

3.0 Kaizen Costing

Kaizen costing is the continuous cost reduction mechanism that happens when a product design is finished and going to the production process. Cost reduction strategies may involve partnering with manufacturers to cut costs in their procedures, applying less costly product re-designs or reducing excess costs. It is a method of cost-reduction which is implemented to a product in production. The word 'Kai' means 'change' and 'Zen' means 'good' in Japanese. Both word combined means continuous improvement and the goal is to increase productivity through incremental modifications to the entire production process. For example, cost-reduction approach such as inexpensive redesign, elimination of wastage and lessen process cost. Additional aspect includes maintaining quality management, using more reliable tools, making use of modern technical advances and standardizing work. (Miazi, n.d.)

Kaizen costing can be categorized as two types, which is unique kaizen costing activities for assets and organizations designed in accordance with the terms of each contract. Another types is product model particular costing activities conducted in dedicated program with an extra focus regarding to value analysis.

Kaizen costing is implemented when the product is in production stage. It's a process go through cost reduction even at production phase. Cost reduction includes method of effective management in wastage, constant enhancement of product or better offer in buying raw materials.

Kaizen costing includes 5 step, which is Seiri (Sort), Seiton (Straighten), Seiso (Shine), Seiketsu (Standardize) and Shitsuke (Sustain)

1) Seiri (Sort)

The first step requires the company to categorize the products according to their necessity. Unwanted things will be marked as red and eliminated out of the organization. These products may be sold to the workers or as waste.

2) Seiton (Straighten)

3.2 Kaizen in Ford

Ford is one of the automotive companies which is famous among Malaysian because of the pickup speed. Ford is using the Kaizen costing in the management department where they will gather all of the feedback from the customer and their employee. Their employee will be able to speak out for their suggestion on the business. So, in the Ford company, all of the employee is working together as a team and discuss for the problems openly. By collecting the feedback, the company can improve the services and the product together in a time. Ford production system (FPS). It is aimed to develop a disciplined production system and it is set by a set of rules and regulation which can enhance the teamwork in the company and provide good quality goods and services to the customer. (Kaizen in the Automotive Industry | Rever, 2020)

Compare and contrast of both companies

Compare:

- Cost reduction

Both of the company use Kaizen to reduce their cost to gain more profit. They both use it to control the expenses. Besides, when the expenses are over the revenue, then the manager can choose to decrease the usage of unnecessary item.

- Organize the operation efficiently

Kaizen helps the company to organize all the operational activity. It is a system who is covering all of the cost, so it can help on organizing the operation at the same time. So, it can help on managing it efficiently.

Contrast:

- Bureaucratic system

Only Nestle company is facing this problem since Ford company is working together as a team. For development of a plan, nestle company choose to be controlled by the main company. So, nestle company's order is from top management to lower management even employee. On the other hand, Ford company is passing the suggestion from employee to upper management.