

TARGET COSTING FORUM

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James (Jim) Rains, CVS, has been employed by General Motors, since 1969. He holds a Bachelor of Science Degree in Industrial Engineering from Kettering University and a Masters Degree in Industrial Management from Central Michigan University. He is considered a corporate expert in Value Management since 1985 and has applied the methodology beyond product design and into many areas of the business including processes, equipment design, organization structure, and numerous plant and office procedures. His work in improving worker methods and best practices relative to material handling is recognized throughout the Corporation. Jim is the President and Chairman of SAVE International. He is on the Board of Directors and Treasurer of the Lawrence D. Miles Value Foundation.

ABSTRACT

Target costing, like many new concepts that Western companies have attempted to adopt over the past two decades, has been largely misunderstood by most firms. Target costing is an extremely powerful concept when properly utilized. Unfortunately, most companies that have seen the value of using target costing have failed to take the time to understand the basic philosophical drivers that underlie the concept. Instead they have tried to adopt the mechanics of target costing, as they understood them, within the context of traditional financial management processes. Not surprisingly, these firms have not received all the value target costing could provide, and the experience has been very frustrating for those in the trenches who were held responsible for making target costing work. In a very real sense, these firms have been attempting to do the financial equivalent of designing a supersonic plane while insisting on using the design requirements of a biplane.

Target costing is not a project-based process for cost reduction. It is an integral part of an integrated company-wide cost-management process—an integrated cost-management process that, in turn, is a major component of an integrated and holistic company-wide strategic management process. In short, target costing is an integral part of an integrated approach to company-wide profit planning.

Target costing is therefore a proactive approach to ensuring that a desired profit is achieved on a project. But it is used to achieve that desired profit in an integrated and company-wide

approach in which the entire company is making sure that each of the company's endeavors are profitable, at planned levels. This concept is fundamentally different from traditional Western financial thinking, which has been focused on project-based cost reduction after costs have strayed beyond acceptable boundaries.

This forum involves world-wide, leading target costing experts, who will share insights on how to make target costing work for you and your company. After leading presentations each panelist will be available to answer specific questions from the audience. The Panelists in alphabetical order are:

Dr. Shahid L. Ansari
Professor of Accounting
California State University Northridge

Dr. Shahid L. Ansari received his Ph.D. in Accounting and Organizational Behavior from Columbia University. He has previously taught at UCLA, NYU, and the Naval Postgraduate School. He has also been a Visiting Faculty at INSEAD, Fontainebleau, France, Macquarie University, Australia and Pretoria University, South Africa and the Shell Learning Center in Houston and Holland. Dr. Ansari has won several awards and honors for distinguished teaching during his career. He is an internationally recognized scholar in the area of the behavioral and cultural aspects of cost and management accounting, strategy and control. His recent publications include a book titled *Target Costing: The Next Frontier In Strategic Cost Management*, a research monograph for The Consortium for Advanced Manufacturing International (CAM-I) titled *Strategy Deployment*, and a modular series titled *Management Accounting: A Strategic*

Focus. This series won the Institute of Management Accountants' "Jim Bulloch Innovation in Management Accounting Education Award" for 1996 and the Irwin/McGraw-Hill award for "The Best Selling New Title" in 1997. He has published numerous papers in major accounting journals and has also served on the editorial board of leading academic and practitioner journals.

Dr. Ansari's practical experience comes from his extensive consulting, expert witness assignments and field research experience. He has worked with several major organizations in the defense-aerospace, broadcast television, satellite-based communications, computer and electronics, food, paper, grocery, construction, healthcare, fine china, trucking, garment, cosmetics, flexible and rigid circuit board manufacturing, oil and gas and other industries. Some of the more notable organizations with whom Dr. Ansari has worked are the Royal Dutch Shell Group, Sun Microsystems, Hughes Electronics, US Department of Defense, Xerox, Champion Papers, 3-M Corporation, UNILEVER Pakistan, Arthur Andersen, Meissen Porzellan Manufaktur, COMSTAR and others. He has been retained as an expert witness in litigation involving antitrust violations, breach of contract and wrongful termination.

**Yoshinari Nagoya, CVS
Nagoya Value Management Services
Tochigi, Japan**

Yoshinari Nagoya is a Certified Value Specialist. He earned a Bachelor of Engineering degree in mechanical design, from Shinshuu University. He was the Manager of the Value Engineering Center of the Tochigi Operation, Refrigeration and Air Conditioning Division of Hitachi Ltd. At Hitachi, where he worked for 23 years, he invented an epoch-making refrigerator that has become the standard refrigeration system of today. In 1994, his invention received "The Governor's Award of Tochigi Prefecture". In 1991, Hitachi's Tochigi Operation received the "Miles Supreme Award" from SJVE in which his created VE system named "Spiral-VEC" was commended. In 1998, Mr. Nagoya was awarded the VE Spread Distinguished Service Medal by SJVE. He has presented seven papers on VE and Target Costing, and has written two books. He has served as the Vice President of SJVE's Tokyo Chapter. He is currently the Director of Society of Japan CVS.

