

Research on Modern Corporate Cost Management and Cost Control Methods

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ABSTRACT

With the continuous deepening of economic system reform and the advancement of economic structure transformation in China, the business environment for enterprises is becoming increasingly complex and competitive pressures are intensifying. In such a context, enterprises that wish to develop stably amidst fierce industry competition should actively adopt and implement modern corporate management concepts, enhancing the level of operational management comprehensively. Cost management, as a core component of modern enterprise management, is crucial not only for the economic benefits of a company but also directly relates to its market competitiveness. However, many companies still face numerous problems in cost management. To address these issues, modern enterprises must face the current situation and adopt effective measures. On the one hand, the importance of cost management should be emphasized through education to enhance everyone's awareness of costs. On the other hand, the procedures for cost accounting must be standardized to ensure the accuracy and reliability of cost data. Moreover, it is essential to continuously explore and introduce advanced cost control methods to improve the effectiveness of cost control and cost management levels, thus providing a solid guarantee for the stable and healthy development of the company and meeting the needs of sustainable development in the future.

KEYWORDS

Modern Enterprises; Cost Management; Cost Control

1. INTRODUCTION

In recent years, as foreign capital markets continue to surge, Chinese enterprises face unprecedented competitive pressure. How to stand out in such fierce competition and strengthen cost management is particularly crucial. Cost saving not only affects the economic benefits of a company but is also key to achieving a sustainable development strategy. Therefore, adopting a more modern management concept has become a focal research topic for modern enterprises. However, we must clearly recognize that there are still many deficiencies in cost management and control. These shortcomings may stem from outdated concepts or flaws in actual operations. To overcome these problems, feasible optimization measures must be formulated to ensure that cost management can be effectively implemented. In practice, it is necessary to analyze every aspect of cost management in detail according to the actual development status of the enterprise, identify existing problems and weaknesses, and actively learn from domestic and international cost management experiences. Introducing new management ideas and methods continuously enhances the level and efficiency of cost management. Through such efforts, not only can the goal of cost saving be achieved, but a solid foundation can also be laid for the long-term development of the enterprise [1-4].

2. THE IMPORTANCE OF COST MANAGEMENT IN MODERN ENTERPRISE OPERATIONS

2.1. Enhancing Market Competitiveness

The significance of cost management in business operations is self-evident, as its effectiveness directly impacts the enhancement of a company's economic benefits. In this competitive era, to survive and develop, enterprises must focus on controlling and managing costs. Cost management helps enterprises accurately measure the relationship between each input and output, ensuring the maximization of resource utilization. Through scientific cost management, enterprises can reasonably allocate funds, manpower, and material resources, avoiding waste and redundancy. Additionally, cost management promotes the improvement of product quality. When enterprises can precisely control costs, they have more space and funds for research and development, improving the technological content and added value of products, gradually meeting consumers' demands for high-quality products, and winning more market share. Cost management not only reduces production costs but also increases profit margins through optimizing production processes, enhancing production efficiency, and reducing energy consumption, thus maintaining a leading position in the fierce market competition.

2.2. Developing Reasonable Pricing Strategies

In a highly competitive market, developing a reasonable pricing strategy is crucial for enterprises to gain market share and maintain competitive advantages. Scientific cost management provides enterprises with detailed, accurate cost data, including costs of raw materials, labor, and equipment depreciation. This data is essential for enterprises to formulate pricing strategies that meet market demands and ensure profit margins. A reasonable pricing strategy helps establish a good image in the market, enhancing consumer trust and loyalty. When enterprises offer high cost-performance products, consumers are more likely to choose these products, thus bringing more sales opportunities and market share to the enterprise. Simultaneously, scientific cost management also helps enterprises respond promptly to market changes. When prices of raw materials or labor costs fluctuate, enterprises can quickly adjust cost budgets and pricing strategies, maintaining market competitiveness.

