products have similar functions or with better functions. Furthermore, customers are usually not particularly loyal to any firm and change brands easily if the firms do not sell the product they want or do not sell it at the best price they want. This shows that customers have the final power to decide the best price of a product with designated functions in the market (Baharudin & Jusoh, 2020).

As such, the price led concept of TCM creates the TCM firms more adaptable to the market and customer needs because the starting point for defining the target cost is the expected selling price of the product, which is defined by market analysis. Based on market analysis, the firm identifies their target customers, the attributes, or features that these customers want in the product and the price that these customers are willing to pay for each attribute or feature, and the product as a whole. All the customer requirements like cost, quality, and timely delivery are considered in parallel with the product features and used as a basis for guiding the cost (Swenson et al., 2003). Therefore, the associations are hypothesized as follows:

**Hypothesis 3:** customer orientation has a positive effect on product life cycle cost management.

### **2.4 Product Life Cycle Cost Management**

TCM places great importance on controlling costs by production planning and, good product design but those up-front activities also cause costs. There might be additional costs incurred after a product is sold such as warranty costs and plant decommissioning. When seeking to get a profit on a product it is important that the total revenue occurring from the product exceeds total costs, whether these costs are incurred before, during or after the product is produced. This is the concept of product life cycle cost management, and it is important to realize that TCM can be driven down by attacking any of the costs that relate to any part of a product's life (The Association of Chartered Certified Accountants, 2022). The product life cycle cost principle offers a more comprehensive and transparent representation of the total costs related with both purchasing and operating a product. In case of the product life cycle cost management all expenses incurred throughout the whole life cycle, starting from the investment, i.e., from the moment of purchase, through ownership and operation up to final decommissioning, are considered (Swiderski & Rolek, 2021).

Blocher (2010) defines the product life cycle as a management technique used to determine and control costs along the life cycle of products that include research and development, design, manufacturing, marketing, distribution, sales, and after-sales services. An important element in preparation of product life cycle cost management is an identification of costs that may have an important influence on product life cycle cost management (Cheung et al., 2007). When planning any investment or project, firms must be aware of the costs of both purchase and ownership, and thus they must be considered in the decision-making process. The product life cycle costing management helps manager to determine whether or not profit made from a product will meet the cost of developing or abandoning during the production period (Contuk, 2018). Therefore, the associations are hypothesized as follows:

**Hypothesis 4:** product life cycle cost management has a positive effect on value chain management.

### **2.5 Value Chain Management**

The value chain is the large organization that shares design information and cost information and is engaged in setting cost-reduction goals (Al-Mafrachi & Al-Quraishi, 2022). The value chain is a network of relations among trading partners. The content of these associations sets the operating characteristics of the value chain, including the ability of the chain to support channel-wide target costing. Since the capability successfully to use a given target costing approach within a value chain affected by the relations among its trading partners, understanding these associations is important to selecting the right target costing approach for the chain.

Value chain relationships are often explained in terms of the level of interconnectedness, integration, or interdependence among the trading partners within the chain (Lockamy & Smith, 2000). Integrated approach to value chain management focuses on managing information, relationships, and material flow in the interorganizational dimension to reduce costs and improve flows. Firms using integrated concept of value chain management are looking for ways of integration of its, procurement, logistics, operational activities, and marketing functions with other participants in the value chain, so that the flow of information, materials, components and finished products run smoothly from point of origin to the end user, offering a low cost of unit and a high level of service (Surowiec, 2013).

Functioning of the company in an integrated value chain provides to achieving competitive advantage and at the same time meets a better extent of customer requirements in the field of on time delivery and quality of services and products. With the increased competition value creation became therefore a function of effective relationships with suppliers (Baharudin & Jusoh, 2020). The value chain operation is based on the establishment of a reliable and continuous networks of cooperation and a comprehensive thinking, which results in the creation of value. Such co-operation is based on the pursuit of common goals, open communication and information sharing among value chain participants. Significantly, each participant of value chain is encouraged by a common goal, which is to build value to gain competitive advantage (Al-Mafrachi & Al-Quraishi, 2022). Therefore, the associations are hypothesized as follows:

**Hypothesis 5:** value chain management has a positive effect on design process management.

### **2.6 Design Process Management**

Today, innovation of product and service is often seen as a key driver of competitive advantage, which could help an innovator dominate the current market or develop new markets (Datta et al., 2013). It is also an efficient way to overcome the price pressure from emerging markets, which offer similar products or services at the lower prices. Businesses have spent a major share of time and expense in building and designing products. However, the commercial success rate of innovation remains disappointingly low. It shows that 72% of innovations fail to meet their financial targets or fail entirely (Ramanujam & Tacke, 2016). Thus, the capability to announce innovations into the market as profitable products or services has taken on an even more central role in building a firm's competitiveness.