Yoshihiko Sato, CVS

**President
Value and Profit Management Institute**

Yoshihiko Sato, a Certified Value Specialist, is Senior Scientist, Engineering Operations Office, Isuzu Motors, Japan. He is also President of the Value & Profit Management Technical Institute and Associate Director of the Japan Value Engineering Association.

On graduation from Kanagawa Prefectural Technical High School in 1963, Mr. Sato began his career with Isuzu, working in the Production Engineering Department. In 1972 he was assigned to the Cost Planning Department where he developed the "Tear Down" process as a way to enhance value engineering studies. In 1977, after five years of development work, he presented his VA Tear Down method at a seminar at Sanno College. Following this public presentation, the method was adopted by all eleven automotive companies in Japan, and then also by the leading electronic companies.

In 1988 he acquired the License of Certified Value Specialist of SAVE International.

In 1993 he became General Manager of the Isuzu Cost Management Department. Then, he took up General Manager of Cost Technology Department. Two years later he received the VE Promotion Award from the Society of Japan Value Engineering (SJVE), and that same year was elected a Fellow of the SAVE.

In 1998 he received the VE Outstanding Research and Development Award from SJVE. As for having awarded it two prize, he is the first.

Mr. Sato has published papers and lectured on his Value Engineering concepts throughout the world, and has authored four books: Promoting In-Company Standards (Japan Standards Association), Value Engineering (ULEAG Company), Everything About Tear-Down (Nikkei BP Company), Genki ga Deru VE (The Power of VE) (Nikkei BP Company). Everything About Tear-Down will be being translated Chinese in Taiwan and English in U.S.A (1999)

David A. Schwendeman

**Research Director
Consortium of Advanced Manufacturing
International**

David A. Schwendeman has recently retired from a 35 year career in the aerospace industry, 33 of which were spent with the Boeing Commercial Airplane Company. He has held a variety of positions in Manufacturing, Engineering and Finance. For the past 15 years he has worked on advanced cost management processes and tools and on his last assignment he functioned as CFO on the 757-300 Derivative Airplane program. He was also responsible for the implementation of the Target Cost Process for the Boeing Commercial Airplane group. He has been keynote and guest speaker at many conferences and symposiums and is recognized as a worldwide authority on Target Costing. Some of his more notable engagements are Represented US Commercial Industry with the U.S. Under Secretary of Defense and the British Minister of Defense, conducted a Target Cost workshop with the Aviation Industry of China, guest speaker for the Institute of Management Accountants and the American Institute of Certified Public Accountants and numerous other engagements and organizations. After his retirement from Boeing he has accepted a position with the Consortium for Advanced Manufacturing International (CAM-I) as Research Director and is a board member for a Japanese consulting firm, Alpha Brain. In both of his new positions he is actively involved in Target Cost research and is currently working on an implementation model. David is also collaborating with Dr. Shahid Ansari to utilize their most recent research to author a book on Target Cost Diagnostics and Implementation.

**Masayasu Tanaka, Ph. D., CVS
Professor
Science University of Tokyo**

Masayasu Tanaka is a professor of Cost Management at the Department of Industrial Administration of the Science University of Tokyo. He is also a Doctor of Cost Management. He has taught graduate and undergraduate students at the University. He is an Executive Director of the Japanese Association of Management Accounting (JAMA) and an advisor of the Society of Japanese Value Engineering (SJVE). Mr. Tanaka is recognized around the globe as a world leading target costing expert.

**Gary S. Toyama
The Boeing Company**

**Expendable Launch Systems (Huntington
Beach, CA)**

In his current position as Director, Delta IV Business Management, Mr. Toyama is responsible for all business related activities on the multi-billion dollar development and production of a new family of expendable rocket vehicles for both commercial and government satellite customers. Gary has held several positions in both Finance and Manufacturing during his nineteen-year career in high technology electronics products and rocket systems.

Mr. Toyama holds an MBA in Finance, and a Bachelor of Science degree in Electrical Engineering, from the University of California, Irvine.

Expendable Launch Systems, ELS is a \$1 Billion, 7,800 employee division of Boeing located in Huntington Beach, California. ELS is a global leader in aerospace products and services including Delta II, III, and the U.S. Air Force Evolved Expendable Launch Vehicle (EELV) program / Delta IV. Additional ELS Programs supported include the International Space Station and Sea Launch.