

**THE SHIFT TOWARDS THE GREEN TARGETED COST TO RATIONALIZE COSTS****ARTICLE REVIEW**

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**ABSTRACT**

Recently, interest in green products has emerged as a result of the economic units' awareness of increased customer awareness of using this type of product. Still, the economic units face a problem with the rise in their costs, and as a result, their price is high for the customer compared to the price of the traditional product, so the trend began towards developing traditional accounting techniques to be used to reduce the costs of green products. One of these techniques that has been developed is the (green target costing) technique, but before starting to address green target costing and delving into this topic, you must get to know the concept of the green product.

**Keywords:** Green product, green targeted cost, rationalization of costs

**INTRODUCTION**

The environment in recent years has had technical changes and rapid economic and social during short periods, the emergence of globalization that turned the world into a small village as well as the openness of global markets to each other, and the requirements of customers with their desires for modern products and obtaining them at the lowest cost and higher quality.

In light of these developments in economic units led to increased awareness of environmental customers and their desire to use environmentally friendly products to protect them, whether by preserving resources or by preventing gas emissions and pollution in various forms; all that has been touched upon developments that led to the study of effective methods to maintain the cost Products and rationalize their costs.

**First: The concept of the green product**

Most economic units seek to develop and market products to face many challenges and one of the main challenges they face is the innovation of an environmentally friendly product (green), which is the phrase integration, characteristics and environmental features with the traditional product. (Dangelico & Pujari,2010:480).

The opinions of researchers in the interpretation of the concept of the green product, as one of the studies indicates that it is the creation of products or production processes aimed at addressing the environmental problems resulting in the product life cycle. (huang, 2011 :16)

### **Second: The importance and benefits of the green product**

The importance of green products is highlighted by their interest in reducing pollution, improving environmental performance, improving resource productivity, increasing energy efficiency, reducing waste, as well as reducing the cost of producing materials (Huang, 2011: 17). The benefits of the green product can be summarized as follows: (Chang, 2011:9), (Saunila, et.al, 2017: 2)

1. It enables companies to obtain commercial rewards from creating environmentally sustainable products.
2. Achieving financial benefits that can increase the competitiveness of companies.
3. Improving the performance of environmental management to meet environmental requirements and laws. Green innovation plays the role of mediator between environmental ethics and competitive returns.
4. It is considered the key to improving competitive advantage in a world with increasing concern for the environment.
5. It provides a great opportunity to meet customer requests without harming the environment.
6. It enables the company's performance to be improved.
7. Achieving efficiency in the use of resources and energy.
8. It enables companies to reduce costs and increase revenues.

### **Third: The cost of the green product**

There is a consensus on many of the benefits associated with green products, but their initial production cost compared to their traditional counterparts is still a matter of debate, as many market experts have concluded that green production practitioners believe that their production cost is much higher than the cost of producing its traditional counterpart Hwang & Tan, 2012: 397), and there is still a lot of evidence to support this general perception formed in the mentality of producers, and the issue of the green cost premium is still subject to debate, and this has generated three different opinions in the literature. (Issa et al,2010:239)

The first opinion indicates that there is no significant difference between the cost of green products and traditional products (Matthiessen & Morris, 2007:379), as advocates of this opinion believe that there is an increase in the cost of green products and this increase is insignificant, as green products can be achieved at a low cost. Or at no additional cost) Kats,2006,397) (Langdon,2007:397).

### **Fourth: The concept of the targeted green cost**

From a product development perspective, traditional cost management is supported and developed by setting target costs, while a green product needs to be promoted in an environmentally oriented manner, and companies are able to pass on the costs incurred for environmental requirements to customers in the form of a price premium (Horvath & Berlin,

2012:25) Also, determining the green target cost requires a view towards the market that includes the customer's requirements for the green product and deriving costs from the reality of the market as well as the company's point of view, which is based on the company's current options regarding the currently manufactured product and the costs incurred. Therefore, there is a combination of the cost perspective green requirements as well as the market and company perspective come together in a green target cost management system, (Berlin et al,2011:9)

Green target cost management is based on expanding the traditional target cost determination method, in which the costs allowed by the market are compared with the costs they currently cause, and to include an additional dimension, which is environmental requirements, with the aim of reducing the environmental burdens caused by the product.

Green target cost: This description was based on several steps to develop the traditional form of target cost, which are as follows: (Horvath&Berlin 2012: 26-27)

1. Determine and evaluate the specifications, characteristics and functions of green products.
2. Determine and evaluate the target selling price and the green price premium.
3. Calculate product costs and adjust the green profit margin.
4. Allocate and distribute costs to cost vectors.
5. Apply green target cost management standards.
6. The green cost of continuous improvement (Kaizen).

