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Considerations regarding inbound regenerative management accounting application on eco-efficient business models

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Abstract

Inbound regenerative management accounting as a cost control process is a fundamental shift in the world of business due to the changes it implies upon the mentality of seeing and developing a business model. More and more economic entities begin to realize the eco efficient potential they have at their disposal and are beginning to replace linear business models with circular business models. Within a linear business model the economic entity controlled the production and distribution processes using management accounting and calculation cost methods using implicit explicit and mix costs. The classic management accounting tool offers its usefulness mostly to investors and shareholders ensuring high return rats and increases overall profit neglecting the social and environmental impact and generating tons of wastes in the process. Inbound management accounting represents a new and eco-efficient way of managing the production and distribution process, raising awareness and boosting social responsibility and in the same time generating high return rats and considerable profit on medium and long term while gaining comparative advantage on the global market.

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1. Introduction

In the recent decade social inquiries and customer surveys underline the preference of customers and potential customers' preference towards selecting products and services focused on their needs instead of satisfying the needs of companies.

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Circular business mode, with the help of regenerative management accounting as a process underline the importance of being a part of the dialog between individuals as potential customers of products and services and economic entities which can provide those products and services in a transparent mode, sharing helpful and relevant content with the community and drawing individuals towards their business.

This paper presents some considerations regarding the role of regenerative cost accounting in offering managers, investors and shareholders the tools and eco-efficient way of thinking necessary to succeed in business while considering the costs of regeneration right from the start of the production processes.

In the last decade the scarcity of economic resources and the inefficient business model of using resources, making products and generating wastes have brought to consumer attention the need of a more green and sustainable business and regenerative development. The objectives is highlight that manager, shareholders, policy makers, third parties and other users the need regenerative computing accounting framework but most importantly they desire the tool for interpreting and using the information supplied by regenerative cost analysis (Ambrus et al., 2017). Tools such as regenerative management accounting help economic entities reduce the extraction and use of row materials, improve air and water quality and preventing and stopping toxic wastes from leaking into the soil not to mention the creation of new jobs that are estimated to emerge from the recycling process.

2. Inbound regenerative management accounting overview

2.1. Management accounting overview

In today's global and interconnected economy raw materials are extracted, goods and services manufactured, used and then disposed at the lowest cost possible. In our economic mentality the efficiency is measured trough the perspective of compared advantage (Popescu et al., 2016). In other words, the economic entity that produces with the lowest costs or invests in the production process the least amount of resources (including time) has the compared advantage on a specifically market and therefore is the most efficient and can aspect the highest rate of return and turnover from its linear business model (Cioca et al., 2010; Heyne, 2016). The diference between classic management accounting and regenerative management accounting is presented in Table 1.

In this paper we try to emphasize the importance of regenerative management accounting trough inbound methodology and to highlight the differences between classic managerial accounting and regenerative management accounting.

Table 1. Diference between classic management accounting and regenerative management accounting

Management accounting	Regenerative management accounting
Internal users	Internal and external users
Making strategic decisions for economic entity	Making strategic decisions for economic entity and local community
Incorporates economic information	Incorporates economic and environmental information
No IFRS or GAAP constriction on accounting system	
Conducted at corporate level	Conducted at corporate level and national level trough satellite system
Recognizes product costs and period costs	Recognizes product costs and period costs
	Recognizes environmental costs, health and social costs
	Recognizes inbound costs

2.2. Differences between classic and regenerative management accounting.

Inbound regenerative management accounting is a tool of changing the methodology of production and distribution of goods and services. Used by economic entities it stimulates managers to empower potential customers.

The main difference between traditional models and inbound models is that in the inbound model goods and services stay in the economy for a longer period of time and therefore the quantity of products delivered to satisfy demand is decreased. The current model of linear economy is based upon extracting resources, making products and fulfilling or creating needs for customers all with the lowest production and distribution cost possible (Bebbington et al., 2013; Bebbington et al., 2014). The advantages of inbound regenerative management accounting are presented in Figure 1.