To design the product and service around the price, it is more than just put a price tag. It needs a more holistic view through the entire corporate activities. Particularly in today's competitive environment, the holistic approach has become the most effective way to enable rapid adjustment, anticipate market changes and create sustainable financial benefits (Jiang & Hansen, 2016).

TCM can also be a significant tool for the firm to response to the intensified competition and environmental rule. Environmental concern and its cost impact can be estimated in a similar way as other manufacturing features and successfully designed into its product and service process. TCM can also enable the industry's transformation from product manufacturers to integrate solution provides, by planning cost and profit linked with providing product-service solutions. The implementation of TCM will enhance the odds of business success of an innovation. It aims at achieving the economic capability of an innovation by focusing on the customers and market during the design and price setting stages. This price will, on one hand, impose the cost-reduction target in the business. On the other hand, it can be a driving force for enhancing the cost-effective design and internal operations (Jiang & Hansen, 2016).



### 3. METHODS

#### 3.1 Sample Selection and Data Collection Procedure

Population in this research included accounting executives of micro, small and medium-sized enterprises (MSMEs) in Thailand and registered with the Office of Small and Medium Enterprise Promotion with a total population of 776,977 firms. The questionnaires are directly distributed by random choice to 1,920 MSMEs in Thailand who are selected by a simple random sampling procedure. As a result, completed questionnaires were 400. The effective response rate was approximately 21.89% which was considered suitable for the response rate for a mail survey because it was greater than 20% (Aaker, Kumar, & Day, 2001).

#### 3.2 Test of Non-Response Bias

To test non-response bias and to detect and consider possible problems with non-response errors was investigated by t-test that followed to Armstrong and Overton (1977). The researcher was compared early and late responses about firm capital and firm age. The results were not significant between early and late responses. Therefore, it was implied that these received questionnaires showed insignificant non-response bias for the analysis in this research.

#### 3.3 Variable Measurement

A tool for component analysis research was a rating-scale questionnaire by determining weighing criteria into 5 scales of Likert. Test results of tool quality showed 0.60-1.00 Index of Item Objective Congruence: IOC, 0.51 – 0.80 Corrected Item–Total Correlation by individually analyzing discrimination value, and 0.87 Cronbach' Alpha Coefficient from content validity analysis.

#### 3.4 Statistical Techniques

Descriptive statistics using SPSS and multivariate statistical analysis using AMOS were used for data analysis with the 4 following values for evaluating the data-model fit; 1) Chi-square Probability Level was more than 0.05., 2) Relative Chi-square was less than 2.00., 3) Goodness of Fit Index was greater than 0.90., and 4) Root Mean Square Error of Approximation was less than 0.08 (Arbuckle, 2006).

### 4. RESULTS

Table 1 presents factors in the guidelines for target cost management showing high importance at 4.34. When considering each aspect for target cost management, the importance is on every factor with the highest on customer orientation at 4.43 followed by design process management at 4.39, product life cycle cost management at 4.36, value chain management at 4.33, target price strategy at 4.31 and teamwork development at 4.24 respectively.