**Below is an explanation of the development steps of the targeted cost:**

#### **1- Determining and evaluating the specifications, characteristics and functions.**

Within the traditional target cost, the product is determined in terms of functional performance and quality advantages from the viewpoint of customers, and according to the products of the products, the value of customers is examined for each advantage, but for the target green cost here it comes to green requirements, as many customers do not have knowledge and awareness of environmental requirements, and in many industries, green requirements are driven by environmental legislation. (Horvath & Berlin,2012:17-28)

#### **2- Determine and evaluate the target selling price and the green price allowance.**

After identifying and evaluating the individual product characteristics of the customer, the target price for the product to be developed must be determined, and it is by analyzing the competitive market conditions and customer comments, as many studies highlight the customers 'desire to pay a premium for green products, while other studies have been concluded, but explanation The different customers 'desire to pay an allowance for green products depends on customer confidence in the environment and its benefits that involve the purchase of the product. (Issa et a,2010:240)

#### **3- Calculate productive costs and adjust the green profit margin.**

Based on the target price, the permitted costs are determined by deducting the targeted profit margin from the target price, and in order to determine the target profit margin, long-term profit plans for the company, profits from previous years, and profits from similar companies in industry and others are usually used on sales or return on capital is suitable in determining



the profit margin. The sales return is the most widely used scale because its account is uncomplicated and can be linked to the profitability of each product. (Berlin et al, 2011: 64)

#### **4- Allocating and distributing costs to cost directions.**

This paragraph is used to determine the permitted costs of each component of the product, then the perceived value of the product properties of customers is set, and this is usually through the process of publishing the quality function (QFD) within the presumption of the matrix. (Kersten, 2011: 445)

#### **5- Applying the scales of the targeted green cost management.**

The cost management measures include three stages: (29:19, Horvath & Berlin,(

A- Determining the actual costs of the components produced.

B- Comparing the actual cost and the permitted cost of each product component.

C- Determination and analysis of deviation to improve the design of productive components and reduce their total costs without reducing functions and quality.

6- The cost of continuous improvement (Kaizen) green.

Kaizen's green cost is an extension of the traditional cost of Kaizen towards environmental issues, which is to make efforts to improve the ingredients of green products regardless of if the permitted costs have been achieved or not. (Berlin et al,2011:9)

#### **Fifth: The concept of rationalization of costs**

The modern economic sector aims to provide and implement the lowest possible costs of its customers while maintaining the highest levels Customers without increasing costs, in other words, better products can be provided at a lower cost. (Henri et al, 2016: 274)

The rationalization approach includes a set of goals aimed at reviewing the production process, starting from the first idea, planning, design, supply, production and supply to customers, completely eliminating all parts that do not achieve value for the customer, and balance all unit resources to achieve goals through the use of multiple skills(Vineeta , G. Soral , 2017 : 60), clear up (Yusuf, 2020: 1099) The main goal of rationalization is to focus on eliminating any type of waste in the use of resources, empowering workers, reducing stocks and increasing productivity, and also aims to maximize all activities that add value from the customer perspective in order to eliminate Wasting or reducing it, to meet his needs and expectations that are equivalent to his desire to meet the value required for a specific product or service.

The concept of rationalization differs from the concept of lower cost, as the reduction means reducing the resources used and eliminating the costs that are excessive of the need, while the concept of rationalization of cost means the optimal use of the resources available to reduce losses and increase the efficiency of productivity (Al-Mashharawy, 2019: 21), and emphasize (AkeEM, 2017 19) The rationalization of costs is a planned approach to the use of acceptable and effective means and techniques more than the technologies and standards previously to manage operating costs and ensure that the planned costs do not exceed over time, as the rationalization curriculum depends on examining the alternatives surrounding the units and choosing the best of these alternatives in terms of quality and less The cost, using the available

tools, either by performing the differential analysis or by determining the cost of lost opportunities or other costs .(vorobyov, et al.,2018:2)

#### **Sixth: Definition of rationalization of costs**

The rationalization was defined as a newly developed system to plan the cost, measurement and control in accordance with new cultural factors, as this approach applies a set of methods and methods that find and eliminate the sources of waste, and also add value to the customer and reduce production time and also the size of the costs (Hatem, et al, 2020: 559), as well as restructuring the economic unit to improve operational efficiency, this type of reorganization can lead to (expansion, reduce the size of the company, policy changes, strategic changes related to the assigned product offered). As with reorganization, rationalization is more prevalent and includes strategic and structural changes. There is a need to rationalize the economic unit to increase revenues, reduce costs, and improve the planned revenues (Asadi, 2021: 165) The rationalization was defined as a newly developed system to plan the cost, measurement and control it according to new cultural factors, as this curriculum applies a set of methods and methods that create and eliminate the sources of waste, and also add value to the customer and reduce the time of production and also Of cost size.

as well as restructuring the economic unit to improve operational efficiency, this type of reorganization can lead to (expansion, reduce the size of the company, policy changes, strategic changes related to the prescribed product offered). (Hatem,et,al,2020:559), As with reorganization, rationalization is more prevalent and includes strategic and structural changes. The economic unit needs to rationalise to increase revenues, reduce costs and improve planned revenues. (Asadi, 2021: 165)

#### **Seventh: target rationalizing costs**

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The rationalization approach includes a set of goals aimed at reviewing the production process, starting from the first idea, planning, design, supply, production and supply to customers, completely eliminating all parts that do not achieve value for the customer, and balance all unit resources to achieve goals through the use of multiple skills. (Vineeta, G. SARAL, 2017: 60)

He explained (Yusuf, 2020:1099) that the main goal of rationalization is to focus on eliminating any type of waste in the use of resources, empowering workers, reducing inventories and increasing productivity, and it also aims to maximize all activities that add value from the customer's perspective in order to eliminate To waste or reduce it, to meet his needs and expectations that reward his desire to meet the required value of a particular product or service.