2.3. Ensuring Sustainable Development

Cost management is an indispensable driving force for the sustainable development of enterprises. While pursuing economic benefits, enterprises must focus on the refinement and efficiency of cost management to ensure steady progress in the fierce market competition. Efficient cost management explores the potential for cost reduction within an enterprise, reducing unnecessary waste and improving resource efficiency, thereby promoting the healthy economic development of the enterprise. When enterprises can precisely control costs and optimize resource allocation, their economic benefits naturally improve, injecting momentum into their long-term development. Simultaneously, the economic development of an enterprise further promotes the efficiency of cost management [5-6]. As enterprises expand in size and business scope, cost management faces more challenges and opportunities. Enterprises need to continuously improve their cost management systems, enhancing professionalism and innovation in cost management to adapt to market changes and development needs. This virtuous cycle between cost management and economic development not only contributes to the stable and healthy development of enterprises but also solidifies their economic foundation. An enterprise with a solid economic base has more confidence and capability to expand markets and develop business, achieving more ambitious development goals.

2.4. Enhancing Enterprise Management Level

Cost management, as a core component of the enterprise management system, is directly related to economic benefits and is crucial for improving the overall management level, as shown in Table 1. It permeates every aspect of business operations, and strengthening cost management means rational allocation and efficient use of enterprise resources, requiring strict cost control in all phases such as procurement, production, and sales. This detailed management approach not only helps reduce costs but also enhances operational efficiency. More importantly, cost management fosters internal communication and collaboration. Under the framework of cost management, departments must work together to analyze cost structures and discuss cost control methods, which directly enhances the cohesion and centripetal force of the enterprise. Moreover, cost management provides a measure for evaluating work performance, making the goals of various departments clearer and management more standardized [7-8]. By strengthening cost management, enterprises can gradually establish a scientific and standardized management system, which enhances the economic benefits and elevates the overall management level to a new height.

Table 1. The Role of Cost Management in Enhancing Management Levels

The role of cost management in improving the overall management level	Specific performance
It involves all aspects of enterprise production and operation	Procurement, production, sales and other aspects of strict cost control to ensure efficient use of resources
It requires the cooperation of all departments	Work together across departments to analyze cost structure and discuss cost control methods
Promote communication and collaboration between departments	Strengthen information sharing between departments, promote work coordination, and improve team cohesion
Improve the overall management efficiency	Reduce waste, optimize processes and improve operational efficiency through fine management
Form a scientific and standardized management system	Establish perfect cost management system and process to ensure standard and orderly management

3. EXISTING PROBLEMS IN COST MANAGEMENT AND CONTROL OF MODERN ENTERPRISES

3.1. Weak Awareness of Cost Management

Cost control and management, as the core of business operation management, are undoubtedly important and affect future development trends. Cost control is not only about reducing unnecessary expenditures but also a key means to optimize resource allocation and enhance economic benefits. Cost management involves comprehensive, systematic planning, control, and analysis of costs throughout the business process to help minimize costs and maximize benefits. However, in reality, many enterprises do not place enough importance on cost management, focusing only on short-term profits and neglecting the long-term benefits brought by cost management. This short-sighted behavior leads to inadequate cost control, inefficient resource utilization, and, subsequently, reduced competitiveness. Therefore, all employees in modern enterprises should strengthen their focus on cost management and enhance their awareness of it. From top managers to frontline employees, everyone should understand the importance of cost management for the survival and development of the enterprise [9]. Through enhanced training and the establishment of incentive mechanisms, the level

of cost management in enterprises can be continuously improved, ensuring a competitive edge in the fierce market competition.

3.2. Lack of Standardized Accounting Procedures

Cost accounting, as a key component of cost control and management, can accurately reflect the cost status of enterprise production and operations, providing strong support for decision-making. However, many enterprises have issues with cost accounting, affecting the effectiveness of cost management and control. On one hand, due to insufficient understanding of production operations and specific processes by staff, the cost accounting processes set by enterprises often deviate from actual situations, leading to doubts about the accuracy of cost accounting and its ability to truly reflect the cost status of enterprises. On the other hand, non-standard cost accounting procedures are a common problem. For example, in equipment manufacturing enterprises, misunderstandings about material requirements in production phases, lack of standardized procedures for material procurement, receipt, and use directly lead to errors and deviations in cost accounting. This inaccurate cost accounting information cannot provide effective support for cost management and control and may even affect future development. Therefore, enterprises must strengthen the importance of cost accounting, enhance the professional qualifications of accounting personnel, and ensure the standardization and accuracy of cost accounting processes, providing a solid data foundation for cost management and control, and promoting healthy enterprise development.

