

THE APPLICABILITY OF TARGET COSTING IN JORDANIAN HOTELS INDUSTRY

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ABSTRACT

The study is aims to investigate the applicability of target costing methodology (TC) in Jordanian hotels industry. To achieve the study objectives the researcher employed a descriptive analytical method using a structured questionnaire addressed to managers in hotels departments such as marketing, accounting, design, research and development. A likert scale and one sample statistical t-test were applied to test the paragraphs and hypothesis of the study. The general findings of the study include the following: (1) Jordanian hotels staffs are highly aware of target costing and its great implementation benefits. (2) The essential requirement for implementing target costing approach is available in Jordanian hotels.

Keywords: Target Costing, Price Costing, Cost Reduction, Hotels, Jordan.

INTRODUCTION

The increase of internal and external competition between entities and the newly methods that emerged in setting prices of services have promoted companies to overview their pricing methods to be more competitive in the market by achieving cost efficiency through utilizing their resources. Accordingly, companies considered low prices the most vital component for company competitive advantage. Traditionally companies determine their market prices by accumulating all cost of product or service then a specific profit margin is added to the cost. This conventional costing system is no longer beneficial or sufficient to attract customers due to the high prices that results from this method. Moreover, this method also is no longer helpful for management in identifying the various opportunities for corporation success. This weakness of traditional costing methods is mostly appear in companies deficiency to respond for all environmental factors (economic, social, technological, political and legal); further, the traditional costing is criticized by its weakness to achieve cost reduction or cost control (Ansari et al., 2006; Cooper and Slagmulder, 2002; Cooper and Chew, 1996; Monden and Hamada, 1991).

Deficiency of conventional cost systems to achieve the required level of market competitiveness and the failure of these costs to meet customers' expectations motivated companies to adopt newly upgraded costing approaches such as target costing (TC). Target costing is an accounting cost methodology aimed to overcome the shortcomings of traditional costing methods through decreasing products and services cost to establish more competitive prices in market and insuring more control over costs as a way to satisfy customer's needs and achieve the desired level of competition and consequently organizational success. According to target costing methodology the targeted market price for product or service is established firstly then the related costs are determined with a reasonable competitive profit margin. These related costs are managed and controlled successfully for reduction or reallocation to become more beneficial in achievement the predetermined level of cost; this process can be achieved through

collaborating all of organizational activities that can contribute to achieve this desired cost (Joshi, 2001; Swenson et al., 2005; Kocsoy et al., 2008; Huh et al., 2008).

Historically, target costing method has been established and applied in manufacturing companies but many argued that this method is also relevant to be applied in service-oriented companies. For example; Cooper and Chew (1996) usefully identified the ways in which target costing can be applied similarly in service-oriented businesses. In service businesses, the focus of target costing shifts from the product to the service, the focus of this type of businesses the focus is shifted on how the service is delivered. Although, the key success issues are the same for product or service development but more understanding is required for the needs of the market, customers and users, and more attention should be considered to achieve satisfactory financial performance for services at a given cost or price.

The increased attention for the applicability of target costing methodology and its role in market competitive pricing promoted the need for further investigation to this issue. Consequently, the originality of this study is expected to bring more insight for this type of costing method in service companies and whether the fundamental requirement for applicability are available in Jordanian companies particularly hotels. Furthermore, the results of this research are also expected to encourage the adoption of such method in service-oriented organizations (hotels).

OBJECTIVES OF THE STUDY

Based on prior introduction this study is aimed and constructed to investigate the use of Target Costing (TC) approach in service oriented organizations in Jordan; the study is structured to achieve the following objectives:

1. Investigating the level of target costing awareness by Jordanian hotels staff and its benefits to achieve competitive market price.
2. Investigating the availability of target costing requirements in Jordanian hotels.

PROBLEM AND THE NEED FOR THE STUDY

In highly competitive market for Jordanian hotels industry and high hotel service costs it's become too difficult for these hotels to achieve the desired or planned rate of profits while providing services to customers with acceptable and reasonable prices . Therefore, one of the most effective cost management techniques that could help these hotels to be cost effective and profitable is target costing. Hence, such organization are demanded to review and upgrade their accounting costing method that are considered more useful for efficient use of resources in addition to their benefits in revising the cost allocation techniques to deferent services. TC is a proactive cost planning, cost management, and cost reduction practice, early in the design and development cycle, rather than during the later stages of a product development and production. This study is an attempt to promote hotels management to adopt target costing. So, study problem appears as the inability of many of the hotels reduce costs for current services or launching new services based on traditional cost systems, and therefore the study is aimed to insure whether hotels managements are capable to adopt the concept of target costing or not.