This model puts pressure on many economic entity managers to readapt strategies and to compete with other worldwide business companies which are very competitive but generate a lot of wastes in the process. This pressure often leads to a shorter lifecycle of a company. For example in Europe and America the lifecycle of a SME is around 4, 5 or 5,7 years, and around 40 if we refer to multinationals where in China the life expectancy of a SME is around 3,7 years and 35 to 40 for multinationals (Domil. 2014).

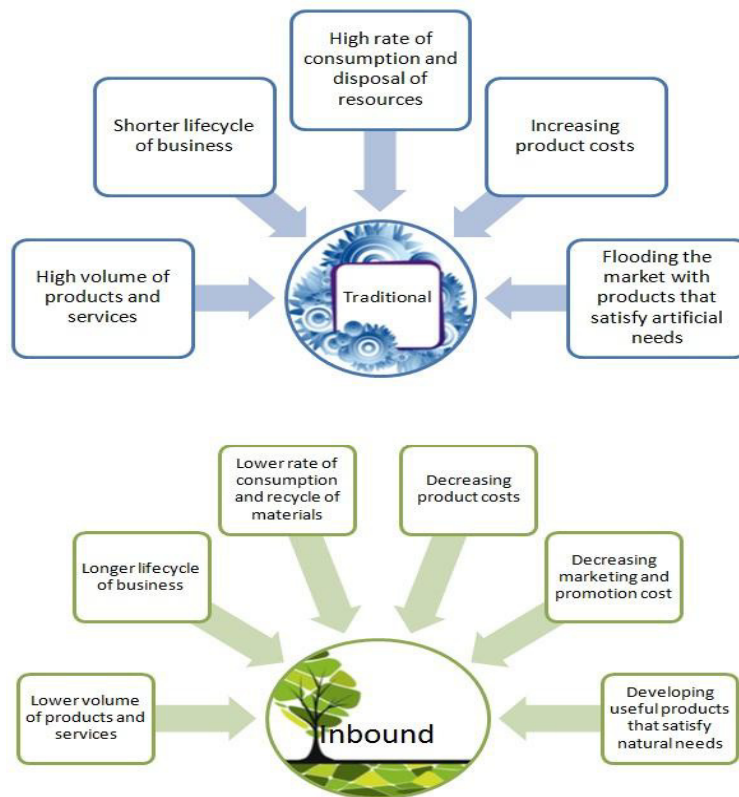


Fig. 1. Inbound regenerative management accounting advantages

Among other benefits of implementing a circular model in the business plan, and therefore appealing to inbound regenerative management accounting, we can underline the issue of resolving social needs of local communities in which the economic entity is operating (Gray, 2010). This characteristic will eventually decrease the need of artificial demand through increasing consumer's utility very inefficient. Integrating environmental and social cost

together with production costs such as direct indirect and overall costs reduces the expenditures on a medium and long term run keeping in mind the scarcity of our current natural resources (Hopwood, 2009).

In our opinion, keeping in mind the evolution of the global action plans for environmental protection such as: Geneva Convention on Long-range Transboundary Air Pollution, Cartagena Biosafety Protocol, Paris Agreement (Paris climate conference 2015), it is safe to assume that in the near future the definition of economic compared advantage will shift toward eco efficiency and social and environmental awareness meaning that companies will not only pursue the maximization of profit. In exchange of diminishing the idea of maximization of profit companies will be rewarded with higher lifecycle due to the implication in local communities which we all seen that are more compact and faithful to local more aware of the impact that their business is making on the social and natural area in which they operate.

3. Eco-efficient business model through inbound regenerative management accounting

The first step in implementing an eco efficient inbound regenerative model is attracting investors from local communities (see Figure 2). This can be obtained through social media tools such as websites, blogs Facebook, LinkedIn, and many other social platforms which individuals search online every day.

