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# Rationalizing Real Estate Pricing Decisions Through Target Costing: A Qualitative Analysis of Off-Plan Sales

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## ABSTRACT

This study explored the role of the Target Costing (TC) Method in rationalizing the housing unit pricing decision in a real estate development company in Saudi Arabia. Specifically, this study aimed to understand how target costing rationalized a company's pricing decision following the pursuance of an off-plan sales option. Drawing on the Institutional Logic Perspective, this qualitative case study examined the role of, and response towards, the TC method in the housing unit pricing decision-making process in a real estate company. Apart from observations and documentary reviews, the data sources for this study were collected through 25 semi-structured interviews with 16 key informants. The study provided deeper insights into how TC has been adopted in a real estate development company by illustrating the changes brought about by the off-plan sales option. It suggested the existence of multiple logics, namely cost-driven and market-driven logics, which influenced organizational actors' actions in adopting TC. This study contributes to the accounting literature by explaining how a company rationalizes the housing unit pricing decision through the TC method to remain competitive. It also guides policymakers to adjust tax incentives and regulatory measures for greater cost transparency that promotes housing affordability and market sustainability.

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## 1. INTRODUCTION

In today's competitive environment, business organizations are expected to be more flexible in adapting to market changes (Heinicke et al., 2016). This adaptability is particularly evident in pricing decisions, where organizations must consider competitors' prices to remain competitive (Burrows & Chenhall, 2012). In the residential real estate development sector, high construction costs present a significant barrier to providing

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suitable pricing for various buyer segments. This sector faces issues related to poor housing pricing, such as overpricing and lack of competitiveness, due to the complexity associated with costs during construction. Consequently, the topic of house pricing has captured scholars' interest, prompting deeper studies on different costing methods to make suitable pricing decisions by better estimating the costs involved (Ibusuki & Kaminski, 2007).

One of the emerging costing methods explored in the context of housing pricing is target costing (TC). The extant literature recognizes TC as a market-oriented profit planning and cost management tool (Ansari et al., 2006; Kato, 1993; Zanella & Oyelere, 2020). The TC mechanism is based on reverse pricing, where the market-determined selling price guides production costs, contrasting with traditional methods that rely on historical cost information to determine selling prices (Neto et al., 2016; Zanella & Oyelere, 2020). However, practical issues with TC include determining the market price and understanding organizational actors' responses to the associated pressures and changes initiated by practicing TC. While the extant literature had studied these issues relating to TC practices (De Melo & Granja, 2017; Neto et al., 2016; Oliva & Granja, 2013; Pennanen et al., 2010), a gap remains in understanding the practical application of TC in various sales plans (e.g., off-plan and on-plan sales) in real estate development, especially in the context of Saudi Arabia. Off-plan sales refers to properties still under construction or development, while on-plan sales refers to those already built and ready for occupancy or resale.

Saudi Arabia offers a compelling case for studying TC due to its unique regulatory, economic, and industry-specific factors. The country's rapid urbanization and strategic economic diversification efforts under Vision 2030 have transformed its construction industry, intensifying market competition and challenging traditional pricing models. These conditions create an ideal environment to explore innovative approaches like TC. In 2016, off-plan sales were legalized in Saudi Arabia, prompting many developers to adopt this method. The primary incentives for off-plan sales include tax exemptions and direct financing support from the Ministry of Housing. Utilizing off-plan sales requires developers to predefine selling prices, necessitating the rationalization of pricing decisions by determining allowable costs based on market prices (Neto et al., 2016). This presents a significant challenge for developers to achieve cost efficiency and remain competitive since the properties are yet to be developed (Zanella & Oyelere, 2020).

To address the gaps identified above and to capture their relevance in Saudi Arabia, a case study was conducted in a Saudi real estate development company to illustrate how TC rationalized pricing decisions for residential buildings in off-plan sales and examined the organizational actors' responses to the associated pressures and changes. Specifically, this study addressed two questions:

- a) Why has the case company practiced TC in off-plan sales?
- b) How have the organizational actors responded to TC in off-plan sales?