**Table 1.** Mean and standard deviation

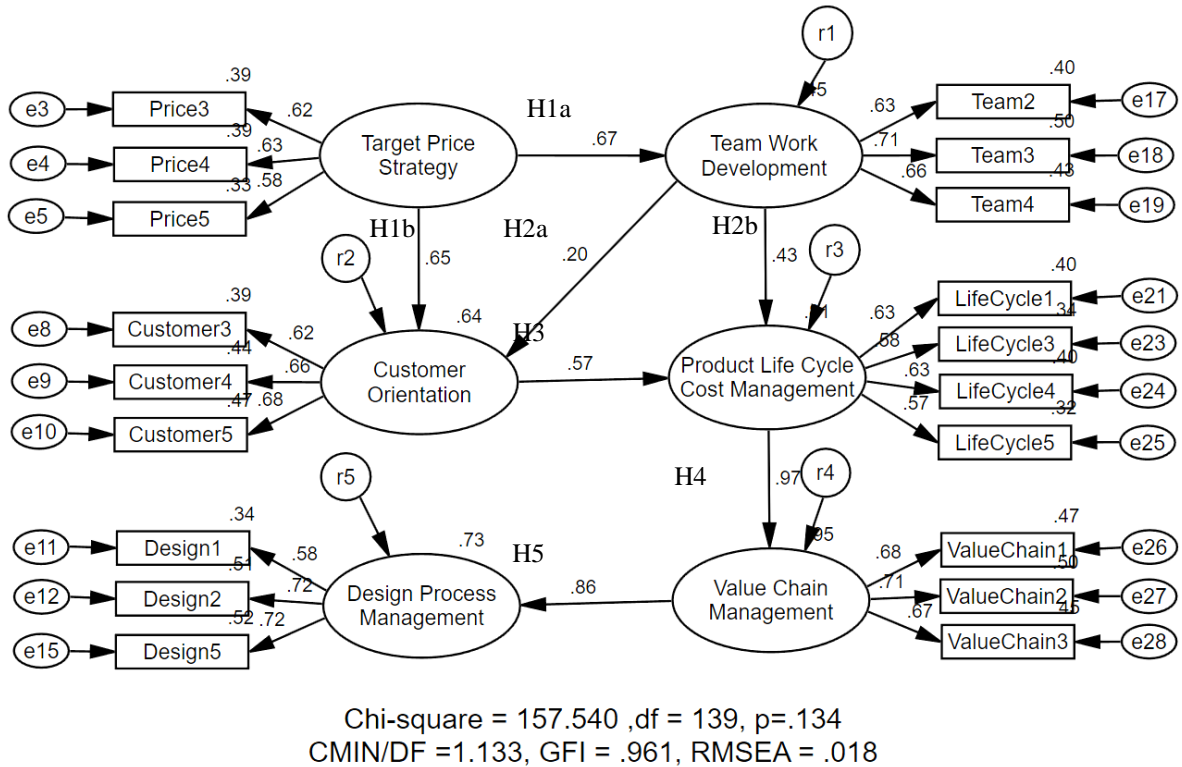
Guidelines for Target Cost Management	$\bar{X}$	S.D.	Significant level
Overall	4.34	0.41	High
Target Price Strategy (TPS)	4.31	0.51	High
Teamwork Development (TDE)	4.24	0.53	High
Customer Orientation (COR)	4.43	0.46	High
Product Life Cycle Cost Management (PLC)	4.36	0.50	High
Value Chain Management (VCM)	4.33	0.54	High
Design Process Management (DPM)	4.39	0.49	High

The evaluation of SEM of the guidelines for target cost management showed that the Chi-square probability (CMIN-p) level was at 0.000, relative Chi-square (CMIN/DF) at 1.755, goodness of fit index (GFI) at 0.843, and root mean square error of approximation (RMSEA) at 0.044 which still could not pass the criteria of the model as criteria shown in Table 2.

**Table 2.** Criteria for assessing the empirical of the model

Evaluating the Data-Model Fit	Criteria	Results	Reference
CMIN-p	Value > 0.05	0.134	Arbuckle (2016)
CMIN/DF	Value < 2	1.133	Arbuckle (2016)
GFI	Value > 0.90	0.961	Arbuckle (2016)
RMSEA	Value < 0.08	0.018	Arbuckle (2016)

The researcher adjusted the model regarding the modification indices as suggested by Arbuckle (2006) through considering the results of the software with academic theory to exclude some inappropriate observed variables one by one and evaluate the new model. The model has been checked and adjusted until the basic assumptions met. Then, the model, it was found that there were (1) the chi-square probability (CMIN-p) of 0.134 and this was >0.05 indicating a statistical insignificance, (2) the relative chi-squared (CMIN/DF) of 1.133 which was <2, (3) the goodness of fit index (GFI) of 0.961 which was >0.90, and (4) the root mean square error of approximation (RMSEA) of 0.018 which was <0.08 so these all statistical results passed the evaluation criteria. Thus, the structural equation model of the guidelines for target cost management after adjusted perfectly fit the empirical data as shown in Figure 1 and Table 3.