The concept of rationalization differs from the concept of cost reduction, as reduction means reducing the resources used and eliminating redundant costs, while the concept of cost rationalization means the optimal use of available resources to reduce waste and increase productivity efficiency (AL-mashharawy, 2019: 21), and (Akeem, 2017) emphasized : 19) Cost

rationalization is a planned approach that consists of using acceptable and effective methods and techniques that are more effective than previous techniques and standards to manage operating costs and ensure that they do not exceed planned costs over time. The rationalization approach depends on examining the alternatives surrounding the units and choosing the best of these alternatives in terms of quality and the least. Cost, using available tools, whether by conducting differential analysis or by determining the cost of lost opportunities or other costs (Vorobyov, et al, 2018: 2).

#### **Eighth: The advantages of rationalizing costs**

The main purpose of most of the rationalization efforts is the desire to reduce costs, improve efficiency, profitability, productivity, competitiveness, and (Asadi, 2021: 166), advantages and benefits of rationalization of costs are as follows:-

1. Rationalization provides more profits for shareholders, more rewards for employees, and more profitable foundations for expanding works that create more job opportunities and a comprehensive industrial look.
2. Rationalization helps provide the products available to customers at the lowest prices, leading to an increase in demand for products and services, savings of size, increasing job opportunities due to manufacturing, and comprehensive improvement in living levels.
3. Rationalization helps to confront competition effectively, as low costs can reduce export prices and increase total exports.
4. By increasing productivity efficiency, actual costs are simplified, so developing countries such as India suffering from resource depletion can develop faster if they are more productive and benefit to the maximum extent of their resources.
5. Increasing economic efficiency when using the available resources and features in ways that increase the amount and type of outputs at the same level of inputs, or to reduce inputs at the same level of outputs.
6. Improving current production methods, developing management and control systems, introducing the latest technical methods, and searching for motives and trends.
7. Checking the cost structure by reducing the quality and size of the costs that have not achieved great profitability.
8. Working to reduce extravagance, waste, and all forms and images of the use of resources and the available features.
9. The rationalization focuses on the continuous endeavour to improve the image of economic unity in order to achieve long-term benefits and sustainability.

#### **Ninth: The mechanism for rationalizing costs**

The need in the current business environment that witnesses a sharp competition between economic units has called for the emergence of many accounting tools that work to meet the requirements and desires of customers in terms of price, technical specifications or sustainability requirements that have become of the utmost importance, and from these tools is the tool of spreading the sustainable quality function Which works to determine the desires and requirements of customers and convert them into technical features and characteristics through production processes to ensure the achievement of customer satisfaction, taking into



account the requirements of sustainability to achieve the common value, and after knowing what the customer's requirements and desires are the economic unit should work to achieve these requirements within certain limits of The cost allows it to compete with the rest of the products in terms of price, and the targeted cost that works to set the target cost to be accessed, and of course after the target cost has been determined, a tool that would work to achieve the targeted reduction, and there are many tools that It works on this, including the disassembled analysis tool that contributes to reaching the cost of the product to the target cost that achieves the economic unit required as well as high competition in the business environment.

#### **Tenth: Criticism directed at some research in the field of research**

The criticism directed at research in the field of rationalization of costs using the targeted green cost is not considered a detract of the researcher or the research, but rather is considered an evaluation and evaluation of future research.

#### **First search: (the integration of the target green cost and the spread of the quality function to improve the value of the product).**

This research is one of the modern research that is concerned with applying the targeted cost of green by rationalizing the costs of the product with the help of the quality of the quality of quality, and when reviewing the data used that was not adequately achieved the goal of the research, which is rationalization, but the target cost is a tool to reduce the costs of the product compared to another product. It is the same quality and specifications, and consequently, it is not considered a rationalization of productive materials, and hence the rationalization must be achieved.

#### **Second search:( measuring and applying the targeted green cost and its role in improving the quality of products).**

The research aims to explain the target cost role in developing products by using them in improving the rationalization of costs, due to the high costs that are produced from raw materials and wages, and thus the rationalization or reduction becomes a duty with the prices of other organizations products.

The researcher believes that the rationalization of the initial materials of the product is a change in its shape or size, and successively, it becomes another product and does not belong to the first product, that is, there is no rationalization without changing the product in terms of size, shape and price.

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