By drawing upon the Institutional Logic Perspective, this study attempted to unfold how institutional logic influenced actions and decisions (Friedland, 1991) by focusing on organizational responses to associated pressures and strategic decision-making (Min et al., 2022). The perspective was useful in interpreting organizational actors' responses to institutional pressures (Lounsbury & Boxenbaum, 2013). At the same

time, organizational actors' acceptance or resistance to change varied due to the presence of multiple logics within organizations (Lounsbury, 2008).

The following section provides a literature review on the origin of TC, its application in the real estate development sector and offers a brief insight into the underlying concept of institutional logic. The methodology section outlines the case study approach employed to investigate role of TC in rationalizing pricing decisions for off-plan sales, detailing the methods of data collection and analysis. The findings section illustrates how TC was practiced within the case company, highlighting control mechanisms for managing cost complexities and examining organizational actors' responses to pressures and changes. The discussion critically analyzes these findings through the lens of institutional logics, elucidating the influence of different logics on actions and decisions. The conclusion consolidates the study's insights, reflects on practical implications for Saudi real estate developers, and suggests avenues for future research, thereby contributing to the broader discourse on TC adoption within the sector.

## 2. LITERATURE REVIEW

### 1.1 Origin of TC

TC originated in Japan as a strategic cost management method within the product development processes of Japanese manufacturers deviating from traditional cost-plus pricing methods. Instead of basing prices on historical costs, TC sets target costs aligned with market expectations and then designs products or services to meet these predetermined costs (Ansari et al., 2006). This method ensures that products are priced competitively from the outset, fostering alignment with market demands and enhancing overall profitability strategies.

In the industrial sector, TC has been extensively studied and applied across various manufacturing contexts, emphasizing its role in driving cost efficiency and innovation (Burrows & Chenhall, 2012; Kato, 1993; Nicolini et al., 2000). These studies had highlighted TC's adaptability and effectiveness in controlling costs while maintaining product quality and market competitiveness, making it a pivotal strategy in contemporary cost management practices.

#### 2.1.1 *Practicing TC in the Real Estate Development Sector*

Given the significant adaptability and effectiveness of TC in controlling costs, numerous studies have demonstrated its adoption across various industries beyond manufacturing (Ajeeb & Lai, 2024). However, despite its potential benefits, past studies reviewed above had highlighted persistent challenges in implementing TC. Key issues included the difficulty in accurately determining market prices and encountering significant organizational resistance to change (Neto et al., 2016; Oliva et al., 2016). These challenges underscored the critical importance of precise market pricing strategies, particularly in TC's application to residential property sales.

#### 2.1.2 *TC and Rationalizing Real Estate Pricing Decisions*

In the real estate development sector, market-driven target prices are established during the crucial "project definition" stage (Neto et al., 2016; Oliva et al., 2016; Oliva & Granja, 2019). This phase involved rigorous business planning, feasibility studies, and meticulous cost estimation (Pennanen et al., 2010).

Despite the scholarly emphasis on the importance of this stage (Neto et al., 2016), real estate developers often neglected it due to inadequate teamwork skills. This deficiency in teamwork often translated into poor communication among organizational actors, which in turn frequently led to cost overruns and pricing strategies that fall short of targeted profitability goals (Alrubayan & Azhar, 2025).

To address these challenges and enhance decision-making during the “project definition” stage, imposing significant cost pressures is crucial for effectively rationalizing pricing decisions. By applying rigorous cost pressures, developers are prompted to scrutinize every aspect of project planning, from design to material selection, aiming to achieve optimal cost efficiencies (Alrubayan & Azhar, 2025). This approach not only ensured that products meet customer expectations at competitive prices but also fosters a proactive mindset toward cost management throughout the project lifecycle. It encouraged a thorough evaluation of alternatives and promoted innovative solutions that balanced quality with affordability, essential for maintaining profitability in competitive real estate markets.