**Figure 1.** The structural equation model of guidelines for target cost management of MSMEs in Thailand

From Figure 1, it was found that the structural equation model after adjusted consisted of six latent variables; (1) one exogenous latent variable which was target price strategy, and (2) five endogenous latent variables which were teamwork development, customer orientation, product life cycle cost management, value chain management and design process management.

**Table 3.** Results of structural equation modeling after adjusted and hypotheses testing

Hypotheses	Relationships	Standardized Regression Weights	P	Results
H1a	TPS TWD	→.67	**	Supported
H1b	TPS COR	→.65	**	Supported
H2a	TDE COR	→.20	*	Supported
H2b	TDE PLC	→.43	**	Supported
H3	COR PLC	→.53	**	Supported
H4	PLC VCM	→.97	**	Supported
H5	VCM DPM	→.86	**	Supported

\* p < 0.05, \*\* p < 0.01

From Table 3, target price strategy directly influenced on teamwork development with a standardized regression weight of 0.67, at a statistically significant level of 0.01, a squared multiple correlation (R<sup>2</sup>) of 0.45 and a variance of 0.10, and customer orientation with a standardized regression weight of 0.65, at a statistically significant level of 0.01, a squared multiple correlation (R<sup>2</sup>) 0.64, and a variance of 0.11. In existing literature, target price strategy is the process of assessing a competitive price in the market and using a business's standard profit margin to that price to arrive at the maximum cost that a new product can have. A design team then attempts to generate a product with the required features within the pre-set cost constraint. Moreover, everyone on the team within the firm must work together to achieve the set costs. By

taking this method, a company can guarantee itself of gaining a reasonable profit across its product line, without being burdened by any low-profitability products. In conclusion, target price strategy helped address customer requirements and work together in teams. Managers will be able to apply the method as an important tool for competitive advantage if they follow aforementioned principles more diligently (Celayir, 2020). Thus, Hypotheses 1a, and 1b are supported.

Secondly, teamwork development directly influenced on customer orientation with a standardized regression weight of 0.20, at a statistically significant level of 0.05, a squared multiple correlation ( $R^2$ ) of 0.64 and a variance of 0.09, and product life cycle cost management with a standardized regression weight of 0.43, at a statistically significant level of 0.01, a squared multiple correlation ( $R^2$ ) 0.81, and a variance of 0.08. In existing literature, Huh et al., (2008) indicated that teamwork orientation is one of the critical success factors for the successful implementation of TCM. In Japanese businesses, through cross-functional management, members from different functions and knowledge backgrounds work together with one another to generate unique strategies. This collaboration supports the businesses to accomplish the target cost for the product at the given level of quality and functionality (Baharudin & Jusoh, 2020). Quality teams is a set of employees are productive or functional unit itself based on management's approval. Members of these teams will meet on a regular basis and periodically to debate the problems and the development of special quality and production issues that influence their work solutions (Al-Khateeb et al., 2016). Therefore, Hypotheses 2a, and 2b are supported.

Thirdly, customer orientation directly influenced on product life cycle cost management with a standardized regression weight of 0.57, at a statistically significant level of 0.01, a squared multiple correlation ( $R^2$ ) 0.81, and a variance of 0.09. In existing literature, Customer orientation as the appropriate understanding of one's target customers that support to generate superior customer value continuously under the highly competitive market. Furthermore, customers are usually not particularly loyal to any firm and change brands easily if the firms do not sell the product they want or do not sell it at the best price they want (Baharudin & Jusoh, 2020). As such, firms more adaptable to the market and customer needs because the starting point for defining the target cost is the expected selling price of the product, which is defined by market analysis. Based on market analysis, the firm identifies their target customers, the attributes, or features that these customers want in the product and the price that these customers are willing to pay for each attribute or feature, and the product as a whole. All the customer requirements like cost, quality, and timely delivery are considered in parallel with the product features and used as a basis for guiding the cost (Swenson et al., 2003). Therefore, Hypothesis 3 is supported.