3.3. Outdated Cost Control Methods

While most enterprises recognize the importance of cost management and give it high priority, in practice, they often neglect an in-depth analysis of their actual business management situations. This neglect results in a mismatch between chosen cost control methods and actual circumstances, failing to achieve the desired cost management effects. Influenced by objective factors, some staff lack sufficient innovation in cost control, often sticking to traditional methods and unable to innovate and optimize according to actual work needs. This prevents the enterprise's cost management from adapting to the current market environment and competitive pressures. For instance, in equipment manufacturing enterprises during development, target costing is a very effective cost control method that can help enterprises better control costs and enhance economic benefits. However, due to some employees' lack of mastery over new technologies and methods, they are unable to effectively integrate activity-based costing with information technology and information management systems, thus limiting the improvement of cost control levels. Therefore, enterprises should strengthen the cultivation of innovation awareness and capabilities among employees, encouraging them to actively learn and master new cost control methods and technologies [10]. At the same time, they should also conduct an in-depth analysis of their actual business management situations, choosing cost control methods that match their circumstances to ensure the smooth progress and effectiveness of cost management work.

4. EFFECTIVE METHODS FOR MODERN ENTERPRISES TO STRENGTHEN COST MANAGEMENT AND CONTROL

4.1. Enhancing Cost Management Awareness

As a key component of cost management, every detail in cost control should be taken seriously. Once enterprises set periodic goals for production and operations, cost control becomes an important means to achieve these goals. By precisely adjusting the expenses of economic activities, enterprises can effectively control costs and achieve their set cost management targets. To enhance production and operational efficiency and quality, and to strengthen market competitiveness, modern enterprises must proactively adopt modern management concepts, especially advanced cost management

concepts. This requires spreading the importance of cost management among senior managers and ensuring that every employee deeply understands the critical role of cost management in enterprise development. Only when all staff have enhanced cost management awareness can strategies for cost control and management be effectively implemented and transformed into a powerful force driving continuous enterprise development. To achieve this goal, enterprises need to establish a comprehensive training system and regularly conduct professional promotional education and training activities. Through these activities, employees can acquire advanced cost management knowledge and methods, enhancing their cost management level in actual work. Thus, cost control will no longer be mere rhetoric but will truly integrate into the daily operations of the enterprise, becoming a significant force pushing the enterprise forward continuously [11].

4.2. Optimizing Cost Accounting Procedures

Cost accounting is crucial for enterprises to fully and accurately understand their cost structure, thereby formulating more precise cost management plans. For equipment manufacturing enterprises, due to the specificity of their production and operations, the optimization of cost accounting is particularly important, as shown in Figure 1. Firstly, establishing a strict review system is key. By rigorously reviewing the Bill of Materials (BOM), it ensures that unapproved cost items do not enter the production phase, controlling costs from the source. Simultaneously, starting from the material end, a deep analysis of the BOM and inventory situation can accurately grasp material needs, avoiding unnecessary waste. Secondly, the production department should strictly follow the product BOM list during the production process, ensuring the rationality of production and material issuance. For production and material issuance that exceeds needs, strict evaluation and approval must be conducted to ensure that every investment is worthwhile. Furthermore, the reasonable allocation of production resources is also an important means of controlling costs. By allocating production equipment, spaces, and personnel according to capacity, production efficiency can be maximally enhanced, reducing manufacturing costs. Lastly, detailed recording of product information and conducting input-output analysis not only helps ensure the accuracy of cost accounting but also provides strong financial information support for the market positioning and sales strategies of products.