While the above literature provides some insight into TC practices within the real estate development sector, the exploration of TC in off-plan sales remains insufficient—particularly when considering the institutional and regulatory factors that shaped the Saudi Arabian market. A significant gap persists in understanding the practical application of TC in off-plan sales, especially in a context where regulatory reforms and market dynamics critically influenced pricing decisions. Practicing TC in real estate development involves the challenge of accurately determining the selling price of property units to establish profit margins, which is especially pronounced in off-plan sales of residential units. Unlike manufacturing products, which typically have uniform selling prices, real estate products varied widely due to their diverse features and market conditions (Wu et al., 2013). Effective application of TC necessitates comprehensive market research encompassing all building features, including the number of rooms, functionalities, facilities, and materials used (Oliva & Granja, 2013; Wu et al., 2013). Understanding TC in practice is essential for optimizing pricing strategies and ensuring profitability in real estate development projects such as off-plan sales.

## **1.2 Theoretical Framework: Institutional Logics**

The literature has suggested that practicing TC can trigger various responses from stakeholders, who may either resist or accept the changes brought by the TC method (Neto et al., 2016). Drawing upon the Institutional Logic Perspective, which is rooted in the Institutional Theory, an attempt was made to enhance our understanding of such phenomena by explaining how organizations navigate complex environments and balance competing demands. Institutional logic drives individual behavior and guides organizational operations, enabling an understanding of how pricing decisions are rationalized after introducing the TC approach, following the literature guided by Järvenpää and Lämsiluoto (2016), and Thornton and Ocasio (2008). These logics influence actors’ responses to institutional pressures, which may lead to change (Friedland, 1991), irrespective of whether these logic emerges from external settings or internal subgroups (Thornton et al., 2012).

The Institutional Logic Perspective has a significant interpretive power, providing rich interpretations of organizational actors’ responses to internal and external institutional pressures (Järvenpää & Lämsiluoto, 2016). Organizational actors differ in their acceptance or resistance to change due to the presence of multiple logic, leading to variations in their responses (Lounsbury, 2008). Applying the Institutional Logic Framework aided in better understanding the dynamics of TC practices in the real estate development

sector, particularly in markets like Saudi Arabia, where multiple logics from different institutional actors might interact in unique ways. This framework elucidated how organizations can manage and reconcile competing demands, ensuring more effective implementation of TC and rationalization of pricing decisions.

### **3. METHODOLOGY**

This study employed a qualitative interpretive case study approach to explore the role of the TC approach in rationalizing housing unit pricing decisions at AHC (identity disguised). AHC, a prominent real estate development company in Saudi Arabia, has been operating since 1996—making it one of the longest-established firms in the market and has been practicing off-plan sales since its legalization in 2016 by the Ministry of Housing. AHC was among the first to receive an off-plan sales license in Saudi Arabia. Currently managing a real estate portfolio nearing USD 4 billion, AHC’s extensive experience offers valuable insights into TC practices. This combination of longevity, early adoption of off-plan sales, size, and regulatory proactivity outshined other firms in the country, providing a unique comparative perspective on TC implementation in a rapidly evolving market environment.

A qualitative method was deemed appropriate for this study, given the emphasis on human interaction and rational perspectives, which allowed for richer insights into TC practices by leveraging participants’ credibility through personal interactions (Myers, 2019; Scapens, 1990). The theoretical framework of this study drew on the Institutional Theory, specifically institutional logic, to examine how the TC approach influenced housing unit pricing decisions. Data collection methods included semi-structured interviews, observations, and documentary reviews, facilitating a comprehensive understanding and serving as data triangulation to illuminate TC’s role in rationalizing pricing decisions and the organizational changes it fostered. The initial participants were chosen via purposive sampling for their key roles in finance, operations, procurement, sales, and design, followed by snowball sampling to capture additional diverse perspectives on TC practices.