Target costing method can increase management ability to be more effective in managing business operations and processes to be more profitable by focusing on the customers' needs and requests with reasonable service prices. Consequently, this study importance are derived from managerial need for comprehensive and integrated cost techniques able to provide management

with competitive prices that attract customers through managing costs and raising the profitability by reducing the overall cost of the services through the entire life cycle from the design stage.

The remaining of the study is constructed as follows: the literature background and hypotheses development (Section 2); methodology of the study (Section 3). In section 4 the data and analysis of the results and finally the conclusion and recommendations of the study are addressed in Section 5.

THEORETICAL BACKGROUND AND HYPOTHESES DEVELOPMENT

Target Costing

The concept of target costing (TC) refers to the cost of product or service that derived from market price; the main idea of this costing technique is based on delivering products or services with competitive prices with reasonable costs that met customer's expectations. Target costing was established by TOYOTA Company in the early 1960s to manage automobile costs as a response to customers' demands for lower market prices (Kato, 1993; Ansari et al., 1997; Pierce, 2002; Hibbets et al., 2003; Tanaka, 1993). At the early stages of this method it was applied only on products as a way to control and manage their diversified costs; but lately this method was also founded successful to control and manage costs in service-oriented organizations (Sakurai, 1989).

Target costing system is basically designed to prevent management from offering low profit margin products or services that rarely generate the desired revenues (Cooper and Chew, 1996); hence, methodology of this system eliminates the non-value added costs from the early stages of design and development of product or service. Some researcher considered this costing method as efficient managerial tool to manage the current product or service costs and for new developed products or services (Ellram, 2006). Others argued that target costing is not only a simple cost-reduction technique, but also considered a complete strategic system for profit management (Kato, 1993; Atieh, 2014).

Under the huge pressures from market competition and customers' demands companies started to insert this technique into its accounting and managerial system aiming from this improvement of its cost management and decreasing market expected price which result in more demand from customers and consequently an increase in profitability and productivity. According to Al-Suboo (2000) cost management requires the combination of the three known competition elements; cost, price and quality. Therefore, this method is only successful if costs are fundamentally predicted and controlled at the early stages when we design and develop the product or service. This technique always started with the question of what product or service should cost? According to target costing this question can be answered as follows: target cost equals expected selling price minus the required profit margin (Feil et al., 2004; Ghassan and El-Dalabeeh, 2016). Moreover, this approach of target costing requires balance between the new established costs with the expected level of quality.

Target Costing is a disciplined process that uses data and information in a logical series of steps to determine and achieve a target cost for the product. In addition, the price and cost are for specified product functionality, which is determined from understanding the needs of the customer and the willingness of the customer to pay for each function. Moreover, target costing is a formal process that attempts to match a proposed products or services features (benefits)

with a viable market price that achieves the company's profitability goals by (Everaert et al., 2006):

1. Determining a price point or the range of prices for an approximate combination of features and benefits.
2. Subtracting a desired profit from the market price to determine the maximum bearable level of costs.
3. Iterating the product or service design by eliminating or reducing unnecessary attributes with costs that can't be recovered in higher prices until the cost target is met.
4. Revising the market price for the redesigned product or service in view of changed market conditions.

Steps in Target Costing

Target costing approach is implemented through the following steps or stages (Feil et al., 2004):

1. Conducting market research in order to see what products or services are available in the market place; and what are the new products or services that competitors are trying to.
2. Launch in the market to ascertain customers' requirement and the price they can afford for the product.
3. Establishing the desired price, margin and cost feasibility. Target price is determined on the basis of market survey, at which the product can be sold. On the selling price a standard margin is determined to finally come to the cost figure (Target Price–Target Profit=Target Cost).
4. Make the necessary design improvement. If the product or service designed cannot be provided in the cost range decided, value engineering is used to drive down the cost to a level, at which target price and margin can be attained.
5. Continuous improvement of the target cost plan by eliminating any unnecessary non-value added costs and processes.