Fourthly, product life cycle cost management directly influenced on value chain management with a standardized regression weight of 0.97, at a statistically significant level of 0.01, a squared multiple correlation ( $R^2$ ) 0.95, and a variance of 0.10. In existing literature, product life cycle as a management technique used to determine and control costs along the life cycle of products that include research and development, design, manufacturing, marketing, distribution, sales, and after-sales services (Blocher, 2010). An important element in preparation of product life cycle cost management is an identification of costs that may have an important influence on product life cycle cost management (Cheung et al., 2007). When planning any investment or project, firms must be aware of the costs of both purchase and ownership, and thus they must be considered in the decision-making process. The product life cycle costing management helps manager to determine whether or not profit made from a product will meet the cost of developing or abandoning during the production period (Contuk, 2018). Therefore, Hypothesis 4 is supported.

Finally, value chain management directly influenced on design process management with a standardized regression weight of 0.86, at a statistically significant level of 0.01, a squared multiple correlation ( $R^2$ ) 0.73, and a variance of 0.08. In existing literature, Integrated approach to value chain management focuses on managing information, relationships, and material flow in the interorganizational dimension to reduce costs and improve flows. Firms using integrated concept of value chain management are looking for ways of integration of its, procurement, logistics, operational activities, and marketing functions with other participants in the value chain, so that the flow of information, materials, components and finished products run smoothly from point of origin to the end user, offering a low cost of unit and a high level of service (Surowiec, 2013). Functioning of the company in an integrated value chain provides to achieving competitive advantage and at the same time meets a better extent of customer requirements in the field of on time delivery and quality of services and products. Therefore, Hypothesis 5 is supported.

## 5. CONTRIBUTIONS AND DIRECTIONS FOR FUTURE RESEARCH

### 5.1 Theoretical contribution

With an empirical verification of the research relationships, this study attempted to conceptualize of TCM. This research also confirmed existing literature of dynamic capability theory in which firms implement TCM as a valuable source of their business competitive.

### 5.2 Managerial Contribution

Firms need to allocate their valuable resources, competencies, assets, and capabilities in supporting the implementation of TCM in a firm. As well, executives of firms need to search for new techniques, procedures,

approach, and methods that can help firms gain a success of TCM in the uncertain competitive markets and environments via effectiveness, efficiency, quality, and excellence of their practices, operations and activities. To make a valuable approach of TCM, executives of firms need to set vision, policy and leadership linking to a system of TCM by establishing its committee in order to handle responsibilities, duties and functions of managing their costs and expenses efficiently and effectively.

### **5.3 Limitations of the Study and Directions for Future Research**

However, to explicitly expand and increase the benefits and advantages of the research and to systematically prove the generalizability of the study, there is still research gap for further studies. Firstly, future research is needed to investigate the generalizability of the study by collecting data from other populations and countries especially in the Southeast Asian context. If results of the future research are different from the existing research, the generalizability of the study could not be made. Lastly, future research may apply either partial least squared (PLS) or hierarchical regression analysis to exam the research relations in order to verify the research results and add the contributions of the research.

## **6. CONCLUSION**

In the accounting aspect, TCM that is one of valuable strategic tools improves firms to determine best price strategy for challenging the volatile environments and markets because it is a cost-control tool during product and process design for firms' new product introductions. Consequently, this research purposed guidelines for target cost management. In this research, 400 micro, small and medium-sized enterprises in Thailand were the samples of the study. The results indicated that key principles of TCM include target price strategy, teamwork development, customer orientation, product life cycle cost management, value chain management and design process management. Firms should offer right products at right prices and manage their costs to make profits and survive in today's competitive market. TCM is one of the important approaches developed to achieve this goal. TCM practices guarantee the quality and reliability standards desired by the customer from a product's design phase onwards, while helping enterprises reach the profit margin they prefer. Thus, firms need to implement TCM potentially to receive best business outcomes. To potentially expand and increase the existing research of TCM, the re-conceptualization of TCM, the data collection from other populations and countries and the uses of other valid statistical methods should be investigated for further study. Likewise, executives must pay attention to utilize and manage TCM well to achieve superior best business outcomes.

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**Competing Interests:** The author declares that there are no competing interests.

**Contribution/Originality:** This study contributes to studying the guidelines for target cost management to grow sustainably in the digital economy era to sustain economic and social changes in Thailand. The study devised appropriate and innovative strategies and business models to create target cost management in the context of MSMEs in Thailand.

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