#### **3.1 Data Collection**

Primary data sources for this case study comprised interviews, document reviews, and observations (Bell et al., 2022; Myers, 2019). Interviewees were selected based on their influence over the company’s decisions, employing the snowball technique for selection. Starting with the Operations Manager as the key informant, additional participants were recruited for relevant interviews. Semi-structured questions were tailored to the interviewees’ backgrounds to understand the role of TC in rationalizing pricing decisions and the organizational changes necessary for its successful implementation.

A total of 23 interviews were conducted with 16 respondents. All interviews were recorded with the respondents’ permission, except one interview, where notes were taken. Follow-up inquiries were made via telephone when necessary to clarify uncertainties. The focus was on departments such as designing, purchasing, finance, and sales to understand their TC practices and cost management strategies.

#### **3.2 Data Analysis**

Evidence triangulation, following Yin’s (2017) methodology, was employed in this study to mitigate bias and enhance the accuracy of the data. Internal documents scrutinized encompassed financial records,

legislative documents, technical reports, contract forms, feasibility studies, motivational policies, the company's official website, and statements from senior executives in media outlets. These documents provided objective evidence of the company's cost management practices, pricing decisions, and regulatory compliance, thereby helping to triangulate and contextualize the interview data during the analysis process. Furthermore, direct observations of daily operations were conducted to capture real-time evidence of how target costing is integrated into pricing decisions. These observations allowed the researcher to assess the practical application of cost management strategies, evaluate the role of team collaboration in project proposals, and verify market pricing considerations, thereby complementing and contextualizing the interview data.

Thematic analysis was employed to analyze data collected from interviews. The study aimed to uncover emerging themes related to AHC's TC implementation and its impact on pricing decisions. Data interpretation was performed through systematic coding and iterative analysis, with careful attention to human actions and decision-making processes within the organization. Strict confidentiality measures were observed to protect the identities of participants and the organization, minimizing potential risks while stating the primary objective of the case study conducted, which was to gain insights into TC practices at AHC and their influence on rationalizing housing unit pricing decisions.

## **4. RESULTS: THE CASE OF AHC**

### **4.1 Adopting Off-Plan Sales and TC**

In 2016, AHC sought to align its practices with off-plan sales by forming a task force that visited countries like Singapore and South Korea, known for their expertise in this field. These visits aimed to learn about the best practices in cost management, particularly TC, which is integral to off-plan sales. This method involved determining the price of a residential product before its construction.

Following the visit, AHC adopted the TC approach to manage and reduce costs based on market prices, thereby rationalizing pricing decisions. This adoption required AHC to implement organizational changes to align with TC, focusing on cost management while maintaining quality and meeting customer preferences.

Given TC's core mechanism of determining market-driven selling prices for future developments, AHC had to ensure that its pricing was both rationalized and aligned with market expectations. This comprehensive approach not only reflected AHC's proactive response to internal cost control needs but also highlighted how the adoption of TC served as a strategic tool to navigate external market pressures.

### **4.2 Getting Started with TC: Reorganization in AHC**

The adoption of TC brought about significant organizational changes at AHC. Aligning its organizational framework with TC principles, AHC aimed to balance profit generation with maintaining competitive residential unit prices.

Initially, AHC implemented a reorganization plan by establishing several subsidiary companies to distribute responsibilities and lighten the burden on the parent company. These subsidiaries specialized in marketing, contracting, maintenance, and after-sales services. According to the Operations Manager:

*“We established several subsidiary companies to better control our operations. We created a specialized firm for marketing our residential products, another for contracting work, and a third for maintenance and after-sales services.”*

This strategic decision underscored AHC’s commitment to effective cost control and strategic operational management. Additionally, the Procurement Manager noted that establishing a marketing-specialized company facilitated the development of e-commerce platforms and improved customer communication. The contracting company successfully reduced costs and accelerated project completion, while the maintenance firm achieved savings in maintenance contract costs. Other participants also expressed their opinions on how the reorganization enhanced the integration of TC into the company’s operations. For example, the Finance Manager commented:

*“The reorganization was a strategic pivot that has streamlined our cost control processes and improved our overall financial agility.”*

The Design Manager remarked:

*“Creating specialized teams has improved our inter-departmental coordination and enabled us to implement TC more effectively, ensuring that design choices are aligned with our cost targets.”*

Subsequently, new departments such as Investment, Design, and Governance were established. Simultaneously, the number of employees across all departments increased, and AHC recruited a new generation of competent leaders to promote adaptability and efficiency. The Human Resource Manager observed,

*“Our investment in recruiting top talent has fostered a culture of innovation in cost management, reinforcing our commitment to TC.”*

The Procurement Manager emphasized:

*“Our company has attracted many distinguished competent human resources to increase the efficiency of performance here.”*

These recruits, well-versed in TC practices, provided valuable guidance to AHC in adopting TC for off-plan sales pricing. They introduced new procedures aimed at refining the company’s approach.

### **4.3 Practicing TC: Changes in AHC**

AHC introduced several internal procedural changes to align with the mechanism of TC. They established a committee composed of department managers tasked with evaluating project acceptance or rejection, infused with the principles of target costing. This involved estimating the market selling price and setting a target cost to ensure profitability while meeting customer expectations. The Investment Manager mentioned:

*“A committee comprising several department managers is formed to discuss project acceptance or rejection.”*

This committee deliberated on various aspects including estimating project design costs, determining market prices, and evaluating the financial capacity of potential clients, underscoring AHC’s commitment to thorough TC practices. As the Sales and Marketing Manager noted:

*“Integrating TC into our project evaluation has significantly enhanced our ability to set realistic, competitive prices.”*

The Financial Manager further stated:

*“The committee’s rigorous review of design costs and market prices has streamlined our decision-making and reinforced our cost control measures,”*

These practices illustrated AHC’s systematic approach from project design through to the procurement of relevant construction materials, ensuring that cost considerations are integrated at every stage of decision-making. The following provides a brief description of TC practices at AHC relating to the pricing of off-plan housing.

#### *4.3.1 Setting Target Prices and Determining Target Costs*

This committee deliberated on various aspects including estimating project design costs, determining market prices, and evaluating the financial capacity of potential clients, underscoring AHC’s commitment to thorough TC practices. These practices illustrated AHC’s systematic approach from project design through to the procurement of relevant construction materials, ensuring that cost considerations were integrated at every stage of decision-making. The following provides a brief description of TC practices at AHC relating to the pricing of off-plan housing.

TC at AHC involved a systematic approach to pricing residential units before construction begins, aligning costs with market expectations while ensuring profitability. The process commences with comprehensive market research to discern customer preferences and competitive pricing benchmarks. Market research played a pivotal role in this phase, as highlighted by the Investment Manager of AHC:

*“Preliminary knowledge of the suitable price for the residential product is obtained through market research that includes prices of similar residential products as well as updates on building material prices and supplier costs.”*

Based on these insights, AHC established a target cost aimed at meeting customer affordability thresholds while maintaining high quality. However, this process was not without the challenge of managing customer expectations regarding pricing. According to the Investment Manager:

*“The real challenge is the affordability of the product for the target customer’s capacity, as well as the ability to control TC to avoid exceeding the agreed price with the customer.”*

The Financial Manager noted:

*“Our systematic approach to determining target costs ensures that we balance customer affordability with profitability, reinforcing the overall integrity of our pricing strategy,”*

Thus, TC at AHC navigated these conflicting interests by integrating market insights into cost management strategies, ensuring that residential products were competitively priced without compromising profitability or customer satisfaction. In practice, this involved value engineering and optimizing the design of housing units to align with the target cost. This approach enabled effective cost control and better rationalization of off-plan sales real estate pricing, allowing AHC to deliver value to its customers while maintaining financial sustainability.

#### 4.3.2 Design Optimization and Value Engineering

In AHC, design played a crucial role, emphasizing the optimization of space and minimization of waste to reduce construction costs. Several new procedures had been introduced to ensure that project designs are flexible enough to meet target costs. This included establishing the design plan earlier during the cost estimation process to assess the value associated with space and area sizes in housing units.

The Operations Manager highlighted the designer's role in the early project stages:

*"Each design must meet the requirements of the clients while utilizing spaces to achieve functions. Therefore, we obtain designs with smaller built-up areas, resulting in a cost reduction."*

The Investment Manager echoed this sentiment:

*"The designer begins his work at an early stage to meet the expected customer requirements while consider avoiding unused spaces and reducing waste, thereby reducing costs."*

Additional approaches had also been adopted, including the creation of multiple models with varying value estimations to ensure alignment with target costs, failing which the project may be rejected. The Design Department provided multiple models derived from a recurring product, as confirmed by the Sales Manager:

*"We have several models of residences designed to meet the needs of customers. While these models vary in appearance, they essentially stem from a unified design with superficial and functional differences that do not affect the structural and architectural designs."*

Furthermore, AHC had predefined several designs aimed at optimizing space while ensuring customer requirements are met with minimal costs incurred. The Design Engineer emphasized:

*"When designing residences, we consider minimizing space and avoiding waste. For example, we predefine tile and window sizes and try to arrange bathrooms in a single row to reduce waste in water installations."*

In line with the Design Engineer's perspective, both the Financial Manager and the Senior Executive emphasized how predefined design minimized costs and enhanced adaptability to market demands.

Despite having to adhere to templates and predefined models under the new method, the Design Engineer noted that such an approach could limit innovative ideas in constructing ideal homes for customers. Nonetheless, design optimization and value engineering helped control costs while engaging with suppliers, illustrating another aspect of AHC's TC practices.

#### 4.3.3 Supplier Engagement

Supplier engagement played a crucial role in AHC's implementation of TC. The Procurement Manager emphasized:

*"We negotiate with material suppliers according to the specified specifications to obtain low prices while considering the supplier's profit to ensure smooth collaboration as they are partners in success."*

This approach underscored AHC's strategy of fostering collaborative relationships with suppliers to achieve cost efficiencies while maintaining quality standards in their construction projects.

Following this transition from traditional cost management to the TC method, AHC expanded its market share in Saudi Arabia, initiating several major projects encompassing over 30,000 residential units including apartments, townhouses, villas, and residential plots. The findings indicate that AHC's adoption of the TC method, aimed at rationalizing pricing decisions, necessitated significant organizational changes. These changes were pivotal in enhancing the work environment for more precise cost management, thereby contributing to AHC's competitive success in the Saudi housing market.

## **5. DISCUSSION**

### **5.1 AHC's TC Practices in Off-Plan Sales**

The general concepts of TC practiced at AHC aligned with existing literature regarding the setting of target prices and cost estimation. As described by Ansari et al. (2006), TC involved setting a target price based on market research. AHC had adopted this approach by conducting extensive analyses of customer preferences and competitive pricing benchmarks. The Investment Manager at AHC emphasized the importance of market research in determining suitable prices for residential products, highlighting the company's commitment to aligning with established TC principles.

However, AHC's application of TC in the context of off-plan sales deviated from traditional literature (Ansari et al., 2006; Burrows & Chenhall, 2012; De Melo & Granja, 2017; Ibusuki & Kaminski, 2007; Zanella & Oyelere, 2020), which typically focused on established products or constructed houses. By adopting TC in the off-plan sales strategy, AHC incorporated customer preferences and market conditions into the design and pricing phases of projects that have not yet been constructed. This proactive approach allowed AHC to optimize design early, ensuring that customer expectations are met while controlling costs.

Therefore, AHC's findings further extended insights from past literature (noted earlier) by applying TC to off-plan sales. Specifically, in practicing TC in the off-plan sales strategy, AHC initiated significant organizational restructuring and introduced new procedures. Firstly, the company experienced restructuring by creating new subsidiary companies to better align with the TC mechanism. Secondly, AHC established new departments, such as Investment, Design, and Governance, and recruited a new generation of leaders to drive efficiency and adaptability to TC. Thirdly, the introduction of new procedures for setting target prices and costs, design optimization, value engineering, and supplier engagement illustrates how AHC aligns TC with off-plan sales of housing units. These three insights extended the existing literature (noted earlier), emphasizing AHC's innovative approach in TC practices, facilitating a more structured approach to cost management, and allowing for better rationalization of off-plan sales pricing.

### **5.2 Institutional Logics and Organizational Response in AHC Towards TC**

The adoption of TC at AHC elicited varied responses from organizational actors, reflecting different institutional logics at play. These logics, which influenced individual behavior and guided organizational operations (Järvenpää & Lämsiluoto, 2016; Thornton & Ocasio, 2008), illuminated how pricing decisions were rationalized following the introduction of TC.

At AHC, the adoption of TC brought forth multiple distinct logics, particularly the tension between setting prices based on market conditions while estimating costs, thereby balancing cost and profit. In the design phase, conflicts emerged between idealized planning and optimizing designs for cost efficiency.

This dichotomy highlighted a cost-driven logic, internally focused on efficiency, as observed in the emphasis by the Operations Manager and Investment Manager on early-stage design to meet customer needs while minimizing waste and costs. Conversely, a market-driven logic, externally driven by customer satisfaction, also prevailed, as articulated by the need to align designs with customer preferences.

Specifically, these logics encompassed market-driven pricing versus cost estimation and ideal design versus design optimization. The conflict between market-driven pricing and cost estimation was evident in the challenge faced by the Investment Manager:

*“The real challenge is the affordability of the product for the target customer’s capacity, as well as the ability to control TC to avoid exceeding the agreed price with the customer.”*

Organizational actors at AHC responded by integrating market insights into their cost management strategies, ensuring competitive pricing while maintaining profitability—a practice consistent with TC principles emphasizing market-driven pricing.

The tension between ideal design and design optimization surfaced during project planning, with stakeholders debating between creating ideal housing plans and optimizing designs to meet cost targets. Despite initial resistance to standardized design templates, the imperative of cost control through design optimization eventually prevailed, aligning with TC principles.

Organizational actors navigated these conflicting logics by prioritizing cost control and market alignment. This strategic response included creating new departments and establishing subsidiary companies to embed TC principles within AHC’s operations. Recruitment efforts aimed at bringing in new leaders and expanding departmental capacities underscored AHC’s commitment by aligning with TC practices, enabling better management of these conflicting logics.

Ultimately, the balance between the logic of cost control (i.e., cost-driven logic) and market alignment (i.e., market-driven logic) predominated, aligning with TC principles and facilitating successful implementation (refer to Figure 1). Practices such as design optimization, value engineering, and strategic supplier engagement became central to AHC’s ability to deliver competitively priced residential products without compromising profitability or customer satisfaction. The adoption of TC at AHC exemplified how institutional logics shaped organizational responses, guiding the integration of new cost management practices. By aligning with cost-driven and market-driven logics, AHC effectively implemented TC, rationalized pricing decisions, and maintained competitiveness in the Saudi housing market.

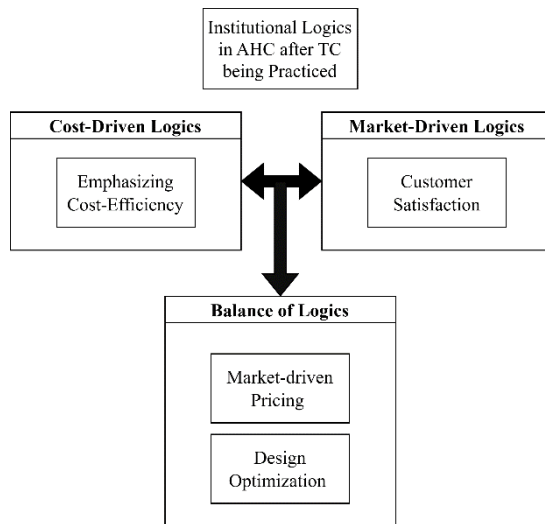


Figure 1. Institutional Logics in AHC after TC Practices

Source: Authors' own source

## 6. CONCLUSION

This study explored the pivotal role of TC in rationalizing pricing decisions for residential units in off-plan sales within a Saudi real estate development company. By filling a gap in extant literature, this study contributes to understanding how TC can practically inform pricing strategies in the real estate development sector. The contextual insights provided shed light on the forces driving institutional change and the complexities inherent in managing pricing decisions through TC. Using the Institutional Logics Perspective, this study examined how conflicting institutional pressures—cost-driven logic emphasizing cost-efficiency; and market-driven logic focusing on customer satisfaction—affect pricing decisions at AHC. This analytical lens revealed how AHC navigated these pressures to achieve effective cost management and competitive pricing strategies in the Saudi Arabian environment.

AHC's case study on TC contributes to the existing literature by providing deeper insights into its application in the context of off-plan sales, thereby enhancing our practical understanding of cost management practices, decision-making processes, and organizational behaviour in real estate development. Specifically, the study revealed that applying TC in off-plan sales requires rigorous cost estimation at an early project stage, enabling developers to set target prices before construction begins. By aligning design processes with customer preferences and engaging proactively with suppliers, AHC was able to rationalize pricing decisions and mitigate cost overruns. The development and implementation of procedural control mechanisms further underscored the importance of integrating design optimization, value engineering, and collaborative supply chain practices to maintain both product quality and market viability.

While this study provided valuable insights by focusing on a single organization to ensure richness and depth, its scope was limited to AHC. Consequently, the findings and contributions might differ in other

contexts. Future research should delve deeper into these dynamics, exploring adoption of TC and its impact across different organizational contexts within the real estate development sector. Future research should try to adopt a multiple case studies approach to illuminate variations in TC practices across real estate organizations. Understanding whether and how TC adoption confers competitive advantages over alternative pricing strategies remains a fruitful area for exploration. By fostering new avenues for TC implementation in real estate development, this study aimed to inspire future research initiatives and practical applications in the field.

## **7. ACKNOWLEDGEMENTS/FUNDING**

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## **8. CONFLICT OF INTEREST STATEMENT**

The authors have no potential conflicts of interest to disclose.

## **9. AUTHORS' CONTRIBUTIONS**

Both authors contributed to the study's conception and design. **Lulwah** performed material preparation, data collection, and initial analysis. **Zubir** analyzed and discussed the findings using thematic analysis and theorized them using the Institutional Logic Perspective. Both authors read and approved the final manuscript.

## **10. DECLARATION OF GENERATIVE AI IN THE WRITING PROCESS**

The authors declare that no generative artificial intelligence (AI) tools or systems were used at any stage in the preparation, drafting, editing, or refinement of this work. All ideas, analyses, interpretations, and written content presented are entirely my own and have been developed independently without the assistance of AI technologies.

## **11. DATA AVAILABILITY/SUPPLEMENTARY MATERIALS**

The data that support the findings of this study are available from the authors upon reasonable request. All relevant information supporting the findings and conclusions is fully presented within the main text of this document.

## **12. ETHICS STATEMENT**

This study was conducted in accordance with applicable ethical standards and guidelines. All procedures involving participants (if any) were carried out with due regard for confidentiality, anonymity, and informed consent. No ethical issues were identified in the conduct of this research.

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