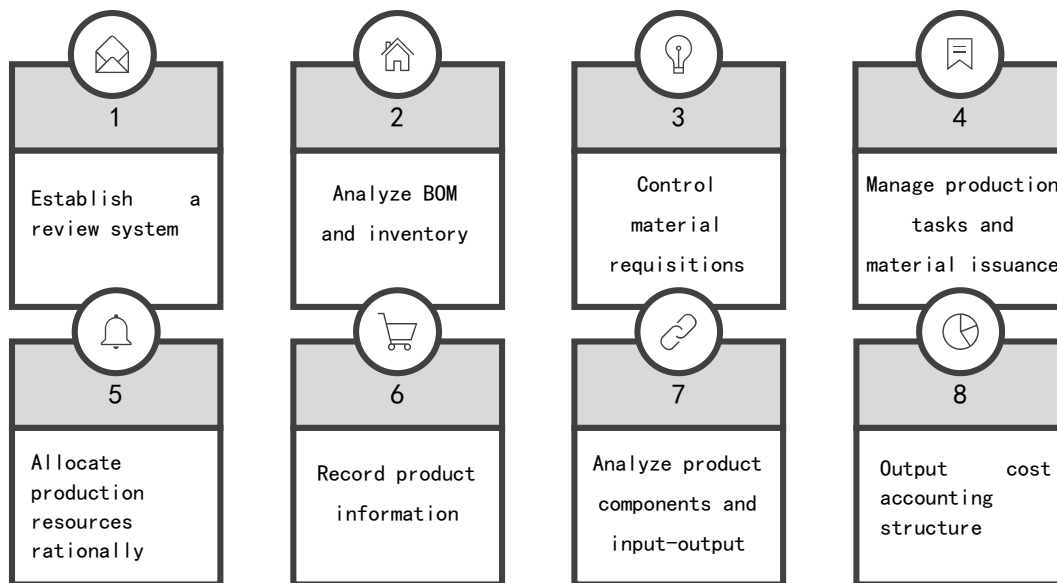


Figure 1. Flowchart of Cost Accounting in Cost Control and Cost Management

4.3. Innovating Cost Control Methods

In cost management, enterprises must choose appropriate cost control methods based on their actual business conditions to ensure the simultaneous improvement of management quality and economic benefits. The cost control methods adopted by enterprises are not static but should be flexibly adjusted as the business environment changes. Therefore, staff need to continuously summarize experiences, actively introduce advanced technologies, and innovate cost management methods to promote the continuous enhancement of cost management levels. For equipment manufacturing enterprises, methods like activity-based costing and target costing are effective cost control measures. Taking target costing as an example, enterprises can combine historical data and future expectations to set clear production and operation targets, based on which they can formulate budget management plans. In actual operations, enterprises need to detail cost management targets down to each link, ensuring the smooth achievement of targets through cost analysis, assessment, and evaluation [12]. Moreover, enterprises can leverage information management systems and advanced technologies like big data and cloud computing to efficiently record, classify, and manage production and operation information, conducting precise cost analysis. This optimizes cost control methods, enhances cost management efficiency, and ensures that cost management plans are effectively executed in actual work.

5. CONCLUSION

In summary, if modern enterprises wish to maintain stability, competitiveness, and achieve long-term development in a new social context, they must enrich their cost control methods based on actual development conditions and strengthen the cost management awareness of all staff. This is key to enhancing the economic benefits of enterprises, and it is also a necessary means to enhance market competitiveness and ensure sustainable development. To achieve related goals, enterprises should conduct in-depth analyses of both internal and external market conditions, combining their actual situations to establish scientific and rational cost management targets. After adequate preparatory work, constructing a comprehensive cost management plan is crucial, considering all aspects of cost control and ensuring the feasibility and effectiveness of the plan. Based on industry development needs and the current situation of enterprise development, modern enterprises should also focus on enhancing the comprehensive qualifications of their staff, particularly improving employees' cost control capabilities. Through training and education, employees' cost awareness can be enhanced, enabling them to actively implement cost management targets in actual work. This has a positive and profound impact on the long-term development of the enterprise.

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