Objectives of Target Costing

The fundamental objective of target costing is to enable management to use proactive cost planning, cost management and cost reduction practices whereby, costs are planned and managed out of a product and business, early in the design and development cycle, rather than during the later stages of product development and production. Target costing is primarily used and most effective in the product and service development and design stage. Target costing is as much a significant business philosophy as it is a process to plan, manage and reduce costs. It emphasizes understanding the markets and competition; it focuses on customer requirements in terms of quality, functions and delivery, as well as price; it recognizes the necessity to balance the trade-offs across the organization, and establishes teams to address them early in the development cycle; and it has, at its core, the fundamental objective to make money, to be able to reinvest, grow and increase value. Generally, target costing system is applied to achieve three objectives:

1. Lowering the costs of current or new products or services so that the required profit level can be ensured.
2. Products or services should meet the levels of quality, delivery timing and price required by the market.
3. Motivating all company staff to achieve the target profit during the process and making target costing a companywide profit management activity.

Target Costing In Service Organizations

Research about target costing in hotels is generally too limited; little research was carried out about the applicability of this method in service organizations specifically in hotel. Hence, this paper is expected to highlight the importance and relevance of such method application in service oriented organizations in general. The lately reforms in hotels industry such as the establishment of new hotels, new services, new accountability frameworks, new management systems and processes has shifted the demand to provide high quality of services with competitive prices. These demands have increased the focus of accounting activity from stewardship to cost management. There was an emphasis on value-for-money supported by performance measurement, budgeting and costing techniques (Jackson and Lapsley, 2003).

Target Costing basic principles and methodologies as mentioned earlier are equally applicable to service similar to physical products. In service target costing begins with determining the market price then establishing allowable incurred cost for this service that can achieve the planned market price. Therefore, this method is a market driven cost system where cost targets are set early at the development stage of service (Dekker and Smidt, 2003). When establishing the target service costs business to consider factors such as customer voice, market research, competitive intelligence and internal strategic plans. Hence, this targeted cost guides the business throughout the development cycle to reach the optimal solution that met the customer's value expectations and consequently maximizing the potentiality of launching the service at a desired margin.

According to Gagne and Discenza (1995), The basic steps in target costing are the establishment of targets for market expected price, volume of production and profit, from which a target production or service cost is derived. Cost analysis is carried out to determine an actual cost and identify the extent of, develop plans for, and the cost reduction required to achieve target cost. The final step is the decision whether or not to introduce the product or service. However, many organizations have found that the real strength of target costing is appeared in the introduction of an overall framework for cost improvement and efficiency within which a range of different techniques for analysis and re-engineering are used.

Benefits of Target Costing

Organizations that have previously applied target costing found that it has brought to them a several benefits such as reduction in service costs; shift the focus to the final users of launched service; promoting team work between various departments staff; encouragement of taking proper responsibility for managing the costs, enhance collaboration for more focus on supply and value chain, improving current service; helpful to achieve satisfactory financial performance; discovering any potential product or service problems; increasing the skills and expertise of staff in new management costing methods.

From the previously discussed literature and deferent research review and findings we can formulate our first hypotheses as follows:

H0-1: There is awareness from Jordanian hotel management and staff about the benefits of target costing.

According to target costing methodology this technique is mostly successful when management takes in consideration all costs of specific service and all service ingredients over its entire life cycle. Moreover, TC method requires a functional integration between all business activities such as design, engineering, research and development, marketing, and accounting department. This technique also requires excellent plan through a comprehensive strategic

framework that align between price, cost and quality (Kato, 1993; Cooper and Slagmulder, 1997). The functional collaboration of business sections requires from organization to build several teams across the organization their joint goal is desired target cost; the main focus of those teams is basically to eliminate or discharge any costs that have no added value to the service in addition to conduct analysis for feasibility of cost reduction.

To achieve the best cost reduction using target costing requires the use of other supportive managerial accounting tools such as activity based costing, total quality control and value engineering. Many researchers pointed out that efficiency of target costing method also depends on how the business utilize value chain activities to achieve the desired cost (Chen and Chung, 2002; Smith, 1993; Albright and Davis, 1999; Vasile and Croiteru, 2013). According to (Sweeny and Mays, 1997; Saaydah and Khatatneh, 2014) Activity based management (ABM) also is considered a vital helpful method for target; ABM concept focuses on efficient service pricing policies that result to an increase in organization profitability through effective management of resources that can be allocated for the benefit of customers. When this method was applied in companion with ABC Tennessee bank in USA witnessed an increase in profitability by \$11 million for the year 1994 (Sweeny and Mays, 1997).

Efforts to sustain the current customers and attracting new customers based on desired service price requires from organizations to meet the expected service standards from customers; hence, organizations are demanded to establish a comprehensive inter-organizational cost management system aimed to provide services with high quality at suitable prices (Ellarm, 2000). This system should include cost tables, total quality management and value engineering (Cooper, 1995; Kato, 1993; Tani et al., 1994; Luo, 2017). Banham (2000) pointed out that the cooperation among organization divisions should overcome any barriers appears between cost development team works; thus target costing need total system integration to share the cost reduction purpose. The Cross functional teams that participate in achievement of target costing should have the valuable knowledge, training and motives to understand the elements of cost reduction and how targeted cost is achieved in an overall strategic framework (Choe, 2002; Yazdifar and Davood, 2012). This process also requires an extensive degree of time and commitment to work by collaborated cost teams, therefore organizations should empowers and engage all key functions in the process (Zsidisin et al., 2003). To achieve commitment, responsibility and work group spirit of staff for target costing process requires from management to discharge any suspicious or fears of losing jobs or positions because of target costing plan; these fears could cause dilemmas or causing employees to act against the accomplishment of target costing plan, thus employees should ensure that their jobs are secure.

The success of target costing requires from organizations also to develop an effective information system characterized by speed in transferring data and information about all aspects of organization. This system should be market-driven started with customer the main focus of price. Moreover, this system is should be highly advanced, accessible to all cost reduction staff and have the ability to share all necessary information between collaborated functional teams (Choe, 2002). According to target costing framework the Accounting division is perceived as the main role player and the main source for cost reduction process. This division should maintain and provide all externally based financial and non-financial information about market prices, costs, customers, competitor's prices and market economic conditions. Furthermore, this division should provide internal information about organization such as financial capabilities, costs of current services, design and engineering costs, profitability change for discharging or launching a service, over whole company financial position and returns. This division also should provide the

necessary financial guidance and advice to all teams and staff working on cost reduction and provide them with the valuable knowledge about the deferent managerial costing instruments that can be usefully applied to achieve targeted costs.

Based on the previously discussed literature we can formulate our second hypothesis for the study as follows:

H0-2: Requirements for the applicability of target costing are available in Jordanian hotels.

METHODOLOGY OF THE STUDY

The Study Method

The study follows descriptive analytical method of secondary and primary data based on previous studies and theoretical review. The descriptive method review and discuss the deferent literature about environmental accounting with reference to journals, reports, textbooks, thesis and any related sources. On the other hand the analytical investigation was based on a structured questionnaire prepared and distributed to a sample of Jordanian hotels staff to obtain the necessary information that serve the purpose of the study. The study results was based on statistical analysis as an account of reliability coefficient, (Cronbach's Alpha), which gives the highest stability of analytical instruments. The general results were derived from the descriptive statistics, arithmetic means, and standard deviations for each of the investigated dimensions of target costing. Testing of hypothesis also was also based on the results of one sample t test that conducted by the researcher.

Data and Sample Characteristics

Data

The sample of the study consisted of 29 Jordanian hotels. A structured 348 questionnaires are distributed to staff in these hotels; 12 questionnaires were sent for each hotel to the head of departments or high position staff that related to the processes of target costing. 332 questionnaire were returned and 310 of them were valid for analysis purposes.

Sample statistics

Table 1 represents the education qualification for the respondents of the study sample. According to Table 1 results show that holders of bachelor's degree have the highest percentage with 53% percentage; the diploma holders was in the second order with 14.5%, while holders of master degree were 15%, the holders of special certificates in accounting was 6%. Overlooking education results reveal that that about 89% of the respondents is well educated and have the knowledge to response for the required information for the study. These statistics also indicate that the chosen sample is highly qualified to response accurately and objectively; consequently, the results of this study will be more reliable.

Qualification	Frequency	Percentage
Special certificates (CPA, CMA, JCPA)	18	6%
Less than diploma	19	6%

Diploma	45	14.5%
Bachelor	165	53%
Master	47	15%
PHD	16	5.5%
Total	310	100%

Table 2 shows the frequencies for respondent's age; the results show that 35% of respondent's age is between 36 and 45; also 31% of respondent's ages are between 26 and 35 while 16.5% of the respondent's ages are between 46 and 55. These results indicate that majority of respondents are in middle age (82.5%) and they co habit the new concepts of cost accounting knowledge.

Age(years)	Frequency	Percentage
25 and below	28	9%
26-35	96	31%
36-45	108	35%
46-55	52	16.5%
over 55	26	8.5%
Total	310	100

Table 3 shows frequencies results for respondent's positions. The highest respondents were in financial positions with a 21% then marketing managers by 23%. Respondents from managerial accounting and general managers were 15.5% and 29%. These results also indicate that majority of sample respondents are expected to be familiar with accounting and costing methods in addition to market pricing methods. Financial managers and managerial accountants compromise together about 37% of the sample which considered beneficial for target costing information.

Current position	Frequency	Percentage
General managers	89	29%
Marketing managers	72	23%
Financial managers	65	21%
Managerial accounting	48	15.5%
Design & development	36	11.5%
Total	310	100%

Table 4 shows frequencies for the years of experience of respondents. The experience results show that the majority of respondents have more than 6 years of experience (88%); at least 69% of respondents have 10 years of experience which is high and reasonable expertise for the awareness of target costing adoption and market pricing benefits.

Years of Experience	Frequency	Percentage
Less than 5	38	12%

6-10	58	19%
11-15	133	43%
16-20	47	15%
More than 20	34	11%
Total	310	100%

Reliability Test (Cronbach's Alpha)

Table 5 presented below shows the study Cronbach's Alpha test. According to Cronbach's Alpha framework if alpha coefficients were above 0.80, the reliability of instrument is considered high, and if they were above 0.75, the reliability is accepted, while if they were below 0.60, then the internal inconsistency is considered weak. As shown in Table 5, Cronbach's Alpha results were between 0.810 and 0.827. These results are considered high; that mean the internal consistency is strong and the study instrument is valid.

Variable	Cronbach's Alpha (α)
Awareness of management and staff about the benefits of target costing.	0.827
Availability of requirements for implementing target costing	0.810
All paragraphs	0.863

RESULTS OF THE STUDY

As the main objective of the study is to prove the predetermined hypotheses; testing of these hypotheses requires an initial examination for frequencies and standard deviation for each questionnaire paragraph and after this examination one sample t-Test will be conducted to examine each hypothesis independently. The following section reviews the results for frequencies and standard deviation of the two study hypothesis paragraphs that were addressed in the questionnaire questions.

Hypothesis Testing

Hypothesis 1: There is awareness from Jordanian hotels management and staff about target costing and its benefits.

Table 6 shows the results of arithmetic mean and the standard deviations for the first hypothesis paragraphs. As appears from the results the arithmetic mean of all paragraphs is higher than 3; these results indicates that there is high awareness from hotels staff about the concept of target costing and its expected benefits. This conclusion is also proved by the arithmetic mean for all paragraphs which was (4.093).

No	Paragraph	Arithmetic mean	St. Deviation
1	The use of target costing in pricing of hotel services is more fair than traditional pricing methods	4.237	0.584
2	Target costing pricing is more flexible than traditional costing	3.991	0.612

NO	Paragraph	Arithmetic mean	St. Deviation
3	Hotel profitability is increased if target costing is applied	3.850	0.733
4	If target costing is applied enhancement will be witnessed for current services and newly established services	4.155	0.831
5	Target costing decrease the actual cost of service to competitive level	4.490	0.703
6	Target costing enhance the reputation of hotel and its services in market	3.533	1.204
7	Target costing encourage efficient use of resources	4.398	0.667
8	Average arithmetic mean for all paragraphs	4.093	-

Hypothesis 2: Requirements for the applicability of target costing are available in Jordanian hotels.

The results in Table 7 show the arithmetic mean and standard deviations for the second hypothesis paragraphs about the availability of target costing requirements in hotels. The results of all paragraphs also have an arithmetic mean above 3 except for paragraph 3. Paragraph 3 results reveal the lack of hotels to specialized departments for research and development or design. However, the general results of this hypothesis paragraphs indicate that requirements for target costing adoption are available in hotels. The arithmetic mean for all paragraphs was (3.804); this result also is consistent with the previous hypothesis results.

NO	Paragraph	Arithmetic mean	St. Deviation
1	Hotel has qualified experienced staff in cost accounting	3.165	0.745
2	Hotel accounting department has specialized section for cost accounting	3.324	0.832
3	Hotel has specialized department for research, development and design	2.718	1.375
4	Hotel has marketing division	4.433	0.714
5	Hotel has value engineering division or skilled staff review service costs	4.179	1.133
6	Hotel management adopt the concepts of supply chain or value chain	4.368	0.807
7	Hotel continuously examine the quality of service	3.496	0.674
8	Hotel accounting department review the cost and return for each customer	4.199	0.310
9	Hotel has advanced computerized information system	4.359	0.685
10	Average arithmetic mean for all paragraphs	3.804	-

One Sample T-Test

For testing the hypotheses of the study one sample t-test was applied; the results whereas follows:

Hypothesis	T-calculated	T-statistical	Sig.	df	Decision
<i>H0-1</i>	5.173	1.645	0.000	309	Accepted
<i>H0-2</i>	6.180	1.645	0.000	309	Accepted

Sig. \leq 0.05

As appear in Table 8; the results reveal that all of the two hypotheses are significantly valid. The calculated-t results are higher than that of statistical-t at a degree of freedom of 309 and significance below 5%.

According to one sample t-test framework if computed-t is higher than that of statistical the null hypothesis is rejected and the alternate one is accepted. Consequently, and based on the results shown in Table 8 we accept the two hypothesis of the study and; that is Jordanian hotels management and staff are aware of target costing benefits and also the requirements for target costing implementation are available in sampled hotels. This result proves that hotels who are operating in Jordanian environment have the ability to implement target costing method as a technique that overcome the traditional cost pitfalls and hence provide services with lower prices in market.

Regression Results

The Analysis of variance (ANOVA) has been conducted in order to prove the fitness of our hypotheses. The hypotheses have been statistically tested through the correlation coefficients between the independent variables and the dependent variable for each hypothesis to find the correlation coefficients strength of the relationship between these variables, and then the regression equations were prepared relying on the F-Test and t-Test to determine the degree of significance for regression equations and significance of variables. The regression analysis was performed and the results were as follows:

Independent	Correlation coefficient (R)	Determination coefficient (R ²)	F-Value	Significant	T-Value	significant
awareness from Jordanian hotels management and staff	0.715	0.693	42.851	0.000	5.173	0.000
Requirements for the applicability of target costing	0.647	0.611	37.994	0.000	6.180	0.000

It is obvious from Table 9 that the model representative of variables for implementing target cost method because the value of Sig. (F) (0.000) is less than (0.05). The value of the correlation coefficient (R) which describes the correlation between awareness from Jordanian hotels management and staff and target costing benefits was (71.5%). This value indicates the existence of a good positive and direct correlation between the independent variable and the dependent variable. On the other hand The value of the correlation coefficient (R) between the second independent variable (Requirements for target costing) and the independent variable (applicability of target costing) was also positive (64.7%). The t-value for both of independent variables was greater than t-statistical as shown in Table 8. Thus both of hypotheses are proved to be significant and positive and hence accepted.

CONCLUSIONS

The increase of competition in market between service companies to attract most of customers has promoted companies to review the cost of their services. Traditional methods that are currently applied to set the market price for services became irrelevant to set competitive

market prices of services. Therefore, most of manufacturing and service companies started to employ new managerial accounting costing methods to overcome the weakness in pricing methodologies and in allocating the costs for products or services. The newly emerged costing system such as target costing proved their usefulness in determining service cost if applied successfully; this technique succeeded in reducing the cost of service in many worldwide organizations and the same time maintaining the required quality. This method mainly focuses on eliminating the unbeneficial costs that have no value added to products or services. Hotels as one of service oriented organizations are considered from the most important type of organization that provides a group of services to customer. These organizations suffer from the severe competition with each other's in market on fulfilling customers need with fair market price.

This study was conducted to address this issue through examining whether or not such organizations are aware of great benefits of using target costing in setting service market price; further the study investigated whether or not the essential requirements for implementing target costing are available in these hotels. The study followed descriptive analytical method to address the problem of the study. Based on this methodology the results of the study proved that hotels staff are aware of the great benefits for target costing method if applied; and the results also proved that the essential requirements of target costing are available in hotels and can be employed to apply target costing technique. These findings can be used as a base to encourage operating hotels in Jordan to follow this important managerial technique to decrease their costs of services to more be competitive in market.

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