In this ever-changing business environment the online commerce represents around 22.049 trillion dollars. However in order for a product or service to be sold online this product has to have good ratings and reviews. Without a good reputation economic entities may have the best product or service and still not be able to sell online. In our opinion this reputation can be obtained through redesigning products and servicing within a circular model that can benefit everyone. Another tool in which managers can attract local investors alongside is through enhancing environmental goodwill. Environmental Goodwill is important to a company it highlights the fair value of net identifiable assets. This goodwill is appealing to investors because it reflects items not carried in the company's accounts which include reputation, brand, geographic location, carbon footprint and the commitment on social responsibility. Other steps in attracting local investors are optimizing production process and identifying social and environmental needs (Mates et al., 2012; Malsch, 2013).

The second step is redesigning the production process in a manner that it satisfies the environmental and social needs in terms of eco efficiency and eco innovation. The redesigning phase implies that products must be redesigned and they will stay in the economy longer and at the end of their life they will be reused or repaired, upgraded or recycled and finding their place in the circular economy. This phase includes budgeting and keeping into account the regeneration cost from the beginning of the production process.

The regenerative management accounting must include alongside direct and indirect costs, overall costs, supplying and distribution the new regenerative costs in order to accurately apply cost control and cost determination methods. Reengineering products in order to last longer means also that planned deterioration must be eliminated from the equation.

The third step includes converting the distribution process through consolidating online databases, converging customers into recruitment through „call to action” strategies and last but not least, developing an eco efficient logistical chain. Regenerative management accounting information system plays an important role in the increased complexity and competition in today and tomorrow's supply chain and extended enterprise, logistical systems and technologies.

Inbound regenerative management accounting ensures the flow of tangible and intangible assets and information in production networks. The economic and especially the green accounting perspective in this context calls for improving the performance assessment, evolving around issues related to human capital, intellectual capital and knowledge capital in the environmental goodwill account for the development and application of eco efficient logistics in the green global economy (Mirza et al., 2011; Owen, 2008).

The fourth step in the inbound model is the recycling and reuse of the material from which the economic entities' products are made from. This process consists of over-viewing and recalling moral and physical obsolete products, obtaining raw materials from own products and upgrading products and services (Thomson, 2014).

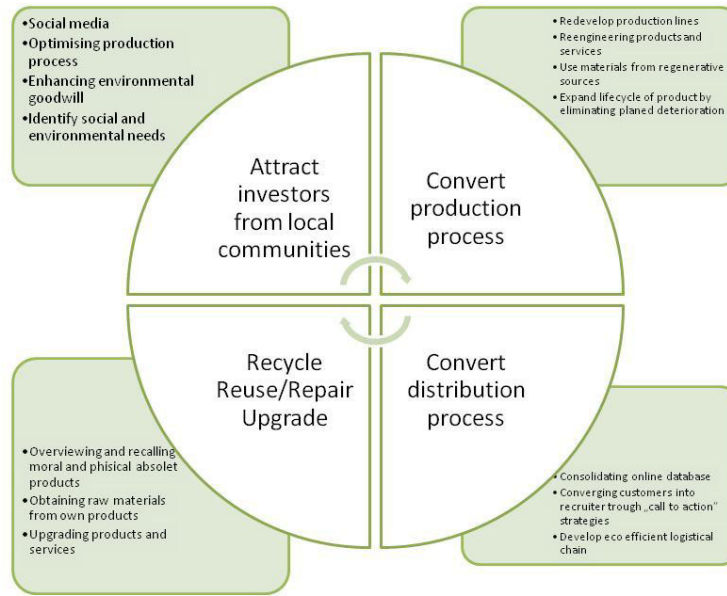


Fig. 2. Eco-efficient business model trough inbound regenerative management accounting

4. Discussions and conclusions

Inbound regenerative management accounting is a tool of changing the methodology of production and distribution of goods and services. Used by economic entities it stimulates managers to empower potential customers.

The classic management accounting tool offers its usefulness mostly to investors and shareholders ensuring high return rats and increases overall profit neglecting the social and environmental impact and generating tons of wastes in the process. Inbound management accounting represent a new and eco-efficient way of managing the production and distribution process, raising awareness and boosting social responsibility and in the same time generating high return rats and considerable profit on medium and long term while gaining comparative advantage on the